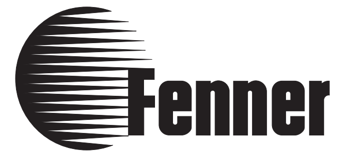


Preliminary Announcement 2010

FINANCIAL HIGHLIGHTS

	2010 £m	2009 £m
Revenue	**552.5**	499.4
Underlying operating profit [1]	**57.0**	41.3
Exceptional items	**-**	(17.4)
Operating profit	**49.3**	17.1
Underlying profit before taxation [2]	**46.3**	31.1
Profit before taxation	**37.2**	5.6
Underlying earnings per share [2]	**17.9p**	12.8p
Basic earnings per share	**14.6p**	2.6p
Dividend per share	**7.2p**	6.6p

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

CHAIRMAN'S STATEMENT

Earnings grew to a record level as the resilience, operational gearing and strength of all our businesses was demonstrated. The global growth fundamentals driving our heavyweight belting operations have remained strong which has enabled another robust performance from the Conveyor Belting Division. Our Advanced Engineered Products Division saw an improving performance through the year, enhanced by the economic recovery, and exited the year with margins at pre-recession levels.

Financial Highlights

Revenue increased by 11% to £552.5m (2009 £499.4m) with demand levels gaining momentum as the year progressed and a marked improvement in the second half of the year. Underlying operating profit improved accordingly to £57.0m (2009 £41.3m). No exceptional items were recorded during the year (2009 £17.4m) which, when combined with the improved trading result, generated a significant increase in operating profit to £49.3m (2009 £17.1m).

The weakening of sterling increased net finance costs to £12.1m (2009 £11.5m), comprising £10.7m (2009 £10.2m) of net interest payable and a non-cash notional charge of £1.4m (2009 £1.3m) relating to defined benefit post-retirement schemes and the unwinding of discount on provisions. Interest cover was 5.3 times (2009 4.0 times).

The headline and underlying tax rates were 29% and 30% respectively. Underlying earnings per share was 17.9p (2009 12.8p) and basic earnings per share was 14.6p (2009 2.6p).

£35.2m of equity finance was raised during the year to fund acquisitive growth. Payments made for acquisitions amounted to £16.9m which related to an expansion of both our medical and conveyor belting service businesses together with deferred amounts from prior periods. Capital expenditure reduced to £10.5m (2009 £34.3m) following the completion of the Group's substantial organic investment programme. With the increase in cash generated from trading and tight working capital management, net debt reduced by £55.0m to £110.4m (2009 £165.4m), demonstrating the Group's ability to generate strong cash flow.

The Board is recommending an increase in the final dividend to 4.8p per share which gives a total dividend for the year of 7.2p per share (2009 6.6p).

Operations

The Conveyor Belting Division, which was largely unaffected by the economic downturn, has continued to grow at a healthy rate. The energy driven demand for thermal coal underpinned revenue growth and some recovery has been seen in industrial segments. Our business units are well placed to benefit from continuing market buoyancy driven by the energy sector and slowly improving industrial markets. Following the successful commissioning of our major organic investments, we are seeing operational efficiencies and margins improve and our new wide belt products have proceeded to field testing with customers. Our global service network has continued to expand both organically and by acquisition. Belt Service Srl, a small service operation based in Italy, was acquired in September 2009 and has now been successfully integrated into our Dunlop business. We continue to pursue opportunities for further expansion in our service businesses through new start-ups and acquisitions.

On 4 November 2010, after the year end, we exchanged contracts to acquire 100% of the business and assets of Belle Banne Victoria, Leading Edge Conveyor Solutions and associated interests. These businesses, which are interlinked, are based in Australia. An initial cash consideration of AUD$21.95m will be paid at completion to acquire 50.01% of the principal businesses and a holding in associated interests. After an initial joint venture period, the remaining share of the businesses will be acquired within six years for AUD$21.5m plus contingent deferred performance related amounts. Total consideration is capped at AUD$63.95m. These acquisitions will further strengthen our belting service network in this important region.

In the Advanced Engineered Products Division, a continuously improving trend has been seen through the year. We have experienced growth from both an underlying recovery in industrial markets, particularly in the US, and from customer restocking. A solid level of demand from the oil and gas sector has benefited the seals business and activity levels from the general hydraulic sector have improved consistently. Overall, the trading performance in the final quarter of the year was very strong with exit run rate margins recovering to pre-recession levels. Our business development programmes have continued with several new opportunities being pursued. Secant Medical has expanded its capacity with a new facility and has undertaken process changes to manage existing and future business growth. These allow us to address more aggressively expanding supply needs in the biomedical textiles field and ensure we can remain aligned closely with our customers' development requirements, from concept through to commercialisation. The acquisition in July 2010 of MRI Manufacturing & Research, Inc, located in Arizona in the US, strengthened further our presence in the medical device market.

People

On behalf of the Board, I would like to thank all our employees for their commitment, hard work and continuing support over the last year.

I shall be retiring from the Board on 1 March 2011 and I am delighted that Mark Abrahams has accepted the invitation to succeed me as non-executive Chairman. Mark's appointment follows consultation with major shareholders, who are supportive and who, like the Board, recognise the benefits of the continued contribution of his considerable knowledge and experience of the Group and its markets.

On the same date, Nick Hobson will be appointed Chief Executive Officer. Nick, who has been with the Group for over 20 years in total, was selected by the Nomination Committee following an evaluation of the knowledge, skills and experience required for the role, which included external benchmarking. He has successfully held a number of senior executive management positions within the Advanced Engineered Products Division and is currently a member of the Group Executive Committee.

I leave Fenner in very safe hands and have complete confidence that Mark and Nick, supported by our strong senior executive team, will take the Group forward to further success.

We welcomed Alan Wood in April 2010 and John Sheldrick in September 2010 as non-executive directors. Alan is non-executive Chairman of Siemens Holdings plc, a non-executive director of Ceres Power Holdings plc and is a highly respected engineer with considerable experience in running world class manufacturing businesses. John recently retired as Group Finance Director of Johnson Matthey plc and is a non-executive director of GKN plc where he is Chairman of the Audit Committee. Their experience at Siemens and Johnson Matthey respectively provides valuable and independent challenge around the Board table. John will take over as Chairman of the Audit Committee upon the retirement of David Buttfield at the next AGM in January 2011. I would like to thank David for his valued contribution both as Chairman of the Audit Committee and as the Senior Independent Director. David Campbell, a non-executive director since 2005 and Chairman of the Remuneration Committee, will succeed David Buttfield as the Senior Independent Director. As a consequence, this demonstrates a strong and independent non-executive presence on the Board.

Outlook

The new year has commenced strongly with all our businesses performing well. Growth of our niche products continues as our dedication to customer service provides increasing opportunities to win new business. This is complemented by healthy order books in our Conveyor Belting Division.

With the benefit of our widespread geographic reach, we expect to continue our rate of progress this year.

Colin Cooke
Chairman

CHIEF EXECUTIVE OFFICER'S REVIEW

Introduction and Strategy

Our strategy continues to be to increase market share and target new value added product areas. We concentrate on growing those businesses where we already demonstrate leadership through our skills in applications, design, materials technology and dedication to customer service as well as by carefully planned acquisitions. This common aim, across a wide range of industrial markets, gives Fenner a solid basis for long term growth, stability and shareholder value. Fenner is proud to be a world class global manufacturer, with a strong commitment to health and safety, operating in key territories in established and emerging markets.

During the year under review, Fenner has made good progress rebuilding its business to levels greater than seen before the downturn. This is in part due to market recovery but is more importantly due to increased market penetration and growth in share from new developments and products. The investments made over the last few years have started to demonstrate a payback and we believe that they have only just begun to show their true worth.

The Fenner Group consists of two Divisions; the Conveyor Belting ("CB") Division and the Advanced Engineered Products ("AEP") Division.

Both CB and AEP provide high quality, comprehensive, whole life value products for their customers and both have a strong brand and reputation in their chosen markets. These characteristics are considered to have been the key to the success of the Group over its long history. Customer satisfaction is of importance to all business units, who ensure they are meeting their customer expectations which are specific to each market. Experienced sales teams maintain close contact with customers, providing feedback on expectations and performance. These qualitative indicators are complemented by quantitative measurements including customer surveys and "on time in full" performance.

As a diversified group, Fenner uses a wide range of materials, from thousands of tonnes of rubber compound to a few hundred grammes of metallic and polymeric biomaterials. Not only do we use large volumes of some materials, we also 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 reasonable commercial terms. Where appropriate, and usually relating to technical developments, relationships are formally documented. Operations remain vigilant to potential problems in the supply chain to ensure continued stability and continuity of supply.

In line with our strategic aims, we acquired a second medical business, MRI Medical, in July 2010 as a step towards Fenner's medium term goal of building a Medical Division with a broad platform of complementary technologies. MRI Medical is a polymer device development and manufacturing company focused solely on the medical industry. Through innovative designs and modern manufacturing techniques, MRI Medical leads the industry in the production of cutting-edge silicone based devices. Further investment in the medical businesses to broaden the technical capability and product platform is seen as a key strategy for these businesses and continues to be progressed as a priority. Whilst not having a significant impact to date, the potential changes in US healthcare are creating some uncertainty, however demographic trends will inexorably increase demand over the next 10 to 20 years.

Performance and Outlook

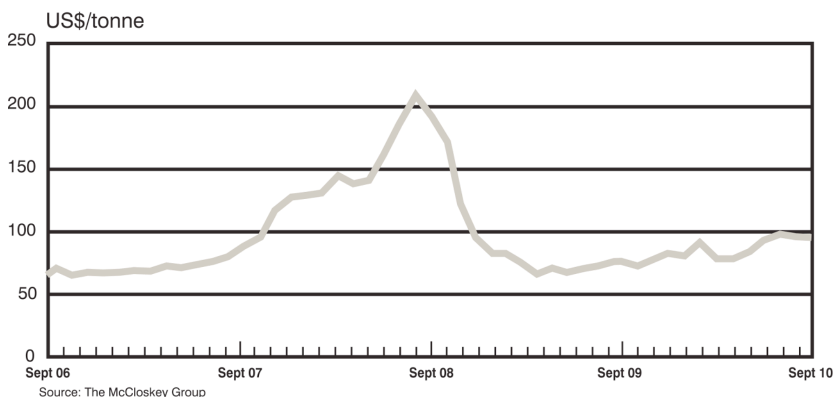
Conveyor Belting

The CB Division is a recognised world leader in the global conveyor belting market. It manufactures heavyweight ply, solid woven and steel cord conveyor belting for mining, power generation and industrial applications and has growing service businesses, mainly in Australia and the US, which install, monitor and service conveyor systems for our mining customers.

After the major investments of recent years, the focus of 2010 was to integrate the acquisitions, improve manufacturing efficiencies and exploit the capabilities of the new plant and machinery whilst ramping up production to meet improved demand.

Throughout the year under review, as illustrated by the McCloskey graph below, energy coal prices firmed, fuelled by Asian demand. Prices for metallurgical coal (approximately 15% of total demand) and iron ore (used to produce steel) have risen more strongly. During 2010, these steelmaking commodities have

moved from annual contracts to quarterly pricing which, to date, has worked in favour of the suppliers. The almost universal moratorium on investment in new projects across all extractive industries has eased, however the delay may result in supply side constraints over the next 12 to 18 months, particularly for coal.



With the exception of those parts of the operations which serve the construction markets, CB experienced positive trading conditions throughout the year under review. All the CB operations experienced volatile and, in the second half, rising raw material prices. Given the magnitude of the cost increases, we have had to pass these on to our customers.

Our operations also faced a variety of other challenges including the effects of the lack of liquidity on customers and suppliers, competitive threats and delays in new projects.

The Australian business continued its growth year on year. Iron ore and coal remain the main trading exports for the country and the biggest influences on the trading performance of our Australian CB business. Both of these commodities continue to forecast a positive outlook. In 2010, Australian production of coal increased by 7% and iron ore production increased by 23%.

The Australian operations at a national level have continued to perform strongly. The industrial markets which are reliant on the construction industry and are not aligned to coal and iron ore have seen the weak market conditions continuing. Our strategy of placing our service operations in regions of significant future mining growth enabled our product range and availability of belting to be aligned with the needs of our major customers, ensuring that sales growth was achieved. Following the successful commissioning this year of our Kwinana plant and support from domestic customers, we see steel cord belting and the increased focus on associated product sales remaining the largest contributors to sales growth for Australia in the coming year.

Based in New South Wales in Australia and West Virginia in the US, the conveyor diagnostics business is looking promising with the success of the rEscan 24/7 units and the acceptance of the BMS1000 rip detection units. Both of the systems are being commissioned around the globe, with units installed in the UK, South America, North America, South Africa and of course Australia. These product and service innovations help to differentiate the CB operations from their competitors.

Fenner Dunlop Americas has made solid improvements in the financial year. Production efficiency showed positive improvements and our new investments at Port Clinton and Lavonia have reached expected operational performance in terms of output and efficiency. In the last quarter of the year under review, Fenner Dunlop Americas achieved average monthly sales of $20m of belting. Overall performance in 2010 was a strong recovery from the previous year.

In the Americas, the coal mining industry has continued to maintain a relatively high level of output, underpinned by market pricing and demand from Asia. Coal inventories have fallen throughout the year and are now at historically "normal" levels and production for the coming year is forecast to be steady, supported by exports to China and India. Demand in the North American domestic market is expected to be stable. From 31 December 2009, conveyor belts installed in underground mines in the US need to be manufactured to a new, higher standard of fire resistance, MSHA 30CFR14 which introduced the Belt Evaluation Laboratory Test ("B.E.L.T."). The Fenner Dunlop Fireboss range, which meets the B.E.L.T. requirements with enhanced durability, has been well received.

The industrial segment remained suppressed in the first half and started to pick up in the second half based upon the current slow construction market. Full market recovery is unlikely to be rapid. Distributors have

started to restock moderately in recent months, indicating that demand for belting and services can be expected to steadily improve in the coming year.

Our Americas service business is primarily focused on coal mining although our Chilean operation services copper in the Antofagasta region. As coal production continues at a reasonably high level of output, we are cautiously optimistic about the market demand for services but competition is expected to increase. Poaching of skilled service technicians by mining companies and competitors is on the rise and remains a risk to the service operations. Diversification into new territories and market segments will reduce the over dependency on the coal mining industry. In addition, the longwall mine at Bowie Energy was taken out of service and negatively impacted our Loadout Service operation. In anticipation of this, new markets were targeted and our facilities management business was successful in expanding their services to Signal Peak Energy of Billings, Montana and greatly contributed to the receipt of an order for over $5m that included conveyor belting, cleaners, idlers and drives for a newly commissioned mine.

In Europe, at Dunlop Conveyor Belting, based in Drachten in the Netherlands, there has been some recovery in the second half specifically in OEM related business. The construction industry however remained weak, resulting in relatively low volumes in the distribution segment. Export markets in French Africa, South America and the Middle East continue to be strong. Political instability in some of these markets gives opportunities as well as threats. The Drachten business acquired a small service company in the Milan region and opened new service units in Barcelona, Sicily and Casablanca; this is in addition to the Dunlop Service operation we already have in the Netherlands.

The solid woven businesses have performed well this year, largely due to high demand from both coal and potash producers in their target markets. Significant raw material price increases required careful margin management. Additional press capacity has been added to the UK operation to facilitate growth in the Russian and other former Soviet Union markets which continue to grow despite liquidity problems. Spare capacity in India has been used to help meet demand elsewhere including the US where we have a B.E.L.T. compliant solid woven PVC product.

In India and China, the solid woven businesses continue to introduce high performance high tensile belts to appropriate select customers. In China, we are seeing our competitors following us into the high tensile belting market, however we are confident that we can continue to grow with our superior product technology and flexibility. The Indian operation continues to source these high tensile products from our UK plant, leaving spare capacity which will be used to facilitate a stronger export offering. In South Africa, the uncertainty in mining mineral rights is delaying new projects which in turn limits our opportunities in steel cord belt in the short term. All other products continue to perform well.

Advanced Engineered Products

The AEP Division is divided into five product group businesses which are managed on a global basis. These businesses are:

- Fenner Precision, which is a leading manufacturer and supplier of performance critical polymer components to the office automation industry;
- Fenner Drives, which designs, manufactures and sells an extensive range of bespoke solutions for mechanical power transmission and motion transfer applications;
- The manufacture and supply of silicone and EPDM speciality hoses for the diesel engine, truck, bus and off-road equipment OEM market, trading as James Dawson;
- Fenner Advanced Sealing Technologies ("FAST"), which comprises performance critical hydraulic seals for the global fluid power industry, trading as Hallite and bespoke sealing products for process applications including oil and gas, electronics, pumps, valves, compressors and aerospace applications, trading as CDI/EGC; and
- Medical, comprising Secant Medical, a subsidiary of Prodesco, a leading developer and manufacturer of custom-engineered biomedical textile structures for medical devices and Prodesco, which also provides specialist industrial fabrics. The medical business also includes newly acquired MRI Medical which leads the industry in the production of cutting-edge silicone based medical devices.

All operations within AEP aim to provide high value added solutions to their customers' needs 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 as this supports the high added value, niche nature of the product range across the various AEP businesses and provides added protection against the full effects of economic volatility.

In the autumn of 2009, most of the businesses which make up AEP were still experiencing subdued customer demand at similar levels to the second half of the previous financial year, signifying that channel

destocking had come to an end but that there was little growth in underlying economic activity. The exception to this rule was the medical businesses where revenues were relatively unaffected by the recession and the Chinese market where the Division's business continued to expand. All businesses maintained the close scrutiny on costs which had been adopted during the worst of the recessionary period. However, as the year progressed, increasing demand levels arose from market penetration and share gains as well as a slow improvement in underlying market conditions. This required each business to add staff judiciously in both direct and indirect positions. A net total of 301 people were hired but, despite the rapid ramp-up and short term inefficiencies this can cause, operating margins improved steadily through the year as throughput increased.

There is general agreement that inventory has been removed from every link of the supply chain over the last 18 months. It is now apparent that many OEM customers and channel partners plan to rely upon sophisticated and responsive supply chains to avoid replacing that inventory. The AEP businesses have already benefited from this trend, winning market share from weaker competitors in the face of extreme volatility in customer demand patterns, signing long term supply agreements with major OEM customers and speeding up transactions through on-line, paperless transactions with major channel partners.

The James Dawson hose business was the first of the AEP businesses to be impacted by the global downturn as its OEM customer base experienced a severe contraction in the construction industry, exacerbated by destocking in the supply chain. James Dawson responded to the slow-down by controlling costs, reducing the work force and consolidating its satellite operation to the main facility in Lincoln, thereby streamlining production and improving capability and efficiencies. This business experienced a dramatic resurgence in demand in the second half but was able to ramp-up capacity to meet customers' requirements; second half revenues were over one third higher than the first half.

With a difficult start to the year, Fenner Drives retained tight spending and cash controls but also continued to invest in growth, including sales reorganisation in Europe and development of a Middle Eastern presence. Just after the middle of the year, there was a measurable upswing in demand and, as growth accelerated, we responded effectively allowing us to take market share from less responsive and ill prepared competitors. We were also able to take advantage of our low cost structure and regain margin. Customer focus has moved from price to service; to the point where the only successful answer to customer enquiries is, "Yes, we have all the parts you require in stock. Shall we ship the order out this afternoon, UPS or FedEx?".

Fenner Precision is now a truly global business with one sales group and three manufacturing plants; Manheim and Buffalo in the US, Lincoln in the UK and a presence in Shanghai in China. The primary markets of this business are self service, ATM, consumer and commercial printing and specialist engineering, all of which have or will return to growth albeit from a lower level. Fenner Precision also saw a second half recovery but only in the US and Asia; other markets have now stabilised and margins have benefited from lower organisational costs.

During the year, FAST experienced growing demand for hydraulic equipment which increased from the very low level of the prior year, with India, China and South America showing the most progress. A further improvement in the share of the target seals market was achieved and, in addition, some customers restocked to satisfy their markets. Demand for seals used in the oil and gas industry is directly proportional to the number of drilling rigs in use at any time. By the end of the financial year, the number of active rigs had returned to pre-downturn levels. In addition, demand for well service pump packing had improved due to the development of the shale gas fields in North America which more than offset a decline in down hole sales following the deep water drilling moratorium in the Gulf of Mexico. Overall sales to oil and gas producers improved steadily to reach a higher volume than prior to the downturn. The strategic aim of FAST continues to be to use the most advanced materials and technology to supply better solutions for performance critical applications ahead of its competitors. FAST continues to expand its global presence, maintain its reputation for high quality products and selectively broaden its product range to satisfy new market opportunities.

The medical businesses, MRI Medical and Secant Medical, were not impacted as sharply by the economic downturn as other businesses. However, in common with the entire US healthcare industry, they were subjected to a period of great uncertainty during the year as the US Government deliberated over the proposed overhaul of the US healthcare system. Although legislation was ultimately passed, there is still lingering uncertainty as everyone tries to figure out the ramifications of the legislation in the face of the mid-term elections. From a business point of view, the main effects (so far) have been: a suppression of investment in innovation by both venture capitalists and established medical device companies; an increasing scrutiny of the cost effectiveness of proposed therapies/devices during the development phase

in anticipation of future “Comparative Effectiveness” studies and increased costs and lead-times associated with tighter US Food and Drugs Administration regulation. Notwithstanding the uncertainty, Secant Medical’s strategy was successful in generating more than 25% growth during the year.

Responding to climate change represents a continuing challenge to all businesses but it also has presented a number of sales opportunities for AEP. Fenner Drives is developing a niche business to improve the energy efficiency of commercial buildings and reduce the carbon footprint of the operators. Fenner Precision has successfully used skills which were gained in the offshore oil industry to develop solutions for the installation of offshore wind turbines. James Dawson has developed performance critical products which enhance the safety and reliability of the electrical systems in wind turbines. A number of early stage development projects are underway for various other renewable energy programmes, including wave energy.

Summary and Outlook

We look forward with optimism as we start the new year with our businesses performing well and demonstrating the ability to grow as we emerge from the economic downturn. We have a highly motivated team of people in place and it is the ability of this group that is key to Fenner's success.

Forward-looking Statements

Certain statements contained in this document, including those under the captions “Performance and Outlook” and “Summary and 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: growth in the energy markets, general economic conditions and the business environment.

Mark Abrahams
Chief Executive Officer

GROUP FINANCE DIRECTOR'S REVIEW

Accounting Policies

The Group financial statements have been prepared in accordance with IFRS as adopted by the European Union.

Revenue and Operating Profit

Group revenue increased by 11% to £552.5m (2009 £499.4m). The effect of favourable exchange rate movements amounted to £21.2m, the largest component relating to the stronger Australian dollar.

In the CB Division, revenue increased by 8% to £389.5m (2009 £361.8m) with demand from mining markets remaining strong.

In the AEP Division, revenue increased by 18% to £163.0m (2009 £137.6m), assisted by an underlying recovery in industrial markets, particularly in the US, and from customer restocking.

Underlying operating profit increased by 38% to £57.0m (2009 £41.3m). The effect of favourable exchange rate movements was £3.8m, therefore the increase at constant exchange rates was 26%. Divisional profits contributed were £40.5m (2009 £30.8m) from the CB Division and £22.6m (2009 £15.8m) from the AEP Division.

There were no exceptional items recorded in the year (2009 £17.4m). Further details of prior year exceptional items can be found in note 5. Amortisation of intangible assets acquired increased to £7.7m (2009 £6.8m) due to exchange rate movements, the re-assessment of useful economic lives and acquisitions completed during the year.

Group operating profit increased significantly to £49.3m (2009 £17.1m).

Interest

Net interest payable was £10.7m (2009 £10.2m). This increase was due to the weakening of sterling, principally against the Australian dollar, financing costs relating to additional committed facilities and additional Australian dollar borrowings following the completion of capital projects in 2009. These increases were offset by an overall reduction in net borrowings in the year.

In addition, notional interest charged was £1.4m (2009 £1.3m). This comprises notional charges relating to defined benefit post-retirement schemes and the unwinding of discount on provisions, principally arising from contingent deferred consideration on acquisitions.

Taxation

The underlying tax rate was 30% (2009 28%). The increase in the rate reflects a greater proportion of profits generated in the US where tax rates are higher than elsewhere. Within the charge was a re-assessment of the recovery of certain deferred tax assets, principally tax losses to be carried forward against future profits, offset by a release of provisions no longer required relating to earlier years.

The headline tax rate of 29% (2009 18%) increased principally as the one-off effect of the tax relief on 2009 exceptional items, particularly in the US, reduced.

Earnings per Share and Dividends

Underlying earnings per share was 17.9p (2009 12.8p) and basic earnings per share was 14.6p (2009 2.6p).

The interim dividend of 2.4p per share (2009 2.2p) was paid on 6 September 2010. The Board is recommending a final dividend of 4.8p per share (2009 4.4p) to make a total dividend for the year of 7.2p per share (2009 6.6p).

Acquisitions

The Group completed two acquisitions during the year.

In September 2009, certain assets and liabilities of Belt Service Srl, based in Italy, were acquired. The initial cash consideration was £0.2m with deferred consideration of £0.5m.

In July 2010, 100% of the share capital of MRI Manufacturing & Research, Inc, based in Arizona in the US,

was acquired. The initial cash consideration was £2.9m with deferred amounts payable estimated at £2.6m.

In accordance with the revision to IFRS 3 ‘Business Combinations’, acquisition costs have been expensed in the period in which they occurred and the services are received. During the year, £0.4m of costs were expensed.

Further acquisition disclosures are given in note 17.

On 4 November 2010, after the year end, we exchanged contracts to acquire 100% of the business and assets of Belle Banne Victoria, Leading Edge Conveyor Solutions and associated interests. These businesses, which are interlinked, are based in Australia. An initial cash consideration of AUD$21.95m will be paid at completion to acquire 50.01% of the principal businesses and a holding in associated interests. After an initial joint venture period, the remaining share of the businesses will be acquired within six years for AUD$21.5m plus contingent deferred performance related amounts. Total consideration is capped at AUD$63.95m.

Cash Flow, Net Debt and Financing

Net cash from operating activities increased to £66.8m (2009 £36.4m), benefiting from the increased operating profit and a further reduction in working capital of £12.6m (2009 £16.5m).

Capital expenditure reduced to £10.5m (2009 £34.3m) following the completion of the major organic investment programme. This compares to a depreciation charge of £18.1m (2009 £15.0m). After disposing of plant and equipment of £0.1m (2009 £0.1m), the free cash inflow was £56.4m (2009 £2.2m).

The net outflow on acquisition and disposal activity was £16.6m (2009 £37.2m). After dividends paid of £11.6m (2009 £11.6m) and an inflow from a share placing of £35.2m (2009 £nil), net debt reduced by £63.4m (2009 increased by £46.6m) before the effects of exchange rate movements. The translation effect of adverse exchange rate movements was £8.4m (2009 £21.2m) which resulted in a reduction in net debt of £55.0m to £110.4m (2009 £165.4m).

Gross debt at the year end amounted to £155.2m (2009 £200.4m). Cash and cash equivalents at the year end were £44.8m (2009 £35.0m).

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.

In April 2010, we raised net proceeds of £35.2m through the placing of 17.3 million new ordinary shares to help provide the financial flexibility to continue to finance strategic acquisitions that will further enhance our business.

At the year end, the Group's committed bank facilities were £165.2m (2009 £118.1m). These include a £100m revolving credit facility with two UK banks and £45m of bilateral revolving credit facilities with two additional UK banks, all of which expire in June 2012. The bilateral facilities were taken out during the year on substantially the same loan terms as the £100m facility with current market pricing. In addition, the Group's Australian operations have committed bank borrowings of AUD$35m (£20.2m) which expire in May 2013.

The Group's other principal sources of committed debt financing remain two US dollar private placements; $90.0m (£58.4m) of Senior Notes repayable in June 2017 carry a fixed interest coupon of 5.78% and $13.6m (£8.8m) of Senior Notes repayable in 2011 and 2012 carry a fixed interest coupon of 7.29%.

In addition to its undrawn committed facilities at the year end of £86.9m (2009 £12.4m), the Group has access to approximately £30m of uncommitted working capital facilities.

The financial covenants relating to the committed bank facilities and the 2017 private placement are aligned. The principal covenants are interest cover - underlying operating profit being at least 2 times the net interest charge and the net debt to EBITDA ratio - net debt being less than 3.5 times adjusted EBITDA.

At 31 August 2010, the Group comfortably complied with its loan covenants. Interest cover was 5.3 times (2009 4.0 times) whilst net debt to reported EBITDA was 1.5 times (2009 2.9 times). In addition, for compliance with loan covenants, reported EBITDA is adjusted for, inter alia, acquisitions and non-cash items, therefore the net debt to adjusted EBITDA ratio is lower when adjusted for these items.

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 foreign currency and sterling 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.

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 '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 re-translated at the closing rate, with changes in value charged or credited to the income statement.

The interest rate swap to hedge interest rate cash flows, entered into in 2006, continued during the year. This instrument fixes the interest rate on $40m of floating rate bank borrowings until 2011. At 31 August 2010, the fair value of this instrument was a liability of £1.7m (2009 £2.5m). In 2007, the Group also swapped $27.2m of the 2017 private placement into €20.0m, with cash flows mirroring the private placement at a fixed rate of 5.05%. This swap matures in June 2017 when the private placement is repayable. At 31 August 2010, the fair value of this instrument was an asset of £1.7m (2009 liability of £0.9m). These swaps have been accounted for as hedges in accordance with IAS 39, with the charge or credit recognised directly in equity.

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.

Return on Gross Capital Employed

The return on gross capital employed has increased to 13% (2009 11%) due to the improvement in underlying operating profit.

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 most recent triennial valuation of the Fenner Pension Scheme was carried out as at 31 March 2008. 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 2010, increased to £45.5m (2009 £42.1m). Of this amount, the Fenner Pension Scheme represents £37.3m (2009 £37.6m) and the overseas schemes totalled £8.2m (2009 £4.5m). During the year, the fair value of assets of the schemes increased by £11.6m (2009 reduction of £5.8m), principally due to an increase in the value of equity. The present value of recognised obligations increased by £15.0m (2009 £17.2m), principally as a result of a reduction in corporate bond yields used to discount obligations.

Richard Perry
Group Finance Director

Consolidated income statement
for the year ended 31 August 2010

	Notes	2010 £m	2009 £m
Revenue		**552.5**	499.4
Cost of sales		**(384.0)**	(379.8)
Gross profit		**168.5**	119.6
Distribution costs		**(46.9)**	(44.9)
Administrative expenses		**(72.3)**	(57.6)
Operating profit before amortisation of intangible assets acquired and exceptional items		**57.0**	41.3
Amortisation of intangible assets acquired		**(7.7)**	(6.8)
Exceptional items	5	**-**	(17.4)
Operating profit	4	**49.3**	17.1
Finance income		**1.3**	1.5
Finance costs		**(12.0)**	(11.7)
Notional interest		**(1.4)**	(1.3)
Profit before taxation		**37.2**	5.6
Taxation	6	**(10.7)**	(1.0)
Profit for the year		**26.5**	4.6
Attributable to:			
Equity holders of the parent		**26.3**	4.5
Non-controlling interests		**0.2**	0.1
		26.5	4.6
Earnings per share			
Underlying - before amortisation of intangible assets acquired, exceptional items and notional interest	8	**17.9p**	12.8p
Basic	8	**14.6p**	2.6p
Diluted	8	**14.5p**	2.6p

Consolidated statement of comprehensive income

for the year ended 31 August 2010

	2010 **£m**	2009 £m
Profit for the year	**26.5**	4.6
Other comprehensive income:		
Currency translation differences	**14.0**	16.2
Hedge of net investments in foreign currencies	**(0.1)**	(1.2)
Interest rate and currency swaps	**3.4**	(1.6)
Actuarial losses on defined benefit post-retirement schemes	**(6.6)**	(24.3)
Tax on other comprehensive income	**0.1**	7.0
Total other comprehensive income	**10.8**	(3.9)
Comprehensive income for the year	**37.3**	0.7
Attributable to:		
Equity holders of the parent	**37.0**	0.4
Non-controlling interests	**0.3**	0.3
	37.3	0.7

Consolidated balance sheet

at 31 August 2010

	Notes	**2010 £m**	2009 £m
Non-current assets			
Property, plant and equipment	9	**202.5**	197.5
Intangible assets	10	**170.0**	164.4
Other investments		**0.1**	0.3
Deferred tax assets		**31.8**	26.3
		404.4	388.5
Current assets			
Inventories		**75.5**	63.0
Trade and other receivables		**92.5**	79.0
Current tax assets		**0.1**	3.9
Derivative financial assets		**1.8**	-
Cash and cash equivalents	13	**44.8**	35.0
		214.7	180.9
Total assets		**619.1**	569.4
Current liabilities			
Borrowings	13	**(25.4)**	(30.2)
Trade and other payables		**(112.3)**	(81.5)
Current tax liabilities		**(7.6)**	(3.5)
Derivative financial liabilities		**(1.7)**	(4.1)
Provisions	12	**(6.7)**	(17.0)
		(153.7)	(136.3)
Non-current liabilities			
Borrowings	13	**(129.8)**	(170.2)
Trade and other payables		**(4.2)**	-
Retirement benefit obligations	11	**(45.5)**	(42.1)
Provisions	12	**(17.8)**	(17.2)
Deferred tax liabilities		**(11.2)**	(8.1)
		(208.5)	(237.6)
Total liabilities		**(362.2)**	(373.9)
Net assets		**256.9**	195.5
Equity			
Share capital		**48.0**	43.7
Share premium		**51.7**	83.9
Retained earnings		**49.4**	39.7
Exchange reserve		**43.9**	30.0
Hedging reserve		**(1.8)**	(4.2)
Merger reserve		**64.2**	1.1
Shareholders' equity		**255.4**	194.2
Non-controlling interests		**1.5**	1.3
Total equity	14	**256.9**	195.5

The financial statements were approved by the Board of Directors on 10 November 2010 and signed on its behalf by:

C I Cooke	**R J Perry**
Chairman	*Group Finance Director*

Consolidated cash flow statement

for the year ended 31 August 2010

	Notes	**2010 £m**	2009 £m
Profit before taxation		**37.2**	5.6
Adjustments for:			
Depreciation of property, plant and equipment and amortisation of intangible assets		**25.8**	21.8
Impairment loss on property, plant and equipment		**-**	1.1
Movement in retirement benefit obligations		**(3.7)**	(2.4)
Movement in provisions		**(1.4)**	(0.6)
Finance income		**(1.3)**	(1.5)
Finance costs		**12.0**	11.7
Notional interest		**1.4**	1.3
Profit on disposal of businesses		**-**	(0.5)
Other non-cash movements		**(0.1)**	0.5
Operating cash flow before movement in working capital		**69.9**	37.0
Movement in working capital		**12.6**	16.5
Net cash from operations		**82.5**	53.5
Interest received		**1.3**	1.5
Interest paid		**(12.0)**	(12.2)
Taxation paid		**(5.0)**	(6.4)
Net cash from operating activities		**66.8**	36.4
Investing activities:			
Purchase of property, plant and equipment		**(10.1)**	(33.0)
Disposal of property, plant and equipment		**0.1**	0.1
Purchase of intangible assets		**(0.4)**	(1.3)
Disposal of investments		**0.2**	0.3
Acquisition of businesses	17	**(16.9)**	(37.6)
Disposal of businesses		**0.1**	0.1
Net cash used in investing activities		**(27.0)**	(71.4)
Financing activities:			
Dividends paid to Company shareholders	7	**(11.5)**	(11.5)
Dividends paid to non-controlling interests		**(0.1)**	(0.1)
Issue of ordinary share capital	14	**35.2**	-
Repayment of borrowings		**(65.1)**	(22.6)
New borrowings		**9.6**	63.2
Net cash (used in)/from financing activities		**(31.9)**	29.0
Net increase/(decrease) in cash and cash equivalents		**7.9**	(6.0)
Cash and cash equivalents at start of year		**34.9**	43.6
Exchange movements		**1.9**	(2.7)
Cash and cash equivalents at end of year		**44.7**	34.9

Consolidated statement of changes in equity

for the year ended 31 August 2010

	Attributable to equity holders 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 start of prior year	43.7	83.9	64.0	14.0	(1.8)	1.1	204.9	1.0	205.9
Profit for the year	-	-	4.5	-	-	-	4.5	0.1	4.6
Other comprehensive income:									
Currency translation differences	-	-	-	16.0	-	-	16.0	0.2	16.2
Hedge of net investments in foreign currencies	-	-	-	-	(1.2)	-	(1.2)	-	(1.2)
Interest rate and currency swaps	-	-	-	-	(1.6)	-	(1.6)	-	(1.6)
Actuarial losses on defined benefit post-retirement schemes	-	-	(24.3)	-	-	-	(24.3)	-	(24.3)
Tax on other comprehensive income	-	-	6.6	-	0.4	-	7.0	-	7.0
Total other comprehensive income	-	-	(17.7)	16.0	(2.4)	-	(4.1)	0.2	(3.9)
Transactions with owners:									
Dividends paid	-	-	(11.5)	-	-	-	(11.5)	(0.1)	(11.6)
Share-based payments	-	-	0.4	-	-	-	0.4	-	0.4
Acquisition of businesses	-	-	-	-	-	-	-	0.1	0.1
Total transactions with owners	-	-	(11.1)	-	-	-	(11.1)	-	(11.1)
At start of year	43.7	83.9	39.7	30.0	(4.2)	1.1	194.2	1.3	195.5
Profit for the year	-	-	26.3	-	-	-	26.3	0.2	26.5
Other comprehensive income:									
Currency translation differences	-	-	-	13.9	-	-	13.9	0.1	14.0
Hedge of net investments in foreign currencies	-	-	-	-	(0.1)	-	(0.1)	-	(0.1)
Interest rate and currency swaps	-	-	-	-	3.4	-	3.4	-	3.4
Actuarial losses on defined benefit post-retirement schemes	-	-	(6.6)	-	-	-	(6.6)	-	(6.6)
Tax on other comprehensive income	-	-	1.0	-	(0.9)	-	0.1	-	0.1
Total other comprehensive income	-	-	(5.6)	13.9	2.4	-	10.7	0.1	10.8
Transactions with owners:									
Dividends paid	-	-	(11.5)	-	-	-	(11.5)	(0.1)	(11.6)
Shares issued in the year	4.3	-	-	-	-	30.9	35.2	-	35.2
Share-based payments	-	-	0.5	-	-	-	0.5	-	0.5
Transfers	-	(32.2)	-	-	-	32.2	-	-	-
Total transactions with owners	4.3	(32.2)	(11.0)	-	-	63.1	24.2	(0.1)	24.1
At end of year	**48.0**	**51.7**	**49.4**	**43.9**	**(1.8)**	**64.2**	**255.4**	**1.5**	**256.9**

Notes

1. Basis of preparation

The preliminary results for the year ended 31 August 2010 were approved by the Board of Directors on 10 November 2010. 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 2010 and 31 August 2009 and given unqualified opinions, which did not include a statement under Section 498 of the Companies Act 2006. The Group financial statements for 2009 have been delivered to the Registrar of Companies and the Group financial statements for 2010 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 IFRIC interpretations and those parts of the Companies Act 2006 applicable to companies reporting under IFRS. They are prepared on the historical cost basis, as modified by 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 2009, except for the following standards or interpretations to existing standards that have been adopted for the first time during the year:

- IAS 1 (Revised) 'Presentation of Financial Statements'
- Amendment to IAS 1 'Presentation of Financial Statements'
- IAS 23 (Revised) 'Borrowing Costs'
- IAS 27 (Revised) 'Consolidated and Separate Financial Statements'
- Amendment to IAS 32 'Financial Instruments: Presentation'
- Amendment to IAS 39 'Financial Instruments: Recognition and Measurement'
- Amendment to IFRS 1 'First-time Adoption of International Financial Reporting Standards'
- Amendment to IFRS 2 'Share-based Payment'
- IFRS 3 (Revised) 'Business Combinations'
- Amendment to IFRS 7 'Financial Instruments: Disclosures'
- IFRS 8 'Operating Segments'
- Amendment to IFRIC 9 'Reassessment of Embedded Derivatives'
- IFRIC 15 'Agreements for the Construction of Real Estate'
- IFRIC 16 'Hedges of a Net Investment in a Foreign Operation'
- IFRIC 17 'Distributions of Non-cash Assets to Owners'
- IFRIC 18 'Transfers of Assets from Customers'

Adoption of these standards and interpretations did not have a material impact on the Group's reported results or financial position although IAS 1 and IFRS 8 did give rise to additional disclosures or changes to disclosures in the Group financial statements.

3. Segment information

	Conveyor Belting		Advanced Engineered Products		Corporate Functions		Total	
	2010 £m	2009 £m	**2010 £m**	2009 £m	**2010 £m**	2009 £m	**2010 £m**	2009 £m
Total segment revenue	**389.5**	361.8	**164.9**	139.9	**-**	-	**554.4**	501.7
Inter-segment revenue	**-**	-	**(1.9)**	(2.3)	**-**	-	**(1.9)**	(2.3)
Revenue from external customers	**389.5**	361.8	**163.0**	137.6	**-**	-	**552.5**	499.4
Operating profit before amortisation of intangible assets acquired and exceptional items	**40.5**	30.8	**22.6**	15.8	**(6.1)**	(5.3)	**57.0**	41.3
Amortisation of intangible assets acquired	**(4.5)**	(3.6)	**(3.2)**	(3.2)	**-**	-	**(7.7)**	(6.8)
Exceptional items	**-**	(11.9)	**-**	(5.5)	**-**	-	**-**	(17.4)
Operating profit	**36.0**	15.3	**19.4**	7.1	**(6.1)**	(5.3)	**49.3**	17.1
Net finance costs							**(12.1)**	(11.5)
Taxation							**(10.7)**	(1.0)
Profit for the year							**26.5**	4.6

4. Operating profit

Operating profit has been arrived at after charging/(crediting):

	2010 £m	2009 £m
Depreciation of property, plant and equipment	**17.7**	14.6
Impairment loss on property, plant and equipment	**-**	1.1
Amortisation of intangible assets acquired	**7.7**	6.8
Amortisation of other intangible assets	**0.4**	0.4
Loss on disposal of property, plant and equipment	**-**	0.2
Cost of inventories	**345.8**	350.6
Aggregate employment costs	**168.0**	145.1
Foreign exchange gains	**(0.7)**	-
Research and development costs	**1.9**	1.6
Government grants	**(0.1)**	(0.7)
Operating lease charges	**8.2**	6.2
Exceptional items*	**-**	16.3
Auditors' remuneration for audit services:		
- parent company and consolidation	**0.1**	0.1
- subsidiary undertakings	**0.5**	0.4
Auditors' remuneration for non-audit services - overseas	**0.3**	0.1

*In 2009, exceptional items excluded the impairment loss on property, plant and equipment of £1.1m that is shown separately.

5. Exceptional items

There were no exceptional items recorded during 2010. In 2009, exceptional items comprised: £8.8m of global restructuring costs, principally costs of redundancy, to align the Group's cost base through the global economic downturn; £5.2m of restructuring and reorganisation costs associated with the major investment projects in the conveyor belting businesses in North America and Australia; £3.0m in respect of a new product replacement; £0.9m of acquisition integration and abortive costs; and £0.5m of profit generated from the disposal of a non-core product line.

6. Taxation

	2010 **£m**	2009 £m
Current taxation		
UK Corporation tax:		
- current year	**1.0**	2.8
- double taxation relief	**(0.1)**	(2.7)
- adjustments in respect of prior years	**(0.9)**	(0.3)
	-	(0.2)
Overseas tax:		
- current year	**12.3**	1.5
- adjustments in respect of prior years	**0.2**	(0.2)
	12.5	1.3
	12.5	1.1
Deferred taxation		
Origination and reversal of temporary differences:		
- UK	**0.3**	0.2
- overseas	**(2.1)**	(0.3)
	(1.8)	(0.1)
Total taxation	**10.7**	1.0

7. Dividends

	2010 **£m**	2009 £m
Dividends paid or approved in the year		
Interim dividend for the year ended 31 August 2009 of 2.2p (2008: 2.2p) per share	**3.8**	3.8
Final dividend for the year ended 31 August 2009 of 4.4p (2008: 4.4p) per share	**7.7**	7.7
	11.5	11.5
Dividends neither paid nor approved in the year		
Interim dividend for the year ended 31 August 2010 of 2.4p (2009: 2.2p) per share	**4.6**	3.8
Final dividend for the year ended 31 August 2010 of 4.8p (2009: 4.4p) per share	**9.2**	7.7
	13.8	11.5

The interim dividend for the year ended 31 August 2010 was paid on 6 September 2010. The proposed final dividend for the year ended 31 August 2010 is subject to approval by shareholders at the AGM. Consequently, neither have been recognised as liabilities at 31 August 2010. If approved, the final dividend will be paid on 7 March 2011 to shareholders on the register on 4 February 2011.

8. Earnings per share

	2010 £m	2009 £m
Earnings		
Profit for the year attributable to equity holders of the parent	**26.3**	4.5
Amortisation of intangible assets acquired and exceptional items	**7.7**	24.2
Notional interest	**1.4**	1.3
Taxation attributable to amortisation of intangible assets acquired, exceptional items and notional interest	**(3.1)**	(7.7)
Profit for the year before amortisation of intangible assets acquired, exceptional items and notional interest	**32.3**	22.3

	number	number
Average number of shares		
Weighted average number of shares in issue	**180,711,730**	174,770,029
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	**180,597,553**	174,655,852
Effect of share options and contingent long term incentive plans	**550,763**	-
Weighted average number of shares in issue - diluted	**181,148,316**	174,655,852

	pence	pence
Earnings per share		
Underlying - before amortisation of intangible assets acquired, exceptional items and notional interest	**17.9**	12.8
Basic	**14.6**	2.6
Diluted	**14.5**	2.6

Underlying earnings per share has been calculated on the basic weighted average number of shares in issue.

Underlying earnings per share has 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 £5.0m principally comprises additions of £10.1m and exchange movements of £12.2m less depreciation of £17.7m.

10. Intangible assets

The increase in intangible assets in the year of £5.6m principally comprises goodwill and intangible assets acquired on the acquisition of businesses of £5.5m and exchange movements of £7.8m less amortisation of £8.1m.

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 2008. The actuarial valuations for all schemes were updated as at 31 August 2010 by independent qualified actuaries.

Retirement benefit obligations increased by £3.4m in the year. This comprises an increase in the present value of recognised obligations of £15.0m, principally as a result of a reduction in corporate bond yields used to discount obligations, less an increase in the fair value of assets of the schemes of £11.6m, principally due to an increase in the value of equity.

12. Provisions

Provisions comprise current provisions of £6.7m (2009: £17.0m) and non-current provisions of £17.8m (2009: £17.2m). The overall decrease in the year of £9.7m principally comprises payments of deferred consideration on acquisitions in the year of £13.9m less additional deferred amounts provided on current and prior year acquisitions of £3.4m.

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

	2010 **£m**	2009 £m
Net increase/(decrease) in cash and cash equivalents	**7.9**	(6.0)
Net decrease/(increase) in borrowings resulting from cash flows	**55.5**	(40.6)
Movement in net debt resulting from cash flows	**63.4**	(46.6)
Exchange movements	**(8.4)**	(21.2)
Movement in net debt in the year	**55.0**	(67.8)
Net debt at start of year	**(165.4)**	(97.6)
Net debt at end of year	**(110.4)**	(165.4)

Net debt comprises cash and cash equivalents of £44.8m (2009: £35.0m), current borrowings of £25.4m (2009: £30.2m) and non-current borrowings of £129.8m (2009: £170.2m).

14. Equity

On 28 April 2010, the Group announced the placing of 17,302,233 new ordinary shares of 25p with institutional investors for an aggregate consideration of £36.3m less costs of £1.1m.

The exchange reserve comprises foreign exchange differences arising from the translation of the financial statements of foreign operations.

The hedging reserve comprises gains and losses on changes in the valuation of assets and liabilities designated as hedges.

The merger reserve relates to merger relief on the issue of shares. The share placing announced on 28 April 2010 qualified for merger relief under section 612 of the Companies Act 2006. The excess of the value of the shares issued over the nominal value has therefore been recorded in the merger reserve. In addition, it was identified in 2010 that the shares issued in 2008 qualified for merger relief under section 612 of the Companies Act 2006. Consequently, an amount of £32.2m originally recorded in share premium was transferred to the merger reserve during the year.

15. 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.

16. 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.

17. Acquisitions

On 10 September 2009, the Group acquired certain operating assets and liabilities of Belt Service Srl, a conveyor belting service company based in Italy. The acquisition strengthens the Group's service network in Europe. The initial cash consideration was £0.2m with deferred consideration of £0.5m, based on exchange rates at the date of completion.

On 7 July 2010, the Group acquired the entire share capital of MRI Manufacturing & Research, Inc, based in Arizona, USA. They are a development and manufacturing company that designs, validates and manufactures cutting-edge silicone based medical devices. The acquisition strengthens the Group's presence in the medical device market. The initial cash consideration was £2.9m with deferred consideration estimated at £2.6m, based on exchange rates at the date of completion.

From the respective dates of acquisition, these businesses contributed £2.3m to Group revenue, £0.2m to Group operating profit before amortisation of intangible assets acquired and exceptional items and £0.1m to Group operating profit.

If the acquisitions had occurred on 1 September 2009, it is estimated that Group revenue would have been £557.5m, Group operating profit before amortisation of intangible assets acquired and exceptional items would have been £57.3m and Group operating profit would have been £49.4m. 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 2009.

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

	Current year acquisitions			Prior year acquisitions	Total
	Book value £m	Fair value adjustments £m	Provisional fair value £m	Fair value adjustments £m	Provisional fair value £m
Property, plant and equipment	0.4	-	0.4	0.1	0.5
Inventories	0.8	-	0.8	-	0.8
Trade and other receivables	0.8	-	0.8	0.2	1.0
Trade and other payables	(0.7)	(0.3)	(1.0)	-	(1.0)
Cash and cash equivalents	0.1	-	0.1	-	0.1
Current taxation	(0.5)	-	(0.5)	-	(0.5)
Deferred taxation	-	0.1	0.1	-	0.1
Total net assets acquired	0.9	(0.2)	0.7	0.3	1.0
Intangible assets acquired			3.8	-	3.8
Goodwill on acquisition			1.7	-	1.7
Total consideration			6.2	0.3	6.5
Contingent and deferred consideration held as provisions			(3.1)	(0.3)	(3.4)
Contingent and deferred consideration paid			-	13.9	13.9
Cash consideration paid			3.1	13.9	17.0
Cash and cash equivalents acquired			(0.1)	-	(0.1)
Cash consideration paid per cash flow statement			3.0	13.9	16.9

The information above has been presented in aggregate because the individual acquisitions are not material.

Contingent and deferred consideration on current year acquisitions principally relates to the estimated value of earn-out payments based on future performance. The maximum amount payable is £10.1m, based on exchange rates at the date of completion. This amount is discounted using a suitable risk free, pre-tax rate based on borrowings that match the maturity of the consideration being discounted.

Adjustments to increase the fair value of net assets acquired by £0.3m in respect of prior year acquisitions have been made within 12 months of the acquisition date, as permitted by IFRS 3 'Business Combinations'. Deferred consideration held as provisions on prior year acquisitions has also been increased by £0.3m due to a re-assessment of the total consideration payable. The overall effect of these adjustments on goodwill is £nil.

The comparative financial information has not been re-stated by way of a prior year adjustment as the amounts are not considered to be material.

Goodwill arising on acquisition principally represents the workforce and anticipated synergies gained through the acquisitions. All goodwill is expected to be deductible for tax purposes.

18. Post balance sheet events

On 4 November 2010, the Group exchanged contracts to acquire 100% of the business and assets of Belle Banne (Victoria) Pty Limited, Leading Edge Conveyor Solutions Pty Limited and associated interests. These businesses, which are interlinked, are based in Australia. An initial cash consideration of AUD$21.95m will be paid at completion to acquire 50.01% of the principal businesses and a holding in associated interests. After an initial joint venture period, the remaining share of the businesses will be acquired within six years for AUD$21.5m plus contingent deferred performance related amounts. Total consideration is capped at AUD$63.95m.

A review of the value of assets and liabilities acquired, including the identification of accounting policy alignment adjustments, and the valuation of intangible assets acquired will be undertaken following completion. Consequently, these are not currently available.

Consolidated income statement - half year analysis

for the year ended 31 August 2010

	First half (unaudited)		Second half (unaudited)		Full year (audited)	
	2010 £m	2009 £m	**2010 £m**	2009 £m	**2010 £m**	2009 £m
Revenue	**246.3**	257.6	**306.2**	241.8	**552.5**	499.4
Operating profit before amortisation of intangible assets acquired and exceptional items	**21.5**	17.4	**35.5**	23.9	**57.0**	41.3
Amortisation of intangible assets acquired	**(3.6)**	(3.1)	**(4.1)**	(3.7)	**(7.7)**	(6.8)
Exceptional items	**-**	(7.8)	**-**	(9.6)	**-**	(17.4)
Operating profit	**17.9**	6.5	**31.4**	10.6	**49.3**	17.1
Finance income	**0.7**	0.8	**0.6**	0.7	**1.3**	1.5
Finance costs	**(5.9)**	(6.1)	**(6.1)**	(5.6)	**(12.0)**	(11.7)
Notional interest	**(0.6)**	(0.6)	**(0.8)**	(0.7)	**(1.4)**	(1.3)
Profit before taxation	**12.1**	0.6	**25.1**	5.0	**37.2**	5.6
Taxation	**(3.6)**	(0.2)	**(7.1)**	(0.8)	**(10.7)**	(1.0)
Profit for the period	**8.5**	0.4	**18.0**	4.2	**26.5**	4.6
Attributable to:						
Equity holders of the parent	**8.4**	0.4	**17.9**	4.1	**26.3**	4.5
Non-controlling interests	**0.1**	-	**0.1**	0.1	**0.2**	0.1
	8.5	0.4	**18.0**	4.2	**26.5**	4.6
Earnings per share						
Underlying - before amortisation of intangible assets acquired, exceptional items and notional interest	**6.4p**	5.0p	**11.5p**	7.8p	**17.9p**	12.8p
Basic	**4.8p**	0.2p	**9.8p**	2.4p	**14.6p**	2.6p
Diluted	**4.8p**	0.2p	**9.7p**	2.4p	**14.5p**	2.6p

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