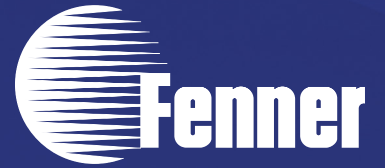

Preliminary Announcement 2012

Financial Highlights

	2012	2011	
Revenue	**£830.6m**	£718.3m	+ 16%
Underlying operating profit 1	**£118.8m**	£91.4m	+ 30%
Operating profit	**£107.6m**	£82.5m	+ 30%
Underlying profit before taxation 2	**£103.9m**	£80.2m	+ 30%
Profit before taxation	**£88.6m**	£69.6m	+ 27%
Underlying earnings per share 2,3	**36.1p**	28.1p	+ 28%
Basic earnings per share	**30.3p**	24.6p	+ 23%
Dividend per share	**10.5p**	8.0p	+ 31%

Divisional Performance

	Engineered Conveyor Solutions		Advanced Engineered Products		Unallocated Corporate		Total	
	2012 £m	2011 £m	**2012 £m**	2011 £m	**2012 £m**	2011 £m	**2012 £m**	2011 £m
Revenue	**593.4**	510.7	**237.2**	207.6	**-**	-	**830.6**	718.3
Underlying operating profit 1	**84.4**	61.1	**43.6**	38.2	**(9.2)**	(7.9)	**118.8**	91.4
Operating margin	**14.2%**	12.0%	**18.4%**	18.4%			**14.3%**	12.7%

1 Underlying operating profit is before amortisation of intangible assets acquired

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

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

Forward-looking statements

Certain statements contained in the 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, growth in the commodity markets, general economic conditions and the business environment.

Chairman’s Statement

In my first full year as Chairman of Fenner, I am delighted to report on the progress made in the year. Both divisions of the Group have performed well which has resulted in a record financial performance.

Financial highlights

Revenue increased by 16% to £830.6m with predominantly strong demand levels from the energy and mineral extraction sectors. Underlying operating profit reached a record level for the Group, advancing by 30% to £118.8m. Operating profit also increased by 30% to £107.6m.

Underlying earnings per share increased by 28% to 36.1p and basic earnings per share increased by 23% to 30.3p.

Free cash flow generated amounted to £63.0m. From this, we were able to fund £34.3m for acquisitions and return £18.0m to shareholders in dividends whilst still reducing debt. Our closing net debt was £97.7m (2011: £101.8m).

In recognition of the increased quality of the Group’s earnings and our confidence in the future, the Board is recommending an increase in the final dividend to 7.0p per share which gives a total dividend for the year of 10.5p per share (2011: 8.0p), representing a 31% increase.

Overview

We have remained focused on our long-term strategy and shorter-term goals and have achieved significant progress in both areas.

In the Engineered Conveyor Solutions (“ECS”) division, we experienced strong trading conditions for much of the year although construction markets remained weak. Our southern hemisphere and European operations performed consistently well throughout the year. In the latter months, we experienced some slowing of order intake from the coal sector in our US operation as a result of the re-alignment of customer output with consumption following the extremely mild winter and uneconomical pricing of natural gas albeit coal stockpiles are slowly returning to more normal levels with a recovery in US natural gas prices and increasing US coal export activity.

Our strategic initiatives have progressed well. Following recent investments, global manufacturing capabilities were leveraged to meet customer demand patterns. In December 2011, the acquisition of Allison Custom Fabrication further strengthened our position as the leading provider of engineered conveyor solutions in North American markets.

In the Advanced Engineered Products (“AEP”) division, growth was underpinned by strong demand from the oil and gas sector and investment to broaden our geographical coverage. The latter includes initiatives to develop identified growth markets, both organically and acquisitively. In September 2011, the acquisition of Transeals enabled greater access to the Australian mining and oil and gas aftermarket.

In September 2012, after the year end, three bolt-on acquisitions were completed. American Industrial Plastics complements our existing capabilities and provides specialist expertise in precision machining of polymers. Norwegian Seals expands our presence in oil and gas to the subsea sector. Mandals, which produces lay-flat hoses, provides high value added solutions to customers’ needs in fluid handling markets.

In October 2012, we exchanged contracts to acquire Australian Conveyor Engineering ("ACE") and expect to complete this transaction at the end of November 2012. ACE, which specialises in high capacity conveyor systems to the mining sector, furthers Fenner Dunlop's strategy of being the supplier of choice for engineered conveyor solutions in Australia.

People

During the year, we welcomed Vanda Murray to the Board as Senior Independent Director. Her strengths lie in sales and marketing, particularly in organisations with a wide geographical reach, which complements the Board’s skills set.

At the forthcoming Annual General Meeting in January 2013, David Buttfield will leave the Board after 10 years. This includes extending his tenure following the untimely and sad death of David Campbell in 2010. On behalf of the Board, I would like to thank David for his valuable contribution.

I believe that our employees are critical to our continued success. I would like to take this opportunity to express my thanks to all our employees around the world for their commitment and dedication.

Governance

The growth, strength and resilience of Fenner is built on the bedrock of strong governance and high business standards. These principles remain part of our fundamental core values.

During the year, the Board reviewed our policy on diversity which resulted in a Board Diversity Statement being implemented. The Nomination Committee considers diversity in all forms when making appointments with the best candidate being selected based on merit regardless of gender, ethnicity or religious beliefs. This philosophy on diversity runs throughout the Group.

The Board has made several site visits around the Group which included operations within the USA, the Netherlands and the UK. These visits have helped to broaden the non-executive directors' knowledge of the Group's business.

Corporate Responsibility

To Fenner, conducting business in an appropriate manner means delivering high standards of health and safety to provide safe working conditions, a respect for the environment in which we work and behaving with integrity. As an organisation, we believe that being both a good neighbour and employer and having a positive influence in our communities will contribute to the sustainability of our business.

The Group Health & Safety Management System Framework is embedded worldwide and facilitates a continually improving health and safety culture. Concern for the Group's impact on the environment is a fundamental part of our corporate business strategy as we contribute towards a sustainable future. Our Code of Business Conduct sets out the behavioural standards expected of all employees. The cornerstones of the Code are fairness, honesty and integrity.

Outlook

The year just ended was one of excellent growth, delivering record results. Reflecting this performance, the improved quality of the Group's earnings and our confidence in the future growth of the business, the Board is recommending a 31% increase in the dividend for the year.

As we have highlighted, in the latter part of the year, ECS saw slower demand from the US coal sector offset by stronger demand elsewhere. Order rates from the US coal sector bottomed in May and have improved steadily since. While we do not expect to benefit fully from the positive impact of this trend until the second half, the divisional order book is satisfactory overall. Commodity prices have recently reduced which, while not directly weakening activity for ECS, may lead to some short-term pressure on margins.

The AEP operations are trading satisfactorily, albeit with some pockets of moderate destocking. Recent acquisitions are expected to support continuing growth.

We remain mindful of the current global economic uncertainty. Given both anticipated end market trends and the very strong first half last year, we expect our performance to be more heavily weighted to the second half of the current year.

As a result of our investment programme over recent years, Fenner is a much stronger and more resilient business serving a more diverse customer base. The fundamentals of our core markets underpin healthy, long-term growth, and we continue to be encouraged by the number of identified opportunities for sustained value creation.

Mark Abrahams
Chairman

Chief Executive Officer's Review

Strong demand, combined with the benefits of our investments, produced higher margins and record earnings.

Introduction

In another record year it is difficult to pick out specific successes but the growing acceptance of the Engineered Conveyor Solutions concept by some key customers and the growth of Fenner Advanced Sealing Technologies within the Advanced Engineered Products division, both by organic investment and acquisition, stand out. The recognition of the eminence of Secant Medical in the design of medical textiles was reflected in its revenue growth and also deserves a mention.

Throughout this report we have introduced the updated vision and strategy for Fenner which was developed by the Executive Committee, with the support of the Board and the input of senior management across the Group. This builds on our success to date and demonstrates how we will drive long-term value for our customers, employees and shareholders.

Business model

The Fenner business model is to devolve authority into the operating units, within an appropriately controlled environment. These operating units are close to our customers and are responsible for delivering the products and services to them. The operating units are grouped into two divisions: the Engineered Conveyor Solutions ("ECS") division and the Advanced Engineered Products ("AEP") division. These two divisions enable us to develop expertise within each market segment across our wide geographic footprint. Our culture of continuous improvement and investment ensures that our products meet and exceed the demands of customers.

ECS and AEP both provide premium quality, comprehensive, market focused, whole life value products and services. This has enabled both divisions to build strong brands and excellent reputations in their chosen markets. These characteristics are considered to be the key to the success of the Group.

Fenner has an experienced and stable management team, backed by solid financial performance and a robust balance sheet. Accordingly, Fenner is able to continue to invest organically and by acquisition to maintain and develop its strong market positions and strategic partnerships.

Market overview

The economic recovery continues, but it has weakened. In advanced economies, growth is now too low to make a substantial dent in unemployment and in major emerging market economies, growth rates that had been strong have also slowed. The IMF growth forecasts for 2013 have been revised from 2.0% down to 1.5% for advanced economies and from 6.0% to 5.6% for emerging and developing economies although they note that, "… trade channels are surprisingly strong, with, for example, lower exports accounting for most of the decrease in growth in China." (Source: IMF World Economic Outlook, October 2012).

The demand for ECS goods and services is primarily driven by the tonnage of minerals extracted, handled and consumed. Mineral extraction and consumption tonnages are in turn driven by the internal growth of emerging economies. Coal is our most important market, followed by iron ore and copper ore. Other minerals and aggregates are important in some geographic markets. Energy coal prices fell during the year despite production volumes continuing to increase on a global basis. The USA has seen reductions in consumption which were predominantly due to local factors, some of which, like the price of natural gas, are considered short-term effects. Iron ore and metallurgical coal prices held up well until the final quarter of the Fenner financial year allowing record export levels to be declared by BHPBilliton and Rio Tinto.

Following our year end there was a market correction in commodity prices which was driven by uncertainty over the continued growth in demand. Nevertheless, prices still remain well above those during the global financial crisis. The medium to long-term projections for coal demand from the International Energy Agency show continued growth.

There is no single driver of demand for the AEP division. However, significant revenues are derived from oil and gas, medical, construction and the general industrial markets of North America. The oil and gas markets continue to perform well, not only from steady demand and security of supply, but also from the increasingly sophisticated extraction methods, such as shale gas "fracking", which require our high performance products. Despite regulatory changes in the USA, the medical market looks favourable while construction remains weak and the North American industrial market has, to date, held up well.

Nicholas Hobson
Chief Executive Officer

Operating Review

Performance

Continued growth was driven by demand from Fenner's major markets: mining for ECS and oil and gas and medical for AEP, but growth was also seen through our distribution channels into general industrial markets. This delivered a second year of significant revenue growth for both divisions. Not all end markets performed equally strongly with weakness experienced in the construction market in particular. Geographically, the Asia Pacific region saw the strongest growth followed by the Americas. Although ECS showed a slight increase in new project work, 69% of Group revenue was derived from the MRO (Maintenance and Repair Organisation) and service aftermarket with the remaining 31% sourced from OEMs (Original Equipment Manufacturers) and new projects. In general, growth rates eased as the year progressed.

Health and safety

The Group is absolutely committed to ensuring that all employees can work safely at all times. This overriding commitment to provide a safe and secure working environment extends to those employees of other companies working on our behalf as well as to customers, visitors and neighbours who may be affected by our activities.

The Group has continued to grow in 2012, both organically and by acquisition. That growth brings with it greater responsibilities and enhanced expectations from our customers, employees and neighbours. Fenner promotes health and safety as a key element in the culture of each of its operations. The Health & Safety Management System Framework ("The Framework") provides structure and guidance to all operations, irrespective of size, to deliver continuous improvement within our unique culture of autonomy with accountability. Providing services at customer facilities is a growing part of our business. Often these customers demand sound health and safety management systems. For such customers, The Framework, our health and safety management systems and the associated training are a significant and unique selling proposition.

The most significant indicator of health and safety performance is the Lost Time Incident Frequency Rate which shows a continuing improving, downward trend because of improvements in our health and safety performance. We also monitor the absolute number of lost time incidents. The selection of an absolute measure across the whole Group, which does not reflect changes in employee numbers or hours worked, demonstrates our belief that everyone who works for Fenner should return home in the same fit and healthy state in which they came to work. With significant commitment from all levels of management and a focus on health and safety through The Framework, it is disappointing to report a small increase in the number of lost time incidents compared to the previous year. Delivering continuous improvement year-on-year is challenging and, as our operations respond to increasing demand with higher output, additional working hours and new staff are required.

Employees

In 2012, our sales growth again outstripped our employee growth, pointing to the Group reaping the benefits of its employee development and improving business practices. The average number of employees increased by 422 in 2012 to 4,970, an increase of 9%. This increase largely occurred in the first half of the year, with the majority of the new employees joining existing operations in production and service roles.

All our operations have processes that require high levels of proficiency and technical expertise. Some of those skills are not available in the general workforce in every region. Therefore, we have increased our commitment to training and development. Fenner continues to benefit from a skilled and committed workforce in both our acquired and existing operations. We acknowledge the importance of our employees' contribution to the performance of the Group.

The productivity, and in the service operation the utilisation, of our employees is a key factor to success. Due to the diversity of our operations, this is best measured by total sales per employee. Sales per employee shows that this year productivity increased primarily due to those recruited in 2011 and 2012 becoming fully trained and productive. Other factors behind the 5% improvement include continued efficiencies from ongoing capital investment and other improvement initiatives such as six sigma programmes.

Customers and suppliers

From the large multinational oil, gas and mining companies to the smallest medical start-up, across thousands of customers, each Group operation ensures it is meeting its customers' expectations. Experienced sales teams maintain close contact with customers, providing feedback on those expectations and ensuring satisfactory actual performance. These qualitative indicators are complemented by quantitative measurements including customer surveys and "on time in full" performance. Whilst some operations are dependent on a small number of customers, Fenner's largest customer accounts for less than 5% of revenue.

Fenner uses a wide range of materials, from thousands of tonnes of rubber compound to a few hundred grammes of biomaterials, so our operations work closely with selected suppliers to ensure that our customers benefit from the latest technical developments in materials and processes. The majority of these relationships are in the normal course of business,

ensuring quality, continuity of supply and competitive commercial terms. Where appropriate, and usually relating to technical developments, relationships are formally documented. After the volatility of the previous year, in 2012 most Fenner operations saw stable material prices and improved availability. Close cooperation with established suppliers and active development of new sources has ensured, and continues to ensure, continuity of supply, consistent quality and technical leadership.

Engineered Conveyor Solutions

The ECS division, trading under the Fenner Dunlop, Fenner and Dunlop brand names, is a recognised leader in the global conveying market. The division offers a unique, comprehensive suite of products and services which serve the conveying needs of mining, power generation and bulk handling markets. These products and services, which include heavyweight ply, solid woven and steel cord conveyor belting backed-up with design, installation, monitoring and maintenance services, is tailored to suit each customer’s individual needs. Commercial arrangements vary from a purely transactional relationship to a full strategic partnership to reduce both conveyor downtime and total cost of ownership.

The ECS division experienced positive trading conditions throughout most of the year under review, driven by record levels of coal and iron ore extraction. Although construction markets remained weak, growth in revenue of 16% was spread across all regions. Order intake from the US coal sector slowed in April and May but has improved steadily since. The growth in sales of steelcord conveyor belting continued unabated throughout the year. Margins benefitted from improved manufacturing efficiencies and exploitation of the capabilities of the plant and machinery commissioned in recent years.

In December 2011, Fenner acquired Allison Custom Fabrication, Inc., based in Western Pennsylvania, which specialises in the design, engineering, machining and metal fabrication of customised material handling equipment. This acquisition strengthens Fenner Dunlop’s engineered conveyor solutions capability to help customers improve safety and reduce total cost of ownership, in both above and below ground conveying applications. We have continued to develop the ECS offering in North America and Australia where product teams have been established to identify and promote product lines which are suitable for branch based selling. Conveyor diagnostic product systems continue to increase in importance, supporting both the ECS model and the sale of premium products. Systems are now established and performing well in the UK, South America, North America, Africa and Australia.

Australia

Year-on-year growth continued in the Australian operations. Coal and iron ore remain the main trading exports for the country and the biggest drivers for the trading performance of our Australian ECS operations. The medium to long-term forecasts for both of these commodities remains positive. Revenue growth was led by the service and ancillary products which now account for over half the sales in Australia; belting sales also increased. This sales mix will provide protection against slower belting demand in any future environment and, when combined with our regional branch distribution, provides real competitive advantage.

The new Kwinana press project is on target for completion in 2013. Site preparation is now complete and capital equipment has been despatched. The new steel cord press is to be sited alongside the existing press, which operated uninterrupted throughout the civil engineering phase. The steel cord order book at the end of the 2012 fiscal year is twice as high as at the previous year end.

After the year end, in October 2012, Fenner exchanged contracts to acquire Australian Conveyor Engineering ("ACE"). The transaction is expected to complete at the end of November 2012. ACE specialises in supplying engineered conveyor solutions for the design, manufacture and installation of high capacity conveyor systems for both surface and underground mining, with the capability to take projects from the initial concept to the commissioned conveyor system. The acquisition is a significant development for the Fenner Dunlop engineered conveyor solutions offering in Australia, through which we are growing by strengthening our capabilities to effectively manage the lifetime cost of our customers' conveyors throughout the business cycle.

Americas

Fenner Dunlop Americas built on the improvements in the previous financial year to deliver record results for the second year in a row. Revenue growth was supported by improved operating efficiency arising from recent major capital investments.

In the second half, market sentiment weakened in the coal mining segment, resulting in a decline in order rate which has since improved. The record mild winter temperatures in the USA resulted in surplus coal stockpile at power plants. In addition, the availability of low price natural gas and pressure on carbon emissions led to power producers switching from coal to natural gas. Coal’s share of power generation declined from 50% to a historically low 37%. Over recent months coal stocks have fallen and gas prices are rising. Fenner Dunlop Americas is a supplier and partner to many customers who are financially strong and who are amongst the lowest cost producers of coal. These customers are better protected from volume and margin pressures that have resulted in the closure of smaller, less efficient mines.

The bulk materials segment remains soft, but therefore represents opportunities for growth in the future once housing construction returns to more normal historic levels. Prices for commodities, including copper and iron ore, mean that they remain relatively attractive prospects in Canadian, Mexican and South American markets. Steel cord belting remains in strong demand and delivery lead times have been, and remain, extended.

Whilst diversification into new territories and market segments continues to reduce the dependency on the coal mining industry, US service operations are primarily focused on coal mining, handling and coal fired power generation. We remain positive about the market demand for services, not least because the mining industry is facing a skills shortage and therefore the recruitment, training and retention of skilled technicians is an increasing challenge. Our Chilean operations in Antofagasta and Santiago primarily provide services to the copper mining industry and have made significant gains in 2012 as well as generating conveyor belting sales throughout South America.

Europe

Based in Drachten in the Netherlands, Dunlop Conveyor Belting serves European markets and exports extensively. Western European demand declined during the year but export markets in French Africa, South America and the Middle East continue to be strong, with political instability in some of these markets providing opportunities as well as risks. Dunlop Conveyor Belting now has eight service outlets across Europe and one in North Africa, which not only generate local service revenue, but also support customers locally, enhancing market share.

Solid Woven

The solid woven operations have performed well this year, largely due to increased demand from both coal and potash producers, and, whilst the growth rate is currently weakening, current demand appears to be sustainable. The UK based solid woven operation grew its market share in the former Soviet Union and benefited from robust demand from the Canadian potash market whilst maintaining market share in Western Europe. Demand from the Indian public sector is growing, albeit slowly, which is supplemented by a developing private sector, although the export markets remain a significant and attractive market for our Indian operation. Our operation in China exceeded expectations in the year under review; its largest customer returned to the market following destocking in the previous year and our programme to widen the customer base saw early successes. China remains cost sensitive and, in the current environment, gaining full commercial recognition for the benefits of our technically superior product is challenging.

Despite labour unrest and a reduction in mine output, our South African operation has grown in the year following market acceptance of our local steel cord products. Margins suffered from the rapid deterioration of the Rand early in the year. Uncertainty over mining mineral rights and political calls for nationalisation continues to delay new projects, which in turn limits our opportunities in the short term, but we have begun to diversify away from our dependence on South African coal.

Advanced Engineered Products

Operations within AEP provide high value added solutions to customers' most challenging engineering problems using advanced polymeric materials, expertise in application design, effective manufacturing design skills and timely delivery. Expansion into further mission-critical applications is a key part of the AEP strategy. The high added value, niche nature of the product range provides protection against the full effects of economic volatility.

The AEP division is divided into five product group operations which are managed on a global basis. These operations are detailed below.

- Fenner Advanced Sealing Technologies comprises: performance-critical hydraulic seals for the global fluid power industry, trading as Hallite; CDI Energy Products, which is focused on sealing solutions for the oil and gas markets; and EGC Critical Components, which develops and supplies bespoke products for process applications including electronics, pumps, valves, compressors and aerospace applications;

- Solesis Medical Technologies, focused in North America, comprises Secant Medical, a leading developer and manufacturer of custom-engineered biomedical textile structures for implantable medical devices, including Prodesco, which provides a wide range of sophisticated industrial fabrics; and Xeridiem, which develops and manufactures single use disposable devices;

- Fenner Precision provides unique solutions to OEM system design challenges including engineered rollers and tyres, precision belts and pulleys and custom moulded engineered polymer products;

- Fenner Drives designs, manufactures and sells an extensive range of bespoke solutions for mechanical power transmission and motion transfer applications; and

- James Dawson manufactures silicone and EPDM speciality hoses for the diesel engine and off-road equipment OEM market.

Fenner Advanced Sealing Technologies

Fenner Advanced Sealing Technologies ("FAST") manufactures performance-critical seals for mobile hydraulic equipment, mining and oil and gas extraction and exploration equipment. FAST also produces high reliability seals and other performance-critical products for pump, valve and compressor applications and continues to diversify into similar applications in the medical, semiconductor processing and aerospace markets. It has global operations with production plants in the UK, Germany, USA, China and Singapore and sales branches located in France, Italy, Australia, Canada and Brazil, with a branch planned for India. In the year under review, FAST continued to grow strongly through wider geographical coverage and increased market share. The successful integration of Transeals, the creation of an integrated distribution system in Australia and the initial benefits of aftermarket initiatives all contributed to good strategic progress. In 2012, we increased our presence in China by opening a new production facility in Suzhou, which continued our investments in the aftermarket. Other aftermarket initiatives continue: all of the sales branches now have CNC machines to enable custom seals to be produced quickly, mobile engineers help customers select the right seals and salesmen directly sell to the oil and gas fields.

After the year end, in September 2012, Norwegian Seals was acquired to enable sales to be developed to the Norwegian continental shelf and North Sea oil and gas markets. Also in September 2012, American Industrial Plastics in Florida, USA was acquired to broaden our precision machining capabilities for both CDI and EGC. It also gives the operation an increased presence in the medical equipment component market.

Investment continues in the new integrated IT system for the whole of FAST, which will enhance our ability to serve aftermarket customers effectively and will provide a platform for internet trading. FAST continues to expand its global presence, maintaining its reputation for high quality products and selectively broadening its product range to satisfy new market opportunities.

Solesis Medical Technologies

Fenner continues to invest for growth in its existing medical operations as well as searching for complementary acquisitions under the brand umbrella "Solesis Medical Technologies".

There are two operations in AEP which focus on the medical market, although other operations within the Group supply components to the medical equipment markets.

Both Secant Medical and Xeridiem serve the medical device market using the same business model; customers who have identified an unmet clinical need contract with either company to design a component or product to meet that need. Both operations are structured to make a profit on those development activities while retaining manufacturing rights should the customer's product be commercialised. Between them, the operations are active in cardiology, urology, orthopaedics, sports medicine, soft tissue repair, gastroenterology, enteral feeding, gynaecology, neurology plus general and bariatric surgery. Both operations are focused on North America.

Secant Medical, based in Perkasie, Pennsylvania, manufactures textile components for permanently implanted medical devices. Xeridiem, based in Tucson, Arizona, manufactures complete, single use disposable devices that spend some time inside the human body. Based on the findings of best practices research, Frost & Sullivan presented the 2012 North American Enabling Technology Award in Medical Implantable Textile Structures Design Approach to Secant Medical, providing external recognition of our leadership in this field.

In the year under review, Xeridiem experienced rapid commoditisation of its heritage catheter market. Substantial price pressure was more than offset by the growth delivered by the Secant product development pipeline, delivering overall revenue growth of 7%.

Medical device manufacturers increasingly view their core competency as managing health outcomes. They mitigate risk by outsourcing production and reducing internal product development costs and prefer to acquire products that have successfully navigated the regulatory maze and been commercialised. This strategy requires a population of start-up companies with novel technologies in order to be successful. The population of such companies has been reducing due to the dearth of early stage financing from the private equity community. A number of large medical device manufacturers have started their own venturing divisions to provide seed capital for new ventures. This has had the unexpected benefit of significantly increasing the quality of the projects being worked on as only the best receive funding.

Populations, especially in the West, continue to age and gain weight; these are both predictors of future medical device consumption over the medium term. For the longer term, additional emphasis will need to be placed on developing countries.

Fenner Precision

"Designed to fit your needs - exactly!" is the promise Fenner Precision makes across its product offering of bespoke belts, stretch bands, tyres and rollers for office equipment and paper handling. In addition, Fenner Precision produces composite mouldings in a wide range of materials and sizes for specialist engineering applications such as grout seals for offshore wind

farms. A single sales force focuses on the self service, ATM, digital printing and specialist engineering markets throughout the world. Products are then delivered by one of three factories in the USA and the UK, supported by presences in Shanghai and Singapore.

Fenner Precision continues to make good overall progress across a wide range of niche markets by growing market share and successfully introducing new products.

Fenner Drives

Fenner Drives' range of added value, innovative products is used to solve problems in power transmission, motion control and package handling industries worldwide. Fenner Drives brands such as PowerTwist link belt, Eagle polyurethane belting, B-LOC and Trantorque keyless bushing and T-MAX tensioners are well known and widely accepted in many of the world's industrialised economies. The year has seen limited market growth in North America and new competitors entering the market for some products which has limited margins and growth. However, opportunities in South America have compensated for weak European markets and growth opportunities remain, particularly in South America, the Middle East and Eastern Europe. Through investment in staff, equipment and IT, we continue to improve our product development which should deliver growth at a higher rate than the underlying market.

James Dawson

Despite variations in both geographical and market segments, overall demand remained steady for most of 2012, with a general softening towards the end of the year. Stationary power generation equipment performed strongly, followed by heavy trucks, with off road and construction weaker. James Dawson continued to focus on streamlining production and improving capability and efficiencies, including developing a new facility which will see all organic rubber manufacturing transferred into a modern and efficient environment over coming months. Our technical expertise in reinforced silicone and EPDM remain key competitive advantages, with new products being developed to address stricter emissions standards and higher operating temperatures for diesel engines.

Acquired in early September 2012, Mandals is a leader in an area of reinforced polymer technology which complements our existing operations, particularly James Dawson. Based at the southern tip of Norway, Mandals is a manufacturer of innovative lay-flat and speciality hoses for use in demanding applications in the agricultural, infrastructure, potable water and oil and gas markets around the world.

Nicholas Hobson
Chief Executive Officer

Group Finance Director's Review

Revenue and operating profit

Group revenue increased by 16% to £830.6m (2011: £718.3m). The effect of acquisitions completed in the year contributed £12.8m and the favourable translation effect of exchange rate movements amounted to £4.5m, the largest component relating to the stronger Australian dollar.

In the ECS division, revenue increased by 16% to £593.4m (2011: £510.7m) and in the AEP division, revenue increased by 14% to £237.2m (2011: £207.6m).

Underlying operating profit increased by 30% to £118.8m (2011: £91.4m), a record performance. The effect of acquisition activity contributed £1.7m and the favourable translation effect of exchange rate movements amounted to £0.7m. Divisional profits contributed were £84.4m (2011: £61.1m) from the ECS division and £43.6m (2011: £38.2m) from the AEP division.

Amortisation of intangible assets acquired increased to £11.2m (2011: £8.9m), principally due to acquisition activity.

Group operating profit increased by 30% to £107.6m (2011: £82.5m).

Net finance costs

Finance costs, net of finance income, increased by £6.1m to £19.0m. This comprised net interest payable of £14.9m (2011: £11.2m) and notional interest of £4.1m (2011: £1.7m).

The increase in net interest payable principally arose from the full year effect of the additional cost associated with the drawdown of long-term funding from the private placement in the last financial year compared with lower short-term rates earned on amounts deposited.

The majority of the Group's borrowing costs are at fixed interest rates, principally arising from the US dollar private placements and related cross-currency swaps.

Notional interest comprises: amounts related to defined benefit post-retirement schemes and the unwinding of discount on provisions, principally arising from deferred payments on acquisitions, totalling £1.9m (2011: £1.7m); a charge of £1.7m (2011: £nil) relating to an increase in the redemption liability on the purchase of non-controlling interests in acquisitions resulting from an increase in the projected profits compared to previous estimates; and a charge of £0.5m (2011: £nil) relating to an increase in the estimated financial obligation under a cooperative joint venture contract in China.

Taxation

The tax rate for the year was 30% (2011: 29%) whilst the underlying rate was 29% (2011: 30%).

Although a large proportion of Group profits are earned in the USA where marginal tax rates are in excess of 35%, this was offset by lower rates elsewhere in the world, particularly in the UK, the Netherlands and Canada.

Earnings per share and dividends

Underlying earnings per share was 36.1p (2011: 28.1p) and basic earnings per share was 30.3p (2011: 24.6p).

The interim dividend of 3.5p per share (2011: 2.65p) was paid on 5 September 2012. The Board is recommending a final dividend of 7.0p per share (2011: 5.35p) to make a total dividend for the year of 10.5p per share (2011: 8.0p). This total dividend represents a distribution of 29% (2011: 28%) of underlying earnings.

Acquisitions

The Group completed two acquisitions during the financial year and three acquisitions after the year end. In addition, after the year end, we exchanged contracts on a further acquisition.

Acquisitions during the financial year:

In September 2011, the Group acquired the entire share capital of Transeals Pty Limited ("Transeals"), a privately owned company based in Perth, Australia. Transeals manufactures and distributes seals used in hydraulic equipment, currently serving the western parts of Australia. This acquisition allows the Hallite operation in Australia, which is mainly east coast based, to develop its aftermarket presence in the buoyant mining and oil and gas markets of Western Australia. The cash consideration was £8.1m.

In December 2011, the Group acquired substantially all of the operating assets of Allison Custom Fabrication ("Allison") in Pennsylvania, USA. Allison specialises in the design, engineering, machining and metal fabrication of customised material handling equipment, primarily for the mining markets of Pennsylvania and West Virginia. This acquisition further strengthens Fenner Dunlop Americas' position as the engineered conveyor solutions provider in the Americas. The initial cash consideration was £15.0m with contingent and deferred consideration estimated at £10.4m.

Further disclosures of acquisitions during the financial year are given in note 16.

Acquisitions made after the financial year end:

On 1 September 2012, the Group completed the acquisition of substantially all of the assets and liabilities of American Industrial Plastics, Inc ("AIP"), based in Florida, USA. AIP is a precision machining company with the ability to machine advanced polymers for application in the oil and gas and medical markets as well as manufacturing performance precision components for a range of niche applications including aerospace. The initial cash consideration was £16.7m with contingent deferred amounts estimated at £6.3m.

On 3 September 2012, the Group completed the acquisition of 100% of the share capital of Norwegian Seals, which has operations in Norway and the UK. Norwegian Seals manufactures and distributes performance-critical seals into the oil and gas market. This acquisition will allow the FAST operation to exploit the North Sea market and enhance Norwegian Seals' ability to build its growing industry reputation and presence. The initial cash consideration was £10.3m, excluding working capital adjustments, with contingent deferred amounts estimated at £5.7m.

On 3 September 2012, the Group completed the acquisition of 100% of the share capital of Mandals, based in Norway and Sweden. Mandals is a manufacturer of innovative lay-flat and speciality hoses for use in demanding applications and of circular looms for the manufacture of the woven fabric used in the production of hoses. The acquisition builds on our expertise, providing performance-critical applications to the agricultural, infrastructure, potable water and oil and gas markets. The initial cash consideration was £12.5m, excluding working capital adjustments, with contingent deferred amounts estimated at £1.3m.

All amounts above are based on exchange rates at the dates of completion.

On 26 October 2012, the Group exchanged contracts to acquire 100% of the share capital of Australian Conveyor Engineering Pty Ltd ("ACE"), based in New South Wales. The transaction is expected to complete at the end of November 2012. ACE specialises in supplying engineered conveyor solutions for the design, manufacture and installation of high capacity conveyor systems for both surface and underground mining, with the capability to take projects from the initial concept to the commissioned conveyor system. The acquisition furthers Fenner Dunlop's strategy of being the supplier of choice for engineered conveyor solutions in Australia, offering mining customers integrated solutions for improving the safety and total cost of materials handling.

Further disclosures of acquisitions after the financial year end are given in note 17.

Cash flow and net debt

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

	2012	2011
	£m	£m
Net cash from operating activities	**103.6**	79.8
Net capital expenditure	**(28.3)**	(14.9)
Net interest paid	**(12.3)**	(11.2)
Free cash flow	**63.0**	53.7
Acquisitions	**(34.3)**	(29.7)
Dividends	**(18.0)**	(14.6)
Cash generation	**10.7**	9.4
Exchange movements	**(4.7)**	0.5
Other movements	**(1.9)**	(1.3)
Reduction in net debt	**4.1**	8.6
Opening net debt	**(101.8)**	(110.4)
Closing net debt	**(97.7)**	(101.8)

Net cash generated from operating activities of £103.6m (2011: £79.8m) increased significantly due to the higher profit and was after absorbing £8.3m (2011: £11.2m) of working capital to support the 16% sales growth. Net capital expenditure

increased to £28.3m (2011: £14.9m), largely due to an expansion in capacity. This includes three projects to increase the manufacturing capability of our ECS operations in Australia, the Netherlands and China. Net interest paid was £12.3m (2011: £11.2m). The resultant free cash inflow increased to £63.0m (2011: £53.7m).

The net cash outflow on acquisition and disposal activity was £34.3m (2011: £29.7m), of which £11.5m related to deferred amounts on prior year acquisitions. Dividends paid increased to £18.0m (2011: £14.6m). The resultant cash generation of £10.7m (2011: £9.4m) was sufficient to fund our organic and acquisitive growth initiatives.

After adverse exchange rate movements of £4.7m (2011: £0.5m favourable) and other increases in debt of £1.9m (2011: £1.3m), closing net debt reduced by £4.1m to £97.7m (2011: £101.8m).

Gross debt amounted to £206.4m (2011: £206.1m) whilst cash and cash equivalents were £108.7m (2011: £104.3m).

Financing

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

During the year the Group entered into new five year committed revolving credit facilities totalling £100m. These comprised an £80m facility with a club of four major UK based banks and a further bilateral facility of £20m with one of the banks. These replaced facilities totalling £145m which were due to expire in the year.

In addition, the Group has US dollar private placement loan notes totalling $290.0m. These have the following maturity and interest rate profile:

Principal	Maturity	Fixed rate
US$65.0m	1 Sept 2023	5.42%
US$55.0m	1 Sept 2021	5.27%
US$80.0m	1 Sept 2021	5.12%
US$90.0m	1 June 2017	5.78%
US$290.0m (£182.4m)		

The Group's total committed loan facilities at 31 August 2012, including the US dollar private placements, were £305.7m. Within this, the Group's committed bank facilities were £122.7m (2011: £168.0m), of which £100.0m of facilities with UK banks expire in April 2017. At 31 August 2012, £106.2m (2011: £146.6m) of these facilities were not drawn down whilst uncommitted facilities were in excess of £30m.

The principal financial covenants relating to the committed loan facilities are the ratio of net debt to EBITDA and interest cover for EBITDA. Net debt must be less than 3.5 times adjusted EBITDA. Underlying EBITDA must be at least 3 times the net interest charge. For compliance with loan covenants, reported EBITDA is adjusted for, inter alia, acquisitions and non-cash items, which improves the reported ratios.

Throughout the year under review, the Group comfortably complied with its loan covenants.

Net debt to reported EBITDA was 0.7 times (2011: 0.9 times). Reported EBITDA Interest cover was 9.4 times (2011: 9.9 times).

The private placements and new committed bank facilities give the Group access to a diversified range of committed loan facilities, with a medium and long-term maturity profile. The Group remains well placed to fund and support its operations with continuing access to medium and long-term debt finance, 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 currency risk arises from the Group's operations or sources of finance. No speculative trading in derivatives is permitted.

The Group has entered into cross-currency swaps linked to the US dollar private placement cash flows. In 2007, $27.2m was swapped into €20.0m at a fixed rate of 5.05%, maturing in 2017. In 2011, $44.7m was swapped into AUD$45.0m at a fixed rate of 8.43%, maturing in 2023. These swaps provide hedges against the Group's net investments in the euro and Australian dollars, at fixed interest rates, and mirror the private placement cash flows. These swaps have been accounted for as hedges in accordance with IAS 39 'Financial Instruments: Recognition and Measurement', with the charge or credit recognised directly in other comprehensive income in equity.

In the normal course of business, derivatives have been used to hedge future non-functional currency cash flows arising from trading transactions relating to the sale and purchase of goods and services. The Group has chosen not to hedge account for such transactions under the requirements of IAS 39, 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.

Return on gross capital employed

The return on gross capital employed has increased to 24% (2011: 20%) due to the improvement in underlying operating profit and despite the effect on the capital base from reinvesting capital expenditure at 1.4x (2011: 0.8x) depreciation.

The progression in returns over recent years is an encouraging indicator of strategic progress. The benefits of prior year organic expansion investments are an influential driver in this progression although, in the short term, returns in a year can be distorted given the commissioning and market penetration timeline compared to the initial capital spend.

Post-retirement benefits

The Group operates a number of defined benefit post-retirement schemes for qualifying employees in operations around the world.

The principal scheme is the Fenner Pension Scheme which is based in the UK. The latest formal actuarial valuation of the scheme by a qualified actuary was carried out as at 31 March 2011.

The total defined benefit post-retirement liability, as calculated by the schemes' actuaries in accordance with IAS 19 'Employee Benefits' and recorded on the balance sheet at 31 August 2012, increased to £48.2m (2011: £31.7m). Of this amount, the Fenner Pension Scheme represents £35.9m (2011: £24.9m) and the overseas schemes totalled £12.3m (2011: £6.8m). During the year, the fair value of assets of the schemes increased by £11.4m (2011: £11.8m), principally generated from the schemes' equity investments and additional Group contributions paid to reduce the deficit. The present value of obligations increased by £27.8m (2011: reduced by £2.0m), principally as a result of a decrease in AA corporate bond yields used to discount obligations.

Accounting policies

The Group financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

Going concern

After making enquiries, the directors have formed a judgement at the time of approving the financial statements that there is a reasonable expectation that the Company and Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, the directors continue to adopt the going concern basis in preparing the financial statements. In forming this view, the directors have reviewed the Group's budget and cash flow forecasts against availability of financing, including an assessment of sensitivities to changes in market conditions.

Richard Perry
Group Finance Director

Key Performance Indicators

Our key performance indicators, which include financial and non-financial measures, enable the board to monitor performance. They have been selected as being important to the success of the Group in delivering its strategic objectives.

Underlying operating profit

This is operating profit stated before amortisation of intangible assets acquired and notional interest.

Underlying earnings per share

This is a measure of performance and growth. It is calculated by dividing the underlying profit for the year by the basic weighted average number of shares in issue and ranking for dividend.

EBITDA Interest cover

This measure provides an indication of whether the Group's profit is sufficient to cover its interest obligations. It is calculated by dividing operating profit before depreciation, amortisation and impairment charges by net interest payable on bank overdrafts and loans, other loans and bank deposits. Financial covenants require that underlying EBITDA must be at least 3x net interest payable.

Net debt/EBITDA

This is a measure of the Group's ability to service its debt obligations. It is calculated by dividing net debt (defined as short and long-term borrowings less cash and cash equivalents) by the profit for the year after adding back net finance costs, taxation, depreciation, amortisation and exceptional items. Financial covenants require that net debt must be less than 3.5x adjusted EBITDA. Reported EBITDA is adjusted for, inter alia, acquisitions and non-cash items.

Return on gross capital employed

This is a measure of performance relative to amounts invested. It is calculated by dividing underlying operating profit by gross capital employed. Gross capital employed is defined as the average of the opening and closing non-current assets (excluding deferred tax and derivative financial instruments), inventories, trade and other receivables and trade and other payables.

Capital expenditure/depreciation

This is a measure of investment in the future strength of the Group's operational assets and the ability to support growth. It is calculated by dividing capital expenditure per the cash flow statement by depreciation and amortisation (excluding intangible assets acquired).

Sales per employee

Total annual third party revenue (at constant exchange rates) divided by the average number of employees derived from a simple total head count (with no distinction between full time, part time, temporary or casual employees). Where employees are employed for part of a year, the average number is calculated on a pro-rata basis.

Lost time incidents

The number of incidents connected with work which results in an injured person being away from work or unable to do the full range of their normal duties, not including the day of the incident.

Lost Time Incident Frequency Rate

The number of lost time incidents per 200,000 hours worked.

Consolidated income statement

for the year ended 31 August 2012

	Notes	2012 £m	2011 £m
Revenue		**830.6**	718.3
Cost of sales		**(557.9)**	(493.5)
Gross profit		**272.7**	224.8
Distribution costs		**(64.7)**	(58.5)
Administrative expenses		**(100.4)**	(83.8)
Operating profit before amortisation of intangible assets acquired		**118.8**	91.4
Amortisation of intangible assets acquired		**(11.2)**	(8.9)
Operating profit		**107.6**	82.5
Finance income	4	**0.7**	1.5
Finance costs	5	**(19.7)**	(14.4)
Profit before taxation		**88.6**	69.6
Taxation	6	**(26.2)**	(20.2)
Profit for the year		**62.4**	49.4
Attributable to:			
Owners of the parent		**58.6**	47.2
Non-controlling interests		**3.8**	2.2
		62.4	49.4
Earnings per share			
Basic	8	**30.3p**	24.6p
Diluted	8	**30.2p**	24.4p

Consolidated statement of comprehensive income

for the year ended 31 August 2012

	2012 £m	2011 £m
Profit for the year	**62.4**	49.4
Other comprehensive (expense)/income:		
Currency translation differences	**(3.2)**	(1.0)
Cash flow hedges	**(0.2)**	1.5
Net investment hedges	**3.2**	(3.0)
Actuarial (losses)/gains on defined benefit post-retirement schemes	**(21.1)**	9.8
Tax on other comprehensive income	**3.9**	(2.1)
Total other comprehensive (expense)/income for the year	**(17.4)**	5.2
Comprehensive income for the year	**45.0**	54.6
Attributable to:		
Owners of the parent	**41.4**	51.5
Non-controlling interests	**3.6**	3.1
	45.0	54.6

Consolidated balance sheet
at 31 August 2012

	Notes	2012 £m	2011 £m
Non-current assets			
Property, plant and equipment	9	215.4	207.6
Intangible assets	10	221.4	202.1
Other investments		-	0.2
Deferred tax assets		20.9	23.1
Derivative financial assets		4.5	4.7
		462.2	437.7
Current assets			
Inventories		105.6	103.4
Trade and other receivables		120.6	118.0
Current tax assets		0.5	0.3
Derivative financial assets		0.5	0.1
Cash and cash equivalents	13	108.7	104.3
		335.9	326.1
Total assets		798.1	763.8
Current liabilities			
Borrowings	13	(11.0)	(16.8)
Trade and other payables		(147.4)	(149.5)
Current tax liabilities		(13.6)	(12.2)
Derivative financial liabilities		-	(0.9)
Provisions	12	(9.4)	(12.4)
		(181.4)	(191.8)
Non-current liabilities			
Borrowings	13	(195.4)	(189.3)
Trade and other payables		(2.0)	(5.1)
Retirement benefit obligations	11	(48.2)	(31.7)
Provisions	12	(28.8)	(25.4)
Deferred tax liabilities		(8.1)	(11.8)
Derivative financial liabilities		(5.2)	(7.2)
		(287.7)	(270.5)
Total liabilities		(469.1)	(462.3)
Net assets		329.0	301.5
Equity			
Share capital		48.4	48.2
Share premium		51.7	51.7
Retained earnings		107.8	78.2
Exchange reserve		39.0	42.0
Hedging reserve		(0.2)	(2.5)
Merger reserve		65.9	65.9
Shareholders' equity		312.6	283.5
Non-controlling interests		16.4	18.0
Total equity		329.0	301.5

The financial statements were approved by the Board of Directors on 7 November 2012 and signed on its behalf by:

M S Abrahams
Chairman

R J Perry
Group Finance Director

Registered Number: 329377

Consolidated cash flow statement

for the year ended 31 August 2012

	Notes	**2012 £m**	2011 £m
Profit before taxation		**88.6**	69.6
Adjustments for:			
Depreciation of property, plant and equipment and amortisation of intangible assets		**31.4**	27.3
Impairment of property, plant and equipment		**-**	1.0
Impairment of goodwill		**1.8**	-
Impairment of associates		**-**	0.1
Release of deferred consideration on acquisitions		**(1.7)**	-
Movement in retirement benefit obligations		**(4.2)**	(4.9)
Movement in provisions		**(0.3)**	(1.2)
Finance income		**(0.7)**	(1.5)
Finance costs		**19.7**	14.4
Other non-cash movements		**0.8**	1.0
Operating cash flow before movement in working capital		**135.4**	105.8
Movement in inventories		**(0.5)**	(22.1)
Movement in trade and other receivables		**(0.8)**	(18.7)
Movement in trade and other payables		**(7.0)**	29.6
Net cash from operations		**127.1**	94.6
Taxation paid		**(23.5)**	(14.8)
Net cash from operating activities		**103.6**	79.8
Investing activities:			
Purchase of property, plant and equipment		**(26.4)**	(14.7)
Disposal of property, plant and equipment		**0.4**	0.7
Purchase of intangible assets		**(2.5)**	(0.9)
Disposal of intangible assets		**0.2**	-
Disposal of investments		**-**	0.1
Acquisition of businesses	16	**(34.3)**	(29.9)
Disposal of businesses		**-**	0.1
Interest received		**0.5**	1.5
Net cash used in investing activities		**(62.1)**	(43.1)
Financing activities:			
Dividends paid to Company's shareholders	7	**(15.4)**	(13.8)
Dividends paid to non-controlling interests		**(2.6)**	(0.8)
Interest paid		**(12.8)**	(12.7)
Repayment of borrowings		**(17.6)**	(108.3)
New borrowings		**11.1**	158.5
Net cash (used in)/from financing activities		**(37.3)**	22.9
Net increase in cash and cash equivalents		**4.2**	59.6
Cash and cash equivalents at 1 September 2011		**104.3**	44.7
Exchange movements		**0.2**	-
Cash and cash equivalents at 31 August 2012		**108.7**	104.3

Consolidated statement of changes in equity

for the year ended 31 August 2012

	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 2010	48.0	51.7	49.4	43.9	(1.8)	64.2	255.4	1.5	256.9
Profit for the year	-	-	47.2	-	-	-	47.2	2.2	49.4
Other comprehensive (expense)/income:									
Currency translation differences	-	-	-	(1.9)	-	-	(1.9)	0.9	(1.0)
Cash flow hedges	-	-	-	-	1.5	-	1.5	-	1.5
Net investment hedges	-	-	-	-	(3.0)	-	(3.0)	-	(3.0)
Actuarial gains on defined benefit post-retirement schemes	-	-	9.8	-	-	-	9.8	-	9.8
Tax on other comprehensive income	-	-	(2.9)	-	0.8	-	(2.1)	-	(2.1)
Total other comprehensive (expense)/income	-	-	6.9	(1.9)	(0.7)	-	4.3	0.9	5.2
Transactions with owners:									
Dividends paid in the year	-	-	(13.8)	-	-	-	(13.8)	(0.8)	(14.6)
Shares issued in the year	0.2	-	(0.1)	-	-	1.7	1.8	-	1.8
Share-based payments	-	-	0.7	-	-	-	0.7	-	0.7
Acquisition of businesses	-	-	(12.5)	-	-	-	(12.5)	14.2	1.7
Tax on transactions with owners	-	-	0.4	-	-	-	0.4	-	0.4
Total transactions with owners	0.2	-	(25.3)	-	-	1.7	(23.4)	13.4	(10.0)
At 1 September 2011	**48.2**	**51.7**	**78.2**	**42.0**	**(2.5)**	**65.9**	**283.5**	**18.0**	**301.5**
Profit for the year	**-**	**-**	**58.6**	**-**	**-**	**-**	**58.6**	**3.8**	**62.4**
Other comprehensive (expense)/income:									
Currency translation differences	**-**	**-**	**-**	**(3.0)**	**-**	**-**	**(3.0)**	**(0.2)**	**(3.2)**
Cash flow hedges	**-**	**-**	**-**	**-**	**(0.2)**	**-**	**(0.2)**	**-**	**(0.2)**
Net investment hedges	**-**	**-**	**-**	**-**	**3.2**	**-**	**3.2**	**-**	**3.2**
Actuarial losses on defined benefit post-retirement schemes	**-**	**-**	**(21.1)**	**-**	**-**	**-**	**(21.1)**	**-**	**(21.1)**
Tax on other comprehensive income	**-**	**-**	**4.6**	**-**	**(0.7)**	**-**	**3.9**	**-**	**3.9**
Total other comprehensive (expense)/income	-	**-**	**(16.5)**	**(3.0)**	**2.3**	**-**	**(17.2)**	**(0.2)**	**(17.4)**
Transactions with owners:									
Dividends paid in the year	**-**	**-**	**(15.4)**	**-**	**-**	**-**	**(15.4)**	**(2.6)**	**(18.0)**
Shares issued in the year	**0.2**	**-**	**(0.2)**	**-**	**-**	**-**	**-**	**-**	**-**
Share-based payments	**-**	**-**	**0.9**	**-**	**-**	**-**	**0.9**	**-**	**0.9**
Acquisition of businesses	**-**	**-**	**1.6**	**-**	**-**	**-**	**1.6**	**(1.8)**	**(0.2)**
Tax on transactions with owners	**-**	**-**	**0.6**	**-**	**-**	**-**	**0.6**	**-**	**0.6**
Transfer of non-controlling interests to borrowings	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(0.8)**	**(0.8)**
Total transactions with owners	**0.2**	**-**	**(12.5)**	**-**	**-**	**-**	**(12.3)**	**(5.2)**	**(17.5)**
At 31 August 2012	**48.4**	**51.7**	**107.8**	**39.0**	**(0.2)**	**65.9**	**312.6**	**16.4**	**329.0**

Notes

1. Basis of preparation

The preliminary results for the year ended 31 August 2012 were approved by the Board of Directors on 7 November 2012. 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, PricewaterhouseCoopers LLP, have reported on the Group financial statements for each of the years ending 31 August 2012 and 31 August 2011 and given unqualified opinions, which did not include a statement under Section 498 of the Companies Act 2006. The Group financial statements for 2011 have been delivered to the Registrar of Companies and the Group financial statements for 2012 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 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.

2. Accounting policies

The accounting policies adopted are consistent with those for 2011, except for the following standards or interpretations to existing standards that have been adopted for the first time during the year:

- IAS 24 (Revised) 'Related Party Disclosures'
- Amendments to IFRS 1 'First-time Adoption of International Financial Reporting Standards'
- Amendments to IFRS 7 'Financial Instruments: Disclosures'

None of these standards has had a significant impact on the Group's reported results or financial position.

3. Segment information

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

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

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

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

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

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

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

Segment information for the years ended 31 August 2012 and 31 August 2011 is as follows:

	Engineered Conveyor Solutions		Advanced Engineered Products		Unallocated Corporate		Total	
	2012 £m	2011 £m	**2012 £m**	2011 £m	**2012 £m**	2011 £m	**2012 £m**	2011 £m
Segment result								
Total segment revenue	**593.4**	510.7	**239.6**	210.0	**-**	-	**833.0**	720.7
Inter-segment revenue	**-**	-	**(2.4)**	(2.4)	**-**	-	**(2.4)**	(2.4)
Revenue from external customers	**593.4**	510.7	**237.2**	207.6	**-**	-	**830.6**	718.3
Operating profit before amortisation of intangible assets acquired	**84.4**	61.1	**43.6**	38.2	**(9.2)**	(7.9)	**118.8**	91.4
Amortisation of intangible assets acquired	**(7.1)**	(5.5)	**(4.1)**	(3.4)	**-**	-	**(11.2)**	(8.9)
Operating profit	**77.3**	55.6	**39.5**	34.8	**(9.2)**	(7.9)	**107.6**	82.5
Net finance costs							**(19.0)**	(12.9)
Taxation							**(26.2)**	(20.2)
Profit for the year							**62.4**	49.4
Segment assets and liabilities								
Total assets	**536.5**	506.8	**240.6**	232.8	**21.0**	24.2	**798.1**	763.8
Total liabilities	**(188.5)**	(190.9)	**(46.8)**	(55.9)	**(233.8)**	(215.5)	**(469.1)**	(462.3)
Net assets	**348.0**	315.9	**193.8**	176.9	**(212.8)**	(191.3)	**329.0**	301.5

4. Finance income

	2012 £m	2011 £m
Bank interest receivable	**0.7**	1.5

5. Finance costs

	2012 £m	2011 £m
Interest payable on bank overdrafts and loans	**4.6**	7.4
Interest payable on other loans	**11.0**	5.3
Interest payable	**15.6**	12.7
Interest on defined benefit post-retirement schemes	**0.4**	0.4
Interest on the unwinding of discount on provisions	**1.5**	1.3
Finance charge on redemption liability	**1.7**	-
Finance charge on other loans	**0.5**	-
Notional interest	**4.1**	1.7
Total finance costs	**19.7**	14.4

6. Taxation

	2012 £m	2011 £m
Current taxation		
UK Corporation tax:		
- current year	**0.6**	1.7
- adjustments in respect of prior years	**-**	0.1
	0.6	1.8
Overseas tax:		
- current year	**24.0**	17.0
- adjustments in respect of prior years	**-**	(0.1)
	24.0	16.9
	24.6	18.7
Deferred taxation		
Origination and reversal of temporary differences:		
- UK	**1.1**	1.7
- overseas		
- current year	**(0.3)**	(0.2)
- adjustments in respect of prior years	**0.8**	-
	1.6	1.5
Total taxation	**26.2**	20.2

7. Dividends

	2012 £m	2011 £m
Dividends paid or approved in the year		
Interim dividend for the year ended 31 August 2011 of 2.65p (2010: 2.40p) per share	**5.1**	4.6
Final dividend for the year ended 31 August 2011 of 5.35p (2010: 4.80p) per share	**10.3**	9.2
	15.4	13.8
Dividends neither paid nor approved in the year		
Interim dividend for the year ended 31 August 2012 of 3.5p (2011: 2.65p) per share	**6.8**	5.1
Final dividend for the year ended 31 August 2012 of 7.0p (2011: 5.35p) per share	**13.5**	10.3
	20.3	15.4

The interim dividend for the year ended 31 August 2012 was paid on 5 September 2012. The proposed final dividend for the year ended 31 August 2012 is subject to approval by shareholders at the AGM. Consequently, neither has been recognised as liabilities at 31 August 2012. If approved, the final dividend will be paid on 4 March 2013 to shareholders on the register on 1 February 2013.

8. Earnings per share

	2012 £m	2011 £m
Earnings		
Profit for the year attributable to owners of the parent	**58.6**	47.2
Amortisation of intangible assets acquired	**11.2**	8.9
Notional interest	**4.1**	1.7
Taxation attributable to amortisation of intangible assets acquired and notional interest	**(4.2)**	(3.7)
Profit for the year before amortisation of intangible assets acquired and notional interest	**69.7**	54.1

	number	number
Average number of shares		
Weighted average number of shares in issue	**193,281,396**	192,335,105
Weighted average number of shares held by the Employee Share Ownership Plan Trust	**(114,177)**	(114,177)
Weighted average number of shares in issue - basic	**193,167,219**	192,220,928
Effect of share options and contingent long-term incentive plans	**1,128,734**	1,525,948
Weighted average number of shares in issue - diluted	**194,295,953**	193,746,876

	pence	pence
Earnings per share		
Underlying - Basic (before amortisation of intangible assets acquired and notional interest)	**36.1**	28.1
Underlying - Diluted (before amortisation of intangible assets acquired and notional interest)	**35.9**	27.9
Basic	**30.3**	24.6
Diluted	**30.2**	24.4

Underlying earnings per share measures have been presented to provide a clearer understanding of the underlying performance of the Group.

9. Property, plant and equipment

The increase in property, plant and equipment in the year of £7.8m comprises additions of £27.0m and acquisition of businesses of £1.8m less depreciation of £19.7m, disposals of £0.3m, transfers to intangible assets of £0.2m and exchange movements of £0.8m.

10. Intangible assets

The increase in intangible assets in the year of £19.3m comprises goodwill and intangible assets acquired on the acquisition of businesses of £29.2m, other additions of £2.5m, transfers from property, plant and equipment of £0.2m and exchange movements of £1.1m less amortisation of £11.7m, impairments of £1.8m and disposals of £0.2m. The impairment charge relates to goodwill in Xeridiem and resulted from a reduction in the projected cash flows in that cash-generating unit.

11. 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 are assessed in accordance with the advice of independent qualified actuaries using the projected unit method.

The principal scheme is the Fenner Pension Scheme which is based in the UK. The most recent triennial valuation of the Fenner Pension Scheme was carried out as at 31 March 2011. The actuarial valuations for all schemes were updated as at 31 August 2012 by independent qualified actuaries.

Retirement benefit obligations increased by £16.5m in the year. This principally comprises an increase in the present value of obligations of £27.8m, principally as a result of a decrease in AA corporate bond yields used to discount obligations, less an increase in the fair value of assets of the schemes of £11.4m, principally generated from the schemes' equity investments and additional Group contributions paid to reduce the deficit.

12. Provisions

	Restructuring costs £m	Property and environmental £m	Contingent and deferred consideration on acquisitions £m	Redemption liability on acquisitions £m	Total £m
At 1 September 2011	**0.2**	**4.3**	**19.3**	**14.0**	**37.8**
New provisions charged to income statement during the year	**-**	**0.3**	**-**	**-**	**0.3**
Provisions utilised during the year	**(0.2)**	**(0.4)**	**-**	**-**	**(0.6)**
Provisions released during the year	**-**	**-**	**(1.7)**	**-**	**(1.7)**
Acquisition of businesses	**-**	**-**	**0.8**	**(1.9)**	**(1.1)**
Movement in redemption liability in equity	**-**	**-**	**-**	**0.2**	**0.2**
Notional interest on the unwinding of discount	**-**	**-**	**0.5**	**1.0**	**1.5**
Notional finance charge on redemption liability	**-**	**-**	**-**	**1.7**	**1.7**
Exchange differences	**-**	**-**	**0.3**	**(0.2)**	**0.1**
At 31 August 2012	**-**	**4.2**	**19.2**	**14.8**	**38.2**

Provisions comprise current provisions of £9.4m (2011: £12.4m) and non-current provisions of £28.8m (2011: £25.4m).

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

	2012 £m	2011 £m
Net increase in cash and cash equivalents	**4.2**	59.6
Net decrease/(increase) in borrowings resulting from cash flows	**6.5**	(50.2)
Movement in net debt resulting from cash flows	**10.7**	9.4
Finance leases on acquisition of businesses	**-**	(1.2)
New finance leases	**(0.6)**	(0.1)
Transfer of non-controlling interests from equity	**(0.8)**	-
Notional finance charge on other loans	**(0.5)**	-
Exchange movements	**(4.7)**	0.5
Movement in net debt in the year	**4.1**	8.6
Net debt at 1 September 2011	**(101.8)**	(110.4)
Net debt at 31 August 2012	**(97.7)**	(101.8)

Net debt comprises cash and cash equivalents of £108.7m (2011: £104.3m), current borrowings of £11.0m (2011: £16.8m) and non-current borrowings of £195.4m (2011: £189.3m).

14. 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, primarily in North America. The directors believe that the likelihood of a material liability arising from these cases is remote.

15. Related party transactions

Other than the remuneration of the Group's executive and non-executive directors and members of the Executive Committee, there were no related party transactions during the year to disclose.

16. Acquisitions

On 1 September 2011, the Group acquired the entire share capital of Transeals Pty Limited ("Transeals"), a privately owned company based in Perth, Australia. Transeals manufactures and distributes seals used in hydraulic equipment, currently serving the western parts of Australia. This strategic acquisition allows the Hallite operation in Australia, which is mainly east coast based, to develop its aftermarket presence in the buoyant mining and oil and gas markets of Western Australia. The cash consideration was £8.1m.

On 1 December 2011, the Group acquired substantially all of the operating assets of the business being conducted under the name Allison Custom Fabrication ("Allison") from a group of related privately owned entities based in Pennsylvania, USA. Allison specialises in the design, engineering, machining and metal fabrication of customised material handling equipment, primarily for the mining markets of Pennsylvania and West Virginia. This acquisition will strengthen the Fenner Dunlop Americas operation's strategy of being the supplier of choice for engineered conveyor solutions in the Americas and will enable mining customers to enjoy integrated solutions for improving the safety and total cost of ownership of materials handling, in both underground and above ground applications. The initial cash consideration was £15.0m with contingent and deferred consideration estimated at £10.4m, based on exchange rates at the date of completion.

From the date of acquisition, Allison contributed £8.3m to Group revenue, £0.9m to Group operating profit before amortisation of intangible assets acquired and a loss of £0.2m to Group operating profit. From the date of acquisition, Transeals contributed £4.5m to Group revenue, £0.8m to Group operating profit before amortisation of intangible assets acquired and £0.4m to Group operating profit.

If the acquisition of Allison had occurred on 1 September 2011, it is estimated that Group revenue would have been £833.9m, Group operating profit before amortisation of intangible assets acquired would have been £119.8m and Group operating profit would have been £108.2m. The acquisition of Transeals occurred on 1 September 2011. These amounts have been calculated by adjusting the results of the acquired businesses to reflect the effect of the Group's accounting policies as if they had been in effect from 1 September 2011.

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

	Allison	Transeals	Prior year acquisitions	Total
	Provisional fair value £m	Fair value £m	Deferred consideration £m	Fair value £m
Property, plant and equipment	1.7	0.1	-	1.8
Goodwill	4.4	3.7	-	8.1
Intangible assets acquired:				
- customer relationships	14.5	4.0	-	18.5
- non-compete agreement	2.4	-	-	2.4
- leases	-	0.2	-	0.2
Inventories	1.5	0.6	-	2.1
Trade and other receivables	1.9	0.8	-	2.7
Cash and cash equivalents	-	0.3	-	0.3
Trade and other payables	(1.0)	(0.5)	-	(1.5)
Current taxation	-	(0.1)	-	(0.1)
Deferred taxation	-	(1.0)	-	(1.0)
Total net assets	25.4	8.1	-	33.5
Consideration:				
Cash consideration	15.0	8.1	11.5	34.6
Contingent and deferred consideration held as provisions	10.4	-	(11.5)	(1.1)
	25.4	8.1	-	33.5
Cash paid per cash flow statement:				
Cash consideration	15.0	8.1	11.5	34.6
Cash and cash equivalents acquired	-	(0.3)	-	(0.3)
	15.0	7.8	11.5	34.3

Provisional fair values of assets and liabilities represent the best estimate of the fair values at the dates 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 dates of acquisition.

Goodwill arising on acquisition principally represents the workforce and anticipated synergies gained through the acquisitions. Goodwill in respect of the acquisition of Allison is deductible for tax purposes. Goodwill in respect of the acquisition of Transeals is not deductible for tax purposes.

Where material, deferred consideration has been discounted using suitable pre-tax rates based on borrowings that match the maturity of the consideration being discounted.

17. Post balance sheet events

On 1 September 2012, the Group completed the acquisition of substantially all of the assets and liabilities of American Industrial Plastics, Inc ("AIP"), a privately owned company based in Florida, USA. AIP is a precision machining company with the ability to machine advanced polymers for application in the oil and gas and medical markets as well as manufacturing performance precision components for a range of niche applications including aerospace. It will become part of the FAST operation. The initial cash consideration was £16.7m with contingent deferred amounts estimated at £6.3m.

On 3 September 2012, the Group completed the acquisition of 100% of the share capital of Norwegian Seals, a privately owned group of companies with operations in Norway and the UK. Norwegian Seals manufactures and distributes performance-critical seals into the oil and gas market, with particular emphasis on subsea, well head and down-hole applications. This strategic acquisition will allow the FAST operation to exploit the North Sea market and enhance Norwegian Seals' ability to build its growing industry reputation and presence. The initial cash consideration was £10.3m, excluding working capital adjustments, with contingent deferred amounts estimated at £5.7m.

On 3 September 2012, the Group completed the acquisition of 100% of the share capital of Mandals, a privately owned group of companies based in Norway and Sweden. Mandals is a manufacturer of innovative lay-flat and specialty hoses for use in demanding applications and of circular looms for the manufacture of the woven fabric used in the production of hoses. It is an acknowledged market leader in its industry, with products sold around the world. The acquisition builds on the expertise of the AEP division, providing performance-critical applications to the agricultural, infrastructure, potable water and oil and gas markets. The initial cash consideration was £12.5m, excluding working capital adjustments, with contingent deferred amounts estimated at £1.3m.

On 26 October 2012, the Group exchanged contracts to acquire 100% of the share capital of Australian Conveyor Engineering Pty Ltd ("ACE"), based in New South Wales. The transaction is expected to complete at the end of November 2012. ACE specialises in supplying engineered conveyor solutions for the design, manufacture and installation of high capacity conveyor systems for both surface and underground mining, with the capability to take projects from the initial concept to the commissioned conveyor system. The acquisition furthers Fenner Dunlop's strategy of being the supplier of choice for engineered conveyor solutions in Australia, offering mining customers integrated solutions for improving the safety and total cost of materials handling.

Details of the provisional aggregate assets and liabilities acquired in respect of AIP, Norwegian Seals and Mandals are given below.

	£m
Property, plant and equipment	3.1
Goodwill	17.0
Intangible assets acquired:	
- customer relationships	23.5
- non-compete agreements	3.5
- brands and trademarks	1.1
Inventories	6.2
Trade and other receivables	5.9
Cash and cash equivalents	2.9
Trade and other payables	(4.5)
Finance leases	(0.7)
Current taxation	(1.2)
Deferred taxation	(4.0)
Total net assets	52.8
Consideration:	
Cash consideration	39.5
Contingent and deferred consideration	13.3
Total consideration	52.8

The information above has been presented in aggregate because the individual acquisitions are not material. No information is presented in respect of the acquisition of ACE as the transaction has not yet completed.

Provisional fair values of assets and liabilities represent the best estimate of the fair values at the dates of acquisition. As permitted by IFRS 3 (Revised) 'Business Combinations', these provisional amounts can be amended for a period up to 12 months following acquisition if subsequent information becomes available which changes the estimate of fair values at the dates of acquisition.

Goodwill arising on acquisition principally represents the workforce and anticipated synergies gained through the acquisitions. Goodwill in respect of the acquisition of AIP is deductible for tax purposes. Goodwill in respect of the acquisitions of Norwegian Seals and Mandals is not deductible for tax purposes.

Consolidated income statement - half year analysis

for the year ended 31 August 2012

	First half (unaudited)		Second half (unaudited)		Full year (audited)	
	2012 £m	2011 £m	**2012 £m**	2011 £m	**2012 £m**	2011 £m
Revenue	**412.0**	332.5	**418.6**	385.8	**830.6**	718.3
Operating profit before amortisation of intangible assets acquired	**55.7**	36.7	**63.1**	54.7	**118.8**	91.4
Amortisation of intangible assets acquired	**(5.5)**	(4.3)	**(5.7)**	(4.6)	**(11.2)**	(8.9)
Operating profit	**50.2**	32.4	**57.4**	50.1	**107.6**	82.5
Net finance costs	**(8.5)**	(5.8)	**(10.5)**	(7.1)	**(19.0)**	(12.9)
Profit before taxation	**41.7**	26.6	**46.9**	43.0	**88.6**	69.6
Taxation	**(11.5)**	(8.3)	**(14.7)**	(11.9)	**(26.2)**	(20.2)
Profit for the period	**30.2**	18.3	**32.2**	31.1	**62.4**	49.4
Attributable to:						
Owners of the parent	**28.5**	17.6	**30.1**	29.6	**58.6**	47.2
Non-controlling interests	**1.7**	0.7	**2.1**	1.5	**3.8**	2.2
	30.2	18.3	**32.2**	31.1	**62.4**	49.4
Earnings per share						
Basic	**14.8p**	9.2p	**15.5p**	15.4p	**30.3p**	24.6p
Diluted	**14.7p**	9.1p	**15.5p**	15.3p	**30.2p**	24.4p