



Interim Report **2008**

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Growing  
Partnerships  
Worldwide

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# Growing Partnerships Worldwide

Fenner is a world leader in reinforced polymer technology.

Our strategy is to increase market share and target new value added product areas.

We will continue to 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.

## Financial Highlights

Half year ended 29 February 2008	£m	% increase on 2007
Revenue	<b>201.1</b>	<b>+8%</b>
Operating profit before amortisation of intangible assets acquired and exceptional items	<b>19.2</b>	<b>+19%</b>
Operating profit	<b>17.0</b>	<b>-6%</b>
Profit before taxation, amortisation of intangible assets acquired and exceptional items	<b>16.1</b>	<b>+14%</b>
Profit before taxation	<b>13.9</b>	<b>-13%</b>
Earnings per share before amortisation of intangible assets acquired and exceptional items	<b>7.0p</b>	<b>+13%</b>
Basic earnings per share	<b>6.1p</b>	<b>-13%</b>
Dividend per share	<b>2.2p</b>	<b>+6%</b>

# The Group's strategic growth phase has accelerated

*It is encouraging to report on the progress that has been achieved during the first six months of the year. Robust demand for our value adding product range and service offering has resulted in strong performances from both our operating divisions. Operating profit before amortisation of intangible assets acquired and exceptional items has advanced significantly when compared to the same period in 2007.*

*The Group's strategic growth phase continued as our capital expenditure programmes accelerated with significant investment during the period. In addition, extensive business development activity has culminated in the successful completion of acquisitions in the Advanced Engineered Products and Conveyor Belting divisions.*

## REVENUE AND PROFITS

Revenue for the period increased by 8% to £201.1m (2007 £185.5m) with solid performances in both divisions. The effect on half year revenue from businesses acquired in the period was small at £2.1m given the proximity of completion dates to the period end. Operating profit before amortisation of intangible assets acquired and exceptional items increased by 19% to £19.2m (2007 £16.2m). Robust growth was facilitated by operating efficiencies and economies of scale on higher throughput with 3% growth derived from acquisition activities.

Exceptional items of £1.7m (2007 profit of £2.1m) have been charged, principally relating to costs associated with the expansion of the conveyor belting business in North America and acquisition integration costs. The exceptional profit arising in 2007 was predominantly caused by the recognition of a £2.5m profit on the sale of the Group's interest in KSB Pumps in South Africa. Operating profit was £17.0m (2007 £18.0m), representing an underlying increase of £3.0m offset by a

£4.0m movement in amortisation of intangible assets acquired and exceptional items.

Net finance costs were £3.1m (2007 £2.1m) which reflect the organic and acquisitive investment programmes. The resultant profit before taxation, amortisation of intangible assets acquired and exceptional items was £16.1m (2007 £14.1m). Profit before taxation was £13.9m (2007 £15.9m).

Earnings per share before amortisation of intangible assets acquired and exceptional items was 7.0p per share (2007 6.2p per share), representing an increase of 13% over the equivalent period in 2007. Basic earnings per share amounted to 6.1p per share (2007 7.0p per share).

## ACQUISITIONS AND INVESTMENT

Our strategic growth plan has advanced rapidly in recent months with a significant level of acquisition activity and continuing major organic investments.

Six acquisitions have been completed prior to, and after, the period end.

In November 2007, substantially all the operating assets and liabilities of B-LOC in the US were acquired for an initial consideration of £4.4m with an adjustment for deferred contingent consideration of up to £0.8m. Its products extend and complement our existing range of high value-added, proprietary drive solutions.

In December 2007, substantially all the operating assets and liabilities of Spiceline in Australia were acquired to expand our service coverage in the Northern Territory. The initial consideration was £0.7m with £0.2m deferred to a later period.

In February 2008, the acquisition of Prodesco, Inc in the US was completed for an initial consideration of £24.2m, excluding costs, with a subsequent working capital adjustment and contingent deferred consideration of up to £9.0m (based on exchange rates at the period end) over a five year period. This acquisition consists of two business segments. The first develops and manufactures a range of highly specialised technical fabrics which are used in various performance-critical and proprietary applications by industrial, aerospace and chemical equipment OEMs. This business enhances our core expertise in textile engineering while exemplifying the Advanced Engineered Products Division's primary focus on performance-critical, polymeric components. The second business segment, Secant Medical, is a leader in the development and production of textile structures for the growing medical device market. Typically these products are significant components in devices which are used to treat cardiovascular and orthopaedic conditions. This natural extension to our portfolio gives controlled exposure to a segment of the

medical market which has attractive growth and resilience characteristics.

After the period end, substantially all the operating assets and liabilities of Winfield Industries, Inc in the US were acquired in March 2008 for £6.9m, excluding costs. Winfield Industries is a leading supplier of performance-critical rollers for digital imaging applications and is a natural fit with our Fenner Precision business.

Also in March 2008, Northern Belting Specialists Pty Ltd in Australia was acquired for £2.3m. This bolt-on acquisition specialises in belt splicing, rubber lining, mechanical and technical servicing and belting sales and represents a further strategic addition to enhance our geographical coverage in South Australia.

In April 2008, substantially all the operating assets and liabilities of King Energy Services, Inc in the US were acquired for £2.8m. This represents a further development of our conveyor belting growth initiative and enables us to offer a full service capability in the south west mining region.

Our organic capital investment programmes have accelerated since the year end. The integration of our seals business in Houston onto a single site has been completed ahead of schedule with the synergies enhancing profits earlier than previously envisaged. In the Conveyor Belting Division, our major projects are progressing to plan and, upon commissioning, will position our businesses around the world to offer an even greater selection of safe conveyor solutions to meet our customers' requirements.

#### CASH RESOURCES

A cash spend of £62.0m on our

combined acquisition activities and organic investment programmes, added to the seasonal movement, increased half year net borrowings. The total outflow, before the effects of exchange rates, was £69.1m (2007 £24.8m). As anticipated, net borrowings closed at £109.1m (2007 £56.4m), remaining comfortably within the scope of planned banking facilities.

To support the Group's aggressive growth strategy, a mix of additional sources of funds has been secured in recent months at favourable terms. Within our committed facilities, our revolving credit with three UK leading banks has been increased to £100.0m from £75.0m on the same terms as previously agreed in June 2007. After the period end, in March 2008, £36.5m before costs was raised by the placing of 15.7m new ordinary shares with institutional investors at 233p per share.

#### DIVIDENDS

An interim dividend of 2.2p (2007 2.075p) is declared and will be paid on 8 September 2008 to shareholders on the register on 1 August 2008.

#### OPERATIONS

In our Conveyor Belting Division, revenue increased to £136.3m (2007 £123.4m) with strong energy markets driving robust demand for our products and services. Operating profit before amortisation of intangible assets acquired and exceptional items was £12.9m (2007 £10.1m). An increase in margin was achieved through productivity improvements and plant efficiencies which overcame the effects of operating in an environment of increasing input costs.

Our growing Australian business has performed exceptionally well, particularly in the service sector where

our customer responsiveness levels have improved further following a rigorous investment in our network throughout the region. Our recently announced investment in Kwinana, south of Perth, is underway to build the first new conveyor belting plant in Australia in over 60 years, with a scheduled commission date in 2009.

In North America, demand levels have been encouraging, particularly in the industrial sector, where to date limited signs of an economic slowdown have been evident. Our restructuring plans have progressed well and have mitigated the effects of raw material price increases, spurred by the global fundamentals of rising oil prices and demand from emerging economies. The investment in new state of the art plant is scheduled for a phased commissioning later in the year. This exciting prospect broadens the scope of our product offering to service better our customers' future needs across evolving global markets.

The European businesses have continued to grow, building on the solid foundations laid in the previous year. The focus on plant improvement and throughput will continue over the coming months to improve margins across a diverse product range and customer base. It has been encouraging to see the perseverance to cultivate and penetrate new markets rewarded by significantly higher volumes.

The Advanced Engineered Products Division has made satisfactory progress with revenue increasing to £64.8m (2007 £62.1m). Acquisitions contributed £2.0m in the current period while £2.9m was included in the previous period for KSB Pumps which was subsequently divested. Operating profit before amortisation of intangible assets

acquired and exceptional items was £9.7m (2007 £9.3m).

The Fenner Drives business produced a solid performance, against a background of US economic uncertainty, assisted by a good contribution from the successfully integrated B-LOC acquisition. The Fenner Precision business has experienced strong demand from the office automation sector, which in part has offset softer demand from the computer peripherals sector. Against the backdrop of a phased introduction of new emission legislation, our specialist Hose business produced a steady performance.

The Fenner Advanced Sealing Technologies operations have performed well with continuing strength in the oil and gas sector assisting our Process business in the US. Growth in our Chinese operation was driven by demand from the coal mining sector while a strengthening in our global coverage has improved our Fluid Power business, particularly in Europe and the Middle-East.

#### PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties affecting the Group remain those set out in the 2007 Annual Report. Those which are most likely to impact the performance of the Group in the remaining months of the financial year are set out below.

Due to the global nature of the Group, a large proportion of its revenue is derived from overseas, of which a significant amount is generated in the US. As a consequence, the Group could be affected by movements in exchange rates and changes in global and country specific economic or business conditions, particularly in the US.

A variety of raw materials are used in the manufacturing processes within our businesses. Significant increases or volatility in the price of these raw materials, together with supply constraints, could adversely impact the Group's performance.

#### OUTLOOK

The transformational period of the Group will continue throughout the second half of the year and beyond as we continue our investment programmes and consolidate recently acquired businesses. The indications in this dynamic environment are most encouraging for further growth to be achieved, with our businesses well placed in a number of strong markets to capitalise on the opportunities available to us.

The healthy order books in our core businesses have been sustained in the initial months of the second half, which underpin the confidence in our capability to enhance our earnings for 2008. We expect to maintain the momentum that has been established over recent years.

#### FORWARD-LOOKING STATEMENTS

Certain statements in this report are forward-looking. Although the Group believes that the expectations reflected in these forward-looking statements are reasonable, we can give no assurance that these expectations will prove to have been correct. As these statements include risks and uncertainties, actual results may differ materially from those expressed or implied by these forward-looking statements.

## Consolidated income statement

for the half year ended 29 February 2008 (unaudited)

	Notes	Half year ended 29 February 2008 £m	Half year ended 28 February 2007 £m	Year ended 31 August 2007 £m
<b>Revenue</b>	3	<b>201.1</b>	185.5	380.8
Cost of sales		<b>(141.2)</b>	(130.8)	(268.4)
<b>Gross profit</b>		<b>59.9</b>	54.7	112.4
Distribution costs		<b>(20.2)</b>	(17.7)	(36.9)
Administrative expenses		<b>(22.7)</b>	(19.0)	(37.3)
<b>Operating profit before amortisation of intangible assets acquired and exceptional items</b>	3	<b>19.2</b>	16.2	39.0
Amortisation of intangible assets acquired		<b>(0.5)</b>	(0.3)	(0.6)
Exceptional items	4	<b>(1.7)</b>	2.1	(0.2)
<b>Operating profit</b>	3	<b>17.0</b>	18.0	38.2
Finance income		<b>0.8</b>	0.5	1.4
Finance costs		<b>(3.9)</b>	(2.6)	(6.0)
<b>Profit before taxation</b>		<b>13.9</b>	15.9	33.6
Taxation	5	<b>(4.2)</b>	(4.8)	(9.7)
<b>Profit for the period</b>		<b>9.7</b>	11.1	23.9
<b>Attributable to:</b>				
Equity holders of the parent		<b>9.6</b>	11.1	23.7
Minority interests		<b>0.1</b>	-	0.2
		<b>9.7</b>	11.1	23.9
<b>Earnings per share</b>				
Adjusted - before amortisation of intangible assets acquired and exceptional items	7	<b>7.0p</b>	6.2p	15.1p
Basic	7	<b>6.1p</b>	7.0p	15.0p
Diluted	7	<b>6.0p</b>	7.0p	14.9p

The result for the period derives from continuing operations.



# Consolidated balance sheet

at 29 February 2008 (unaudited)

	29 February 2008 £m	28 February 2007 £m	31 August 2007 £m
<b>Non-current assets</b>			
Property, plant and equipment	128.9	77.9	90.2
Intangible assets	99.3	68.1	66.5
Other investments	0.6	0.6	0.6
Deferred tax assets	14.1	15.6	12.5
	<b>242.9</b>	162.2	169.8
<b>Current assets</b>			
Inventories	63.7	57.3	54.5
Trade and other receivables	75.6	69.2	61.5
Current tax assets	2.0	1.0	0.7
Cash and cash equivalents	32.7	19.7	66.1
Derivative financial instruments	-	-	0.2
	<b>174.0</b>	147.2	183.0
<b>Total assets</b>	<b>416.9</b>	309.4	352.8
<b>Current liabilities</b>			
Borrowings	(12.1)	(9.0)	(10.2)
Trade and other payables	(86.9)	(68.0)	(75.1)
Current tax liabilities	(3.4)	(3.6)	(5.4)
Derivative financial instruments	(3.1)	(0.7)	(0.7)
	<b>(105.5)</b>	(81.3)	(91.4)
<b>Non-current liabilities</b>			
Borrowings	(129.7)	(67.1)	(92.2)
Retirement benefit obligations	(14.9)	(27.5)	(14.1)
Provisions	(14.6)	(5.6)	(6.9)
Deferred tax liabilities	(6.3)	(5.1)	(5.5)
	<b>(165.5)</b>	(105.3)	(118.7)
<b>Total liabilities</b>	<b>(271.0)</b>	(186.6)	(210.1)
<b>Net assets</b>	<b>145.9</b>	122.8	142.7
<b>Equity</b>			
Share capital	39.7	39.6	39.6
Share premium	51.9	51.6	51.7
Retained earnings	52.9	33.4	54.0
Hedging reserve	(2.0)	0.3	0.4
Exchange reserve	1.4	(3.9)	(4.9)
Other reserve	1.1	1.1	1.1
<b>Shareholders' equity</b>	<b>145.0</b>	122.1	141.9
Minority interests	0.9	0.7	0.8
<b>Total equity</b>	<b>145.9</b>	122.8	142.7

## Consolidated cash flow statement

for the half year ended 29 February 2008 (unaudited)

	Notes	Half year ended 29 February 2008 £m	Half year ended 28 February 2007 £m	Year ended 31 August 2007 £m
Profit before taxation		13.9	15.9	33.6
<i>Adjustments for:</i>				
Depreciation of property, plant and equipment and amortisation of intangible assets		5.2	4.2	8.6
Impairment loss on property, plant and equipment		0.8	-	-
Movement in retirement benefit obligations		(0.4)	(1.4)	(2.7)
Movement in provisions		(0.1)	(0.9)	0.2
Finance income		(0.8)	(0.5)	(1.4)
Finance costs		3.9	2.6	6.0
Profit on disposal of joint venture		-	(2.5)	(2.5)
Other non-cash movements		0.4	0.5	0.7
Operating cash flow before movement in working capital		22.9	17.9	42.5
Movement in working capital		(10.8)	(6.3)	10.8
Net cash from operations		12.1	11.6	53.3
Interest received		0.8	0.7	1.6
Interest paid		(3.5)	(3.4)	(5.9)
Taxation paid		(7.2)	(7.0)	(10.2)
<b>Net cash from operating activities</b>		<b>2.2</b>	<b>1.9</b>	<b>38.8</b>
<b>Investing activities:</b>				
Purchase of property, plant and equipment	8	(32.0)	(13.8)	(31.5)
Disposal of property, plant and equipment		0.5	-	0.2
Purchase of intangible assets		-	(0.3)	(0.5)
Acquisition of businesses	9	(30.0)	(8.8)	(8.8)
Disposal of joint venture		-	5.2	5.2
<b>Net cash used in investing activities</b>		<b>(61.5)</b>	<b>(17.7)</b>	<b>(35.4)</b>
<b>Financing activities:</b>				
Equity dividends paid	6	(9.9)	(9.5)	(9.5)
Dividends paid to minority shareholders		-	-	(0.1)
Issue of ordinary share capital		0.1	0.5	0.7
Repayment of finance leases		-	(0.1)	(0.3)
Repayment of borrowings		(2.8)	(3.6)	(34.1)
New borrowings		35.3	4.9	66.3
<b>Net cash from/(used in) financing activities</b>		<b>22.7</b>	<b>(7.8)</b>	<b>23.0</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(36.6)</b>	<b>(23.6)</b>	<b>26.4</b>
Cash and cash equivalents at start of period		66.0	41.0	41.0
Exchange movements		2.0	1.4	(1.4)
<b>Cash and cash equivalents at end of period</b>		<b>31.4</b>	<b>18.8</b>	<b>66.0</b>
<b>Cash and cash equivalents comprises:</b>				
Cash and cash equivalents		32.7	19.7	66.1
Bank overdrafts		(1.3)	(0.9)	(0.1)
		<b>31.4</b>	<b>18.8</b>	<b>66.0</b>

## Consolidated statement of recognised income and expense

for the half year ended 29 February 2008 (unaudited)

	Half year ended 29 February 2008 £m	Half year ended 28 February 2007 £m	Year ended 31 August 2007 £m
Profit for the period	9.7	11.1	23.9
<i>Items recognised directly in equity:</i>			
Currency translation differences	6.3	(1.8)	(2.8)
Hedge of net investments in foreign currencies	(0.9)	0.4	0.5
Hedge of interest rate risk	(2.1)	(0.1)	(0.1)
Actuarial (losses)/gains on defined benefit pension schemes	(1.2)	-	12.0
Taxation on items taken directly to equity	0.9	-	(4.3)
Net income/(expense) recognised directly in equity	3.0	(1.5)	5.3
<b>Total recognised income and expense for the period</b>	<b>12.7</b>	9.6	29.2
<b>Attributable to:</b>			
Equity holders of the parent	12.6	9.6	29.0
Minority interests	0.1	-	0.2
<b>Total recognised income and expense for the period</b>	<b>12.7</b>	9.6	29.2

# Notes to the interim financial statements

## 1. Basis of preparation

These condensed interim financial statements for the half year ended 29 February 2008 have been prepared in accordance with the Disclosure and Transparency Rules ('DTR') of the Financial Services Authority ('FSA') and with IAS 34 'Interim Financial Reporting' as adopted by the European Union. They should be read in conjunction with the Group's financial statements for the year ended 31 August 2007.

The comparative financial information for the year ended 31 August 2007 does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985. It has been extracted from the Group's financial statements for 2007 which have been filed with the Registrar of Companies. They contained an unqualified audit report and did not contain a statement under Section 237 (2) or (3) of the Companies Act 1985.

## 2. Accounting policies

The accounting policies adopted are consistent with those applied in the preparation of the Group's financial statements for the year ended 31 August 2007, except for the following standards which have been adopted for the first time for the year ending 31 August 2008:

- IFRS 7 'Financial Instruments – Disclosures'
- Amendment to IAS 1 'Presentation of Financial Statements – Capital Disclosures'
- IFRIC 10 'Interim Financial Reporting and Impairment'
- IFRIC 11 'IFRS 2 - Group and Treasury Share Transactions'

None of these standards or interpretations have had a significant impact on the condensed interim financial statements.

## 3. Segment information

	<b>Half year ended 29 February 2008 £m</b>	Half year ended 28 February 2007 £m	Year ended 31 August 2007 £m
<b>Revenue</b>			
Conveyor Belting	<b>136.3</b>	123.4	255.8
Advanced Engineered Products	<b>64.8</b>	62.1	125.0
	<b>201.1</b>	185.5	380.8
<b>Operating profit before amortisation of intangible assets acquired and exceptional items</b>			
Conveyor Belting	<b>12.9</b>	10.1	24.2
Advanced Engineered Products	<b>9.7</b>	9.3	20.0
Unallocated	<b>(3.4)</b>	(3.2)	(5.2)
	<b>19.2</b>	16.2	39.0
<b>Operating profit</b>			
Conveyor Belting	<b>11.5</b>	10.0	22.3
Advanced Engineered Products	<b>8.9</b>	11.2	21.1
Unallocated	<b>(3.4)</b>	(3.2)	(5.2)
	<b>17.0</b>	18.0	38.2

## 4. Exceptional items

Exceptional items comprise £1.4m (2007: £0.1m) of restructuring costs and an impairment loss on assets associated with the expansion of the conveyor belting businesses in North America and £0.3m (2007: £0.3m) of integration costs following the acquisitions of EGC and B-LOC. The 2007 comparative also included a £2.5m profit on disposal of joint venture.

## Notes to the interim financial statements continued

### 5. Taxation

	<b>Half year ended 29 February 2008 £m</b>	Half year ended 28 February 2007 £m	Year ended 31 August 2007 £m
UK taxation	<b>0.1</b>	(0.1)	0.6
Overseas taxation	<b>4.1</b>	4.9	9.1
	<b>4.2</b>	4.8	9.7

The tax charge is calculated based on the estimated effective tax rate for the full year.

### 6. Dividends

	<b>Half year ended 29 February 2008 £m</b>	Half year ended 28 February 2007 £m	Year ended 31 August 2007 £m
<b>Dividends paid or approved in the period</b>			
Interim dividend for the year ended 31 August 2007 of 2.075p (2006: 1.975p) per share	<b>3.3</b>	3.1	3.1
Final dividend for the year ended 31 August 2007 of 4.15p (2006: 4.025p) per share	<b>6.6</b>	6.4	6.4
	<b>9.9</b>	9.5	9.5
<b>Dividends neither paid nor approved in the period</b>			
Interim dividend for the year ended 31 August 2008 of 2.2p (2007: 2.075p) per share	<b>3.8</b>	3.3	3.3

The interim dividend for the year ending 31 August 2008 is due for payment on 8 September 2008 and so has not been recognised as a liability at 29 February 2008. It will be paid to shareholders on the register on 1 August 2008.

### 7. Earnings per share

	<b>Half year ended 29 February 2008 £m</b>	Half year ended 28 February 2007 £m	Year ended 31 August 2007 £m
<b>Earnings</b>			
Profit for the period attributable to equity holders of the parent	<b>9.6</b>	11.1	23.7
Amortisation of intangible assets acquired and exceptional items	<b>2.2</b>	(1.8)	0.8
Taxation attributable to amortisation of intangible assets acquired and exceptional items	<b>(0.7)</b>	0.4	(0.6)
Profit for the period before amortisation of intangible assets acquired and exceptional items	<b>11.1</b>	9.7	23.9
	<b>Number</b>	Number	Number
<b>Average number of shares</b>			
Weighted average number of shares in issue	<b>158,551,798</b>	157,655,351	158,073,110
Weighted average number of shares held by the Employee Share Ownership Plan Trust	<b>(128,603)</b>	(131,859)	(131,859)
Weighted average number of shares in issue - basic	<b>158,423,195</b>	157,523,492	157,941,251
Effect of share options and contingent long term incentive plans	<b>1,317,247</b>	812,820	766,733
Weighted average number of shares in issue - diluted	<b>159,740,442</b>	158,336,312	158,707,984
	<b>Pence</b>	Pence	Pence
<b>Earnings per share</b>			
Adjusted - before amortisation of intangible assets acquired and exceptional items	<b>7.0</b>	6.2	15.1
Basic	<b>6.1</b>	7.0	15.0
Diluted	<b>6.0</b>	7.0	14.9

## 8. Capital expenditure

Capital expenditure during the period of £32.0m principally relates to the major expansion projects in the conveyor belting businesses in North America and Australia and the integration of the seals businesses in Houston to a single site.

## 9. Acquisitions

On 9 November 2007, the Group acquired substantially all of the operating assets and liabilities of B-LOC for an initial consideration of £4.4m.

On 14 December 2007, the Group acquired substantially all of the operating assets and liabilities of Spliceline for an initial consideration of £0.7m.

On 5 February 2008, the Group acquired the entire share capital of Prodesco, Inc for an initial consideration of £24.2m.

From the respective dates of acquisition, these businesses contributed £2.1m to Group revenue and £0.2m to Group operating profit, after deducting amortisation of intangible assets acquired and exceptional items of £0.3m.

If the acquisitions had occurred on 1 September 2007, it is estimated that Group revenue would have been £206.8m and Group operating profit would have been £18.2m, after deducting amortisation of intangible assets acquired and exceptional items of £2.8m. 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 2007.

Details of the aggregate assets and liabilities acquired are given below.

	Book value £m	Accounting policy alignment £m	Other items £m	Provisional fair value £m
Intangible assets	1.6	(1.6)	-	-
Property, plant and equipment	3.1	(0.1)	-	3.0
Inventories	2.4	(0.2)	-	2.2
Cash and cash equivalents	0.1	-	-	0.1
Trade and other receivables	2.5	-	-	2.5
Trade and other payables	(1.1)	(0.1)	-	(1.2)
Deferred taxation	-	-	0.1	0.1
Total net assets acquired	8.6	(2.0)	0.1	6.7
Intangible assets acquired				23.8
Goodwill on acquisition				7.4
Total consideration				37.9
Contingent deferred consideration held as provisions				(7.8)
Cash consideration paid				30.1
Cash and cash equivalents acquired				(0.1)
Cash paid per cash flow statement				30.0

Cash paid per cash flow statement includes acquisition expenses of £0.8m.

The fair value adjustments for accounting policy alignment reflect the provisional restatement of assets and liabilities in accordance with the Group's accounting policies.

Goodwill arising on acquisition principally represents the speed to market, workforce and anticipated synergies gained through the acquisitions.

## Notes to the interim financial statements continued

### 10. Reconciliation of net cash flow to movement in net debt

	<b>Half year ended 29 February 2008 £m</b>	Half year ended 28 February 2007 £m	Year ended 31 August 2007 £m
Net (decrease)/increase in cash and cash equivalents	<b>(36.6)</b>	(23.6)	26.4
Increase in borrowings and finance leases resulting from cash flows	<b>(32.5)</b>	(1.2)	(31.9)
Movement in net debt resulting from cash flows	<b>(69.1)</b>	(24.8)	(5.5)
New finance leases	-	-	(0.2)
Exchange movements	<b>(3.7)</b>	1.5	2.5
<b>Movement in net debt in the period</b>	<b>(72.8)</b>	(23.3)	(3.2)
Net debt at start of period	<b>(36.3)</b>	(33.1)	(33.1)
<b>Net debt at end of period</b>	<b>(109.1)</b>	(56.4)	(36.3)

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

### 11. Reconciliation of movement in shareholders' equity

	<b>Half year ended 29 February 2008 £m</b>	Half year ended 28 February 2007 £m	Year ended 31 August 2007 £m
Total recognised income and expense for the period	<b>12.6</b>	9.6	29.0
Equity dividends paid	<b>(9.9)</b>	(9.5)	(9.5)
Shares issued in the period	<b>0.1</b>	0.5	0.7
Share-based payments	<b>0.3</b>	0.2	0.4
<b>Movement in shareholders' equity in the period</b>	<b>3.1</b>	0.8	20.6
Shareholders' equity at start of period	<b>141.9</b>	121.3	121.3
<b>Shareholders' equity at end of period</b>	<b>145.0</b>	122.1	141.9

### 12. Contingencies

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, the 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 has been given to date and will be given as and when required in order to help expedite the process.

### 13. Related party transactions

Other than the remuneration of executive and non-executive directors, there were no related party transactions during the period.

### 14. Post balance sheet events

#### Share placing

On 14 March 2008, the Group announced the placing of 15,657,910 new ordinary shares of 25p each in the capital of Fenner PLC with institutional investors at 233p per share. This represented approximately 9.9% of the issued share capital of Fenner PLC and raised £36.5m before costs.

## Acquisitions

On 3 March 2008, the Group acquired substantially all of the operating assets and liabilities of Winfield Industries, Inc for a consideration of £6.9m.

On 6 March 2008, the Group acquired the entire share capital of Northern Belting Specialists Pty Ltd for a consideration of £2.3m.

On 1 April 2008, the Group acquired substantially all of the operating assets and liabilities of King Energy Services, Inc for a consideration of £2.8m. This amount includes £0.5m satisfied by the issue of 217,000 ordinary shares of Fenner PLC.

Details of the aggregate assets and liabilities acquired after the balance sheet date are given below.

	Book value £m	Accounting policy alignment £m	Provisional fair value £m
Property, plant and equipment	0.5	0.1	0.6
Inventories	1.3	-	1.3
Cash and cash equivalents	0.1	-	0.1
Trade and other receivables	2.2	-	2.2
Trade and other payables	(0.8)	-	(0.8)
Current taxation	(0.1)	-	(0.1)
Total net assets acquired	3.2	0.1	3.3
Intangible assets acquired and goodwill on acquisition			8.7
Total consideration			12.0
Share capital issued			(0.5)
Cash and cash equivalents acquired			(0.1)
Cash paid			11.4

The fair value adjustments for accounting policy alignment reflect the provisional restatement of assets and liabilities in accordance with the Group's accounting policies.

The identification and valuation of intangible assets is currently being undertaken.



## Responsibility Statement

We confirm that to the best of our knowledge:

- the condensed interim financial statements contained in this document have been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union;
- the interim management report contained in this document includes a fair review of the information required by the FSA's directive DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and
- this document includes a fair review of the information required by DTR 4.2.8R (disclosure of related party transactions and changes therein).

The directors of Fenner PLC and their respective responsibilities are listed in the Annual Report for 2007. There have been no changes in the period.

By order of the Board

Colin Cooke  
Chairman  
30 April 2008

Richard Perry  
Group Finance Director  
30 April 2008



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