Fenner

Preliminary Announcement
8 November 2006

Growing
Partnerships
Worldwide

Chairman's Statement

Financial Highlights	2006 £m	% increase on 2005
Revenue	379.0	+25%
Operating profit	33.7	+107%
Profit before taxation	29.3	+136%
Basic earnings per share	13.0p	+97%
Dividends per share	6.0p	+3%

A record year with good prospects

"Operating profit...an all-time record"

The completion of the 2006 trading year marked an important milestone for our Group. Operating profit rose by 107% to £33.7m, an all-time record.

Our major market sectors throughout the world, associated with energy and power generation, have remained consistently strong.

Additionally, major infrastructure and consumables spending by both private and public entities has helped our growth.

The new year has started well and our organic investment programmes continue to progress. These, complemented by acquisition activity in strategically important areas, are expected to continue to fuel advances in our performance.

REVENUE AND PROFITS
Revenue for the year amounted to £379.0m (2005 £303.6m) generating an increased operating profit of £33.7m (2005 £16.3m). Profit before taxation rose 136% to £29.3m (2005 £12.4m) delivering increased basic earnings per share of 13.0p (2005 6.6p).

DIVIDENDS
The strong profit performance and prospects for further growth have enabled the Board to recommend an increase in the final dividend to 4.025p (2005 3.85p) which, together with the interim dividend of 1.975p (2005 1.975p), represents a total for the year of 6.0p (2005 5.825p) and a 3% increase over the prior year. On a full year basis our dividend is covered 2.2 times.

"...FAST exceeded our expectations..."

REVIEW OF OPERATIONS
The conveyor belting businesses have performed strongly with margin recovery and growth being major factors in our North American operations. We have seen signs of recovery in Europe and improved performances in the southern hemisphere and the Far East.

The first full year of profit contribution from the former Wellington Holdings plc businesses, now operating under the banner of Fenner Advanced Sealing Technologies ("FAST"), exceeded our expectations and strengthened our advanced engineered products division in furthering our strategic aim of balancing the Group's major divisional activities. A successful year for the precision polymer activities has complemented the acquired FAST operations to generate increased profitability and strong cash flows for the division.

CASH RESOURCES AND INVESTMENT

The higher operating margins in our larger businesses have generated a stronger operating cash flow. This enables us to fund our major organic expansion programme in heavyweight belting manufacture and support our existing customers. The advanced engineered products division has benefited from capacity investment in order to grow our global market share. Despite this expenditure, which represents in excess of twice the rate of depreciation, our gearing level has fallen to 27.3% (2005 32.3%).

The acquisition of EGC after the year end is designed to broaden and strengthen the technical offering of our FAST process business. In the medium term this should offer the opportunity for profitable growth.

PEOPLE

I am indebted to my non-executive directors who have provided invaluable counsel to me during the course of the year. I am particularly grateful to Tom Glucklich, who retired from the Board at our AGM in January after 10 years service, nine of which were as Chairman of our Remuneration Committee.

The record results for the year could not have been achieved without the dedication and support of all of our employees. The geographical diversity of the Group's investments relies on exceptional performances from excellent people and I take this opportunity to thank them all for their contribution to our success.

OUTLOOK

The new year has started well and in accordance with our expectations.

The weaker US dollar, combined with a gradually rising rate of taxation, slows the rate of growth in the short term. However, the strength of our markets and the benefits derived from our investment programme should enable us to make further progress this year.

Over the medium term we expect our capital expenditure plans to broaden our market exposures and accelerate growth.

Colin Cooke
Chairman

"...enable us to make further progress this year."

Building for the future

"The acquisition of EGC represents an opportunity for our advanced seals business to broaden its product offering and materials technology expertise in high value performance-critical applications."
Mark Abrahams - Chief Executive Officer

"...high value performance-critical applications..."

"...reputation is key to the Group's success..."

"...continued investment and development in emerging markets..."

INTRODUCTION

Fenner is a world leader in reinforced polymer technology. We will maintain or achieve leading positions in all our niche markets by continuing to concentrate on understanding our customers' needs and delivering superior value added products to satisfy those needs. The commitment and expertise of our workforce in both established and emerging markets provides a solid platform for growth.

With 21 factories on five continents plus 27 dedicated sales and distribution branches, Fenner is a specialist polymer engineering group with global operations offering products focused on distinct markets. Managed through two operating divisions, the Group has a small but experienced head office with a flat management structure and promotes proactive local autonomy with well defined, timely and financially focused reporting. Fenner has close to 3,500 employees based in 18 countries. Where possible we develop and recruit indigenous management.

Through its conveyor belting division ("CB"), Fenner is the world leader in the global conveyor belting market with products including lightweight and heavyweight conveyor belting for the mining, power generation and industrial markets. The advanced engineered products division ("AEP") manufactures and distributes precision motion control products for the computer, copier, mechanical equipment markets, silicon and EPDM hose production for non-automotive applications and specialist seals. The recently acquired Fenner Advanced Sealing Technologies ("FAST") businesses manufacture specialist seals products for the mining, hydraulics, oil and gas, electronics, pumps, valves, compressors and aerospace industries. As with CB, AEP demonstrates its market leadership through its customer responsiveness, product range, quality and the whole-life value of the product to the customer.

Whether it is supplying to a coal mine in Spitzbergen with a conveyor belt that operates at temperatures as low as minus 60°C or designing a specialist seal for a peanut butter manufacturer, the Group takes pride in being a manufacturer of world-class products that are known for their quality and reliability which provide value added solutions to our customers. This reputation is key to the Group's success and has been built up over many years of customer-focused trading.

STRATEGIC OBJECTIVES

During the year the Board and the Executive Management team carried out a review of the Group, developing a series of strategic and operational initiatives which provide the framework within which operational budgets and projects are set. The major project approved this year was an investment programme in the North American conveyor belting business over the next 18 months. Such reviews are held periodically and are embedded into the Group's corporate processes.

CB and AEP have separate strategic objectives, with common goals of continued investment and development in emerging markets as well as expanding share where possible in established markets. The Group has recently established conveyor belting manufacturing capability in China and India primarily to service the local demand. These businesses also provide the infrastructure to develop our AEP businesses, particularly seals and hose, in these important markets. The possibility of further expansion into other emerging markets is subject to regular review.

During June this year, in response to South Africa's broad based Black Economic Empowerment ("BEE") programme, Fenner welcomed Peotona Group Holdings (Pty) Limited as a 25% shareholder in the South African conveyor belting business. Peotona was selected as the partner who could best contribute to optimising the long term economic future of that business.

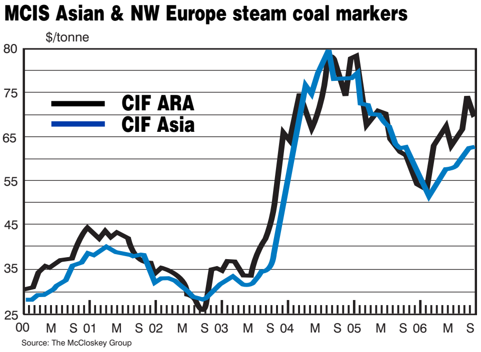
"I am delighted to have a highly respected partner in South Africa who will help the business to grow in the new black empowered environment".
Mark Abrahams - Chief Executive Officer

CONVEYOR BELTING

All of the mining markets in which CB operates remain buoyant, driven by global energy requirements and demand for minerals. Sold principally under the Fenner Dunlop brand with the most complete range of fire retardant rubber and PVC conveyor belts, coal extraction and handling are our most significant markets. Internationally traded coal prices are one of the key indicators of the relative health of the market for conveyor belting. This is demonstrated by the McCloskey graph. Coal prices are affected by, but not linked to, oil prices, but coal is seen as a more secure source of basic energy, especially in both China and North America. As a result of these factors we have a positive outlook on the future prospects for CB.

Key Performance Indicator : Traded Coal Prices

MCIS Asian & NW Europe steam coal markers



McCloskey's key physical prices

Fenner Dunlop Americas' coal mining customers continued to invest in replacement belting and new projects in order to meet their sales opportunities. This enabled us to develop long term supply agreements with the largest mining companies. In industrial markets, continued high levels of construction activity provided demand for many material handling applications ranging from forestry to steel manufacturing. With a strong distributor service network and new commercial arrangements, we have been successful in achieving full plant utilisation, thereby delivering improved sales and margin.

The European operations suffered a weak first half but a new management team was successful in improving factory output and control of costs which, together with a focus on selling prices in a slightly improved market, resulted in a stronger second half.

Our solid woven PVC businesses in China, India and South Africa enjoyed consistent sales growth and strong operating performances. A new press in South Africa enabled us to satisfy the demand for high performance nitrile covered products in that market. A high level of demand for underground belting in China has resulted in an acceleration of our expansion plans. Continued growth in India is dependent on development of the indigenous government controlled mines. Our UK based operation has seen steady demand from its traditional Western European and North American customers with growth coming from further penetration into Russia and Eastern Europe.

In Australia, Fenner Dunlop saw continued growth over the previously reported record sales, fully justifying the manufacturing investment in prior years. Installation and belt maintenance provided through our extensive service branch network placed Fenner Dunlop in a unique position to continue to benefit from the growth in Australian coal and iron ore exports.

Capital investment projects designed to enhance the existing operations enable the division to take full advantage of the increasing order volumes, whilst at the same time protecting the businesses against any

"...strong distributor service network.."

"...take full advantage of the increasing order volumes.."

“...improved market coverage..”

future downturn in the markets. These projects will also enable us to service growth areas such as the Canadian oil sands, coal mining in the Powder River Basin (Wyoming, USA), South American copper mining, Russian coal production and modernisation of Indian and Chinese coal production. Work on expanding the service side of the business is underway with the aim of reproducing the successful service model operated in Australia into areas where there is no established distributor. The recent acquisition of rEscan in Australia enables Fenner to broaden its product offering with an innovative belt monitoring technology, the application of which will be introduced to other territories.

ADVANCED ENGINEERED PRODUCTS

As the AEP businesses offer niche products to a broad range of customers, it is difficult to identify overall market trends other than general industrial demand; however energy markets (mainly oil and gas) are a driver for a significant portion of our seals business.

The FAST businesses acquired in May 2005 had a record year due primarily to the continuing strong demand for seals for oil, gas and mining equipment markets. The seamless relocation of the main factory in Hampton, UK into a bespoke modern facility resulted in a 50% improvement in productivity. Other manufacturing sites benefited from smaller capital projects and a Six Sigma continuous improvement programme has been launched across all FAST locations. Sales of seals used in semiconductor production applications reached 5% of FAST's output in the year. FAST's strategy is to use our new facility in Shanghai to develop business in Asia and to continue the growth of customer service subsidiaries in other emerging markets. To develop new business faster, all seals sales and distribution subsidiaries have been equipped with CNC prototyping capability.

The strategy for the Hose business, trading as James Dawson, is to become the world's leading supplier of speciality hoses for commercial vehicles. Sales increased year on year, significantly so in China, but new product introductions during the first half had a negative impact on financial results overall. Early in 2007 the Chinese operation will relocate into its purpose built factory in Shanghai which will provide adequate capacity for the continued sales focus in South East Asia.

During the year the Fenner Drives business was restructured to bring improved market focus throughout the organisation. Fenner Precision provides solutions to drive and paper handling applications including precision timing belts. Fenner Drives Industrial designs and manufactures power transmission and motion transfer components. The key geographical markets for Fenner Drives are North America, Europe and Asia, where robust demand enabled both businesses to deliver yet another year of steady growth. Available capacity has been increased by 25% at the Precision plant in Manheim, Pennsylvania, USA with further increases to come on line in late 2006.

AEP continues to look for acquisition opportunities to strengthen its current operating bases and develop its geographical reach. This applies to all of the businesses operating under the AEP aegis. This is demonstrated by the acquisition in early October 2006 of the EGC business in Houston, Texas, USA. This is an expansion of AEP's successful seals business in North America bringing improved market coverage across a range of industries.

KSB, our South African centrifugal pump and water handling business, benefited from healthy market conditions and grew during the year. The strategy to address the risks and opportunities of Black Economic Empowerment (“BEE”) is under development.

OUTLOOK

The new year has started well and in accordance with our expectations.

Approximately one half of our business operates in North America and is therefore susceptible to the forces associated with the economic conditions in that territory. The North American markets that we serve continue to exhibit signs of confidence despite the effects of a weakening housing and infrastructure sector. In addition to experiencing slowly improving conditions in Continental Europe, the global nature of our investments confers the benefit of opportunities to participate in the growth of a variety of customer driven expansion projects throughout the southern hemisphere and China. These help to balance our view of trading prospects for the near term.

We have already announced our intention to embark on major organic investment projects in our heavyweight conveyor belting business in North America in support of our customers' intentions to develop new operations. These projects are planned to be commissioned during the next 6 to 24 months and will provide earnings growth in future years.

Our intentions are not limited solely to organic investment. In October 2006, we announced the acquisition of a small, but strategically important bolt-on business for our Houston, Texas, USA based speciality seals company. Again, this is an investment for the medium term with many advantages which will both maintain and develop our seals manufacturing operations around the world.

Our businesses are well invested and positioned in geographical locations whose economies offer good growth prospects. We anticipate the combination of these factors will enable us to make progress in the current year.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this document, including those under the "OUTLOOK" heading, 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 and business conditions, particularly in the United States, competition and the ability to attract and retain personnel.

Mark Abrahams
Chief Executive Officer

Group Finance Director's Review

INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group's financial results for the year ended 31 August 2006 have been prepared in accordance with International Financial Reporting Standards ("IFRS") and the prior period information has been stated on a comparable basis.

REVENUE AND OPERATING PROFIT

Group full year revenue increased by 25% to £379.0m (2005 £303.6m) reflecting strong organic growth, particularly in the conveyor belting division, and an excellent first full year performance from the FAST businesses acquired in May 2005.

Revenue in the second half reached £197.0m (2005 £166.5m) with stronger underlying volumes in the majority of the key territories in which the Group operates. In the conveyor belting division, sales volumes into the mining sectors accelerated, notably in North America, whilst improved volumes in previously static European industrial markets were evident.

Operating profit increased by 107% to £33.7m (2005 £16.3m) with a contribution from the conveyor belting division of £20.5m (2005 £9.1m) and the advanced engineered products division of £13.2m (2005 £7.2m).

Operating profit for the second half was £19.4m (2005 £10.4m) with strong progress in both divisions.

INTEREST

The net interest cost in the year was £4.3m (2005 £3.8m). This increase principally reflects increases in short term US dollar interest rates and the translation effect of the average exchange rate for the US dollar being stronger than in 2005. To mitigate the effects of increasing short term interest rates, US$40m of floating rate bank borrowings were converted to a fixed rate by means of an interest rate swap towards the end of the year.

Interest cover increased from 4.6 to 7.9 times.

TAXATION

The tax rate for the year was 30% (2005 32%). The principal reason for this reduction in the tax rate relates to the utilisation of tax losses in the USA and Canada, which were not previously fully recognised in the financial statements. As most of these losses have now been utilised the tax rate will tend to increase going forward.

EARNINGS PER SHARE

Basic earnings per share was 13.0p (2005 6.6p) and adjusted for amortisation of intangible assets acquired the amount was 13.1p (2005 7.1p).

DIVIDENDS

The interim dividend of 1.975p (2005 1.975p) was paid on 4 September 2006. The Board is recommending a final dividend of 4.025p (2005 3.85p) to make a total dividend for the year of 6.0p (2005 5.825p).

The Board intends to revert to a one-third : two-thirds split of the dividend in future years. The recommended total for the year therefore represents a basis of a 2.0p interim and 4.0p final for the purpose of future comparison.

ACQUISITIONS AND DISPOSALS

On 31 December 2005 the Group sold its interest in associate Rob Harvey Pty Limited. Both the cash consideration received and the loss on disposal were negligible amounts.

On 30 June 2006 the Group disposed of a 25% minority interest in its South African conveyor belting business at fair value to Peotona Group Holdings (Pty) Limited, a black controlled enterprise. This transaction has been undertaken for the purposes of South Africa's broad based BEE programme. The business will continue to be consolidated in the Group financial statements.

On 17 August 2006 the Group acquired for £0.3m, the business and assets of rEscan Pty Ltd, a provider of non-destructive testing and remote non-destructive testing products and services to the materials handling sector.

After the balance sheet date, on 1 October 2006, the Group acquired substantially all of the operating assets and liabilities of EGC, a Houston, Texas, USA based manufacturer of fluoroplastic seals and other related fluoroplastic precision components. EGC was acquired from Compagnie Plastic Omnium SA, a company quoted on the French Stock Exchange. EGC was acquired for a cash consideration of US$15m, excluding acquisition costs, with an adjustment dependent upon the level of working capital of the business at completion.

CASH FLOW, NET DEBT AND FINANCING

The stronger operating profit resulted in an increased net cash inflow from operations of £38.2m (2005 £20.3m). Capital expenditure increased to £18.8m (2005 £7.8m) reflecting the ongoing expansion programmes across the Group.

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

Gross debt at the year end amounted to £74.5m (2005 £86.0m), excluding derivatives. The US dollar private placement of $40.9m carries a fixed interest coupon of 7.29% and matures between 2007 and 2012. The Group has entered into a committed bank facility of £60m with three leading UK banks maturing in June 2010. At 31 August 2006, £45.3m of this was drawn down. Cash and cash equivalents at the year end were £41.4m (2005 £51.5m) resulting in net debt of £33.1m (2005 £34.5m).

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, currency derivatives have been used to hedge future cash flow 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 aggregate effect of the above for the year ended 2006 was a credit to the income statement of £0.2m (2005 credit of £0.1m).

During the year an interest rate swap to hedge interest rate cash flows was entered into. At 31 August 2006 the fair value of this instrument was a liability of £0.6m. This swap has been accounted for as a hedge in accordance with IAS 39 with the charge recognised directly in equity.

PENSIONS

The Group now accounts for pensions in accordance with IAS19 'Employee Benefits'. At 31 August 2006 the deficits were £26.9m (2005 £37.0m) in the UK defined benefit scheme and £2.2m (2005 £3.6m) in the overseas schemes.

During the year the UK pension obligations taken on as a result of the acquisition of Wellington Holdings plc have been merged into the Group's most significant defined benefit arrangement, the Fenner Pension Scheme.

Contributions paid to the UK scheme increased to £2.8m (2005 £2.1m) with higher payments implemented to further reduce the deficit. The current service cost of the scheme charged to the income statement was £1.1m (2005 £1.0m) whilst the interest amount was neutral (2005 charge of £0.4m).

As a result of a change in pension legislation during the year, some benefit changes are being introduced for members of the defined benefit section of the UK scheme. This includes a members' option to take a higher level of tax-free cash at the point of retirement. The Group has made an allowance for the take-up of this option in the valuation of its pension liabilities. This has resulted in a reduction in liabilities of around £3m, of which £1.4m is recognised as a credit to the income statement in the year.

Richard Perry
Group Finance Director

Consolidated income statement

for the year ended 31 August 2006

	Notes	2006 £m	2005 £m
Revenue	2	**379.0**	303.6
Cost of sales		**(269.8)**	(223.9)
Gross profit		**109.2**	79.7
Distribution costs		**(36.2)**	(29.0)
Administrative expenses		**(39.3)**	(34.4)
Operating profit before amortisation of intangible assets acquired		**34.1**	17.3
Amortisation of intangible assets acquired		**(0.4)**	(1.0)
Operating profit	2,3	**33.7**	16.3
Finance income		**1.6**	1.2
Finance costs		**(5.9)**	(5.0)
Share of result of associate		**(0.1)**	(0.1)
Profit before taxation		**29.3**	12.4
Taxation	4	**(8.7)**	(4.0)
Profit for the year		**20.6**	8.4
Attributable to:			
Equity holders of the parent		**20.4**	8.2
Minority interests		**0.2**	0.2
		20.6	8.4
Earnings per share			
Basic	6	**13.0p**	6.6p
Diluted	6	**12.8p**	6.6p

The result for the year derives from continuing operations.

Consolidated balance sheet
at 31 August 2006

	Notes	2006 £m	2005 £m
Non-current assets			
Property, plant and equipment		**68.7**	61.0
Intangible assets		**65.8**	66.9
Investment in associates		**-**	0.2
Other investments		**0.6**	0.3
Deferred tax assets		**15.7**	18.8
		150.8	147.2
Current assets			
Inventories		**53.9**	52.8
Trade and other receivables		**64.0**	61.4
Current tax assets		**0.6**	0.7
Cash and cash equivalents		**41.4**	51.5
Derivative financial instruments		**0.5**	-
		160.4	166.4
Total assets		**311.2**	313.6
Current liabilities			
Borrowings		**(8.5)**	(36.4)
Trade and other payables		**(67.7)**	(63.8)
Current tax liabilities		**(5.7)**	(5.1)
Derivative financial instruments		**(0.6)**	-
		(82.5)	(105.3)
Non-current liabilities			
Borrowings		**(66.0)**	(49.6)
Retirement benefit obligations		**(29.1)**	(40.6)
Provisions		**(6.5)**	(4.9)
Deferred tax liabilities		**(5.1)**	(5.7)
		(106.7)	(100.8)
Total liabilities		**(189.2)**	(206.1)
Net assets		**122.0**	107.5
Equity			
Share capital		**39.2**	39.1
Share premium		**49.6**	49.1
Retained earnings		**33.5**	15.4
Translation reserve		**(2.1)**	2.2
Other reserve		**1.1**	1.1
Shareholders' equity		**121.3**	106.9
Minority interests		**0.7**	0.6
Total equity	8	**122.0**	107.5

The financial statements were approved by the Board of Directors on 8 November 2006 and signed on its behalf by:

C I Cooke
Chairman

R J Perry
Group Finance Director

Consolidated cash flow statement

for the year ended 31 August 2006

	2006 £m	2005 £m
Profit before taxation	**29.3**	12.4
Adjustments for:		
Depreciation of property, plant and equipment and amortisation of intangible assets	**8.8**	9.1
Movement in retirement benefit obligations	**(3.6)**	(0.9)
Increase in provisions	**1.6**	1.5
Finance income	**(1.6)**	(1.2)
Finance costs	**5.9**	5.0
Share of result of associate	**0.1**	0.1
Other non-cash movements	**0.1**	0.3
Operating cash flow before movement in working capital	**40.6**	26.3
Movement in working capital	**(2.4)**	(6.0)
Net cash from operations	**38.2**	20.3
Interest received	**1.5**	1.2
Interest paid	**(5.9)**	(4.6)
Taxation paid	**(7.5)**	(5.2)
Net cash from operating activities	**26.3**	11.7
Investing activities:		
Purchase of property, plant and equipment	**(18.6)**	(7.6)
Disposal of property, plant and equipment	**0.1**	0.1
Purchase of intangible assets	**(0.2)**	(0.2)
Purchase of investments	**(0.3)**	-
Acquisition of businesses	**(0.2)**	-
Acquisition of subsidiary undertakings	**(0.3)**	(44.2)
Net cash used in investing activities	**(19.5)**	(51.9)
Financing activities:		
Equity dividends paid	**(8.2)**	(6.3)
Dividends paid to minority shareholders	**(0.1)**	(0.1)
Issue of ordinary share capital	**0.3**	56.3
Minority interest capital introduced	**0.1**	-
Loan repayment from associate	**0.1**	0.1
Repayment of finance leases	**(0.2)**	(0.1)
Repayment of borrowings	**(39.8)**	(7.4)
New borrowings	**31.6**	26.3
Net cash (used in)/from financing activities	**(16.2)**	68.8
Net (decrease)/increase in cash and cash equivalents	**(9.4)**	28.6
Cash and cash equivalents at start of year	**51.3**	22.9
Exchange movements	**(0.9)**	(0.2)
Cash and cash equivalents at end of year	**41.0**	51.3

Consolidated statement of recognised income and expense

for the year ended 31 August 2006

	2006 £m	2005 £m
Profit for the year	**20.6**	8.4
Items recognised directly in equity:		
Currency translation differences	**(4.3)**	2.2
Hedge of net investments in foreign currencies	**0.6**	-
Hedge of interest rate risk	**(0.6)**	-
Actuarial gains/(losses) on defined benefit pension schemes	**7.8**	(0.1)
Taxation on items taken directly to equity	**(2.0)**	0.1
Net income recognised directly in equity	**1.5**	2.2
Total recognised income and expense for the year	**22.1**	10.6
Adoption of IAS 32 and IAS 39 on 1 September 2005	**0.1**	-
	22.2	10.6
Attributable to:		
Equity holders of the parent	**21.9**	10.4
Minority interests	**0.2**	0.2
Total recognised income and expense for the year	**22.1**	10.6
Adoption of IAS 32 and IAS 39 on 1 September 2005	**0.1**	-
	22.2	10.6

Notes

1. Basis of preparation

The preliminary results for the year ended 31 August 2006, which were approved by the Board of Directors on 8 November 2006, have been prepared in accordance with International Financial Reporting Standards ("IFRS") for use within the European Union. The Group previously prepared its results under UK Generally Accepted Accounting Principles.

The preliminary results do not constitute the statutory accounts of the Company as defined by section 240 of the Companies Act 1985. The preliminary results are abridged from the Group's audited financial statements. The auditors, PricewaterhouseCoopers LLP, have reported on those financial statements and given an unqualified opinion, which did not include a statement under section 237(2) or 237(3) of the Companies Act 1985. The Group financial statements will be filed with the Registrar of Companies in due course.

The comparative financial information for the year ended 31 August 2005 is derived from the Group financial statements for that year, except that the information has been restated as a result of the adoption of IFRS.

2. Segment information

	Conveyor Belting		Advanced Engineered Products		Total	
	2006 £m	2005 £m	**2006 £m**	2005 £m	**2006 £m**	2005 £m
Revenue	**269.5**	230.8	**109.5**	72.8	**379.0**	303.6
Operating profit before amortisation of intangible assets acquired	**20.5**	9.1	**13.6**	8.2	**34.1**	17.3
Amortisation of intangible assets acquired	**-**	-	**(0.4)**	(1.0)	**(0.4)**	(1.0)
Operating profit	**20.5**	9.1	**13.2**	7.2	**33.7**	16.3

3. Operating profit

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

	2006 £m	2005 £m
Depreciation of property, plant and equipment - owned assets	**8.0**	7.6
Amortisation of intangible assets acquired	**0.4**	1.0
Amortisation of other intangible assets	**0.4**	0.5
Loss on disposal of property, plant and equipment	**0.2**	0.2
Foreign exchange gains	**(0.2)**	(0.1)
Research and development costs	**1.9**	2.1
Government grants	**(0.1)**	(0.2)
Operating lease charges	**3.1**	2.7
Onerous property lease charges	**1.4**	1.3
Litigation costs	**2.4**	0.9
Defined benefit past service credit	**(1.4)**	-

4. Taxation

The tax charge, based on the profit for the year, comprises:

	2006 £m	2005 £m
Current taxation:		
- UK corporation tax	**(0.1)**	0.3
- Overseas tax	**8.3**	4.7
Deferred taxation	**0.5**	(1.0)
	8.7	4.0

5. Dividends

	2006 £m	2005 £m
Dividends paid or approved in the year		
Interim dividend for the year ended 31 August 2005 of 1.975p (2004: 1.975p) per share	**2.2**	2.1
Final dividend for the year ended 31 August 2005 of 3.85p (2004: 3.85p) per share	**6.0**	4.2
	8.2	6.3
Dividends not paid or approved in the year		
Interim dividend for the year ended 31 August 2006 of 1.975p (2005: 1.975p) per share	**3.1**	2.2
Final dividend for the year ended 31 August 2006 of 4.025p (2005: 3.85p) per share	**6.3**	6.0
	9.4	8.2

The interim dividend for the year ended 31 August 2006 was paid on 4 September 2006. The proposed final dividend for the year ended 31 August 2006 is subject to approval by shareholders at the Annual General Meeting. Consequently, neither have been recognised as liabilities at 31 August 2006. If approved, the final dividend will be paid on 15 January 2007 to shareholders on the register on 15 December 2006.

6. Earnings per share

	2006 £m	2005 £m
Earnings		
Profit for the year attributable to equity holders of the parent	**20.4**	8.2
Amortisation of intangible assets acquired	**0.4**	1.0
Taxation attributable to amortisation of intangible assets acquired	**(0.2)**	(0.4)
Profit for the year before amortisation of intangible assets acquired	**20.6**	8.8
	Number	Number
Average number of shares		
Weighted average number of shares in issue	**156,851,761**	123,908,805
Weighted average number of shares held by the Employee Share Ownership Plan Trust	**(131,859)**	(133,769)
Weighted average number of shares in issue – basic	**156,719,902**	123,775,036
Effect of share options and contingent long term incentive plans	**2,076,873**	735,681
Weighted average number of shares in issue – diluted	**158,796,775**	124,510,717
	Pence	Pence
Earnings per share		
Adjusted – before amortisation of intangible assets acquired	**13.1**	7.1
Basic	**13.0**	6.6
Diluted	**12.8**	6.6

Adjusted earnings per share has been presented to provide a clearer understanding of the underlying performance of the Group.

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

	2006 £m	2005 £m
Net (decrease)/increase in cash and cash equivalents	**(9.4)**	28.6
Decrease/(increase) in borrowings and finance leases resulting from cash flows	**8.4**	(18.8)
Movement in net debt resulting from cash flows	**(1.0)**	9.8
Loans and finance leases acquired with subsidiaries	**-**	(4.4)
New finance leases	**(0.1)**	(0.1)
Exchange movements	**2.5**	0.2
Movement in net debt in the year	**1.4**	5.5
Net debt at start of year	**(34.5)**	(40.0)
Net debt at end of year	**(33.1)**	(34.5)

Net debt is defined as cash and cash equivalents and current and non-current borrowings.

8. Equity

	Share capital £m	Share premium £m	Retained earnings £m	Translation reserve £m	Other reserve £m	Minority interests £m	Total equity £m
At start of prior year	27.1	4.2	(3.3)	-	16.8	0.5	45.3
Total recognised income and expense for the year	-	-	8.2	2.2	-	0.2	10.6
Equity dividends paid	-	-	(6.3)	-	-	-	(6.3)
Dividends paid to minority shareholders	-	-	-	-	-	(0.1)	(0.1)
Shares issued in the year	12.0	44.9	(0.2)	-	1.1	-	57.8
Share-based payments	-	-	0.2	-	-	-	0.2
Transfers	-	-	16.8	-	(16.8)	-	-
At start of year	39.1	49.1	15.4	2.2	1.1	0.6	107.5
Adoption of IAS 32 and IAS 39 on 1 September 2005	-	-	0.1	-	-	-	0.1
Total recognised income and expense for the year	-	-	26.2	(4.3)	-	0.2	22.1
Equity dividends paid	-	-	(8.2)	-	-	-	(8.2)
Dividends paid to minority shareholders	-	-	-	-	-	(0.1)	(0.1)
Shares issued in the year	0.1	0.5	(0.3)	-	-	-	0.3
Share-based payments	-	-	0.3	-	-	-	0.3
At end of year	**39.2**	**49.6**	**33.5**	**(2.1)**	**1.1**	**0.7**	**122.0**

9. Contingent liabilities

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

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

In October 2004 our conveyor belting operations in Charlotte and Atlanta, USA received notification from the Anti Trust Division of the US Department of Justice of their intention to enquire into possible anti trust violations by Fenner. Every co-operation is being given in order to clarify and expedite the process.

Consolidated income statement - half year analysis

for the year ended 31 August 2006

	First half (unaudited)		Second half (unaudited)		Full year (audited)	
	2006 £m	2005 £m	**2006 £m**	2005 £m	**2006 £m**	2005 £m
Revenue	**182.0**	137.1	**197.0**	166.5	**379.0**	303.6
Operating profit before amortisation of intangible assets acquired	**14.5**	5.9	**19.6**	11.4	**34.1**	17.3
Amortisation of intangible assets acquired	**(0.2)**	-	**(0.2)**	(1.0)	**(0.4)**	(1.0)
Operating profit	**14.3**	5.9	**19.4**	10.4	**33.7**	16.3
Finance income	**0.9**	0.5	**0.7**	0.7	**1.6**	1.2
Finance costs	**(3.2)**	(2.2)	**(2.7)**	(2.8)	**(5.9)**	(5.0)
Share of result of associate	**(0.1)**	-	**-**	(0.1)	**(0.1)**	(0.1)
Profit before taxation	**11.9**	4.2	**17.4**	8.2	**29.3**	12.4
Taxation	**(3.5)**	(1.3)	**(5.2)**	(2.7)	**(8.7)**	(4.0)
Profit for the year	**8.4**	2.9	**12.2**	5.5	**20.6**	8.4
Attributable to:						
Equity holders of the parent	**8.3**	2.8	**12.1**	5.4	**20.4**	8.2
Minority interests	**0.1**	0.1	**0.1**	0.1	**0.2**	0.2
	8.4	2.9	**12.2**	5.5	**20.6**	8.4
Earnings per share						
Adjusted - before amortisation of intangible assets acquired	**5.4p**	2.6p	**7.7p**	4.5p	**13.1p**	7.1p
Basic	**5.3p**	2.6p	**7.7p**	4.0p	**13.0p**	6.6p
Diluted	**5.3p**	2.6p	**7.5p**	4.0p	**12.8p**	6.6p

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