11 November 2015

Fenner PLC

2015 Full Year Results

Fenner PLC, a world leader in reinforced polymer technology, today announces its results for its financial year ended 31 August 2015.

Highlights

	2015	2014
Revenue	**£666.7m**	£729.4m
Underlying operating profit 1,4	**£56.4m**	£79.5m
Underlying profit before taxation 2,4	**£42.5m**	£65.6m
(Loss)/profit before taxation	**£(5.3)m**	£29.2m
Operating cash flow 5	**£69.2m**	£63.8m
Underlying earnings per share 2,3,4	**15.5p**	23.3p
Dividend per share	**12.0p**	12.0p

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

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

4 Underlying measures have been presented to provide a more meaningful measure of the underlying performance of the business

5 Operating cash flow is underlying operating profit adjusted for depreciation and amortisation, capital expenditure (net of disposals) and movements in working capital

- Results in line with expectations; underlying profit before taxation of £42.5m and underlying earnings per share of 15.5p
- Annualised cost savings of £38m achieved
- Much improved operating cash flow of £69.2m
- AEP was the larger contributor to Group profit
- ECS result reflects difficult trading conditions in principal mining markets
- Unchanged final dividend of 8.0p, making 12.0p for the year
- Restructuring of ECS North America to be announced in early 2016

Nicholas Hobson, Chief Executive Officer, commented:

"In the financial year to 31 August 2015, the Group has faced difficult trading conditions in some of its key markets. We have responded by rigorous control of costs and the close management of cash and working capital, whilst still maintaining our ability to resume growth when market conditions allow.

Trading in the majority of the Group remains in line with management expectations. However, in the light of the recent further deterioration in the US coal industry, the Board envisages that the Group is likely to achieve an outcome for the current financial year which is moderately below its previous expectations."

A live audio webcast of the analyst presentation, hosted by Nicholas Hobson, Chief Executive Officer, and John Pratt, Group Finance Director, can be accessed at 9.30 am today on the Group's website www.Fenner.com.

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Fenner PLC

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Notes to editors:

Fenner PLC is a world leader in reinforced polymer technology, providing local engineered solutions for performance-critical applications. The Group operates through two divisions:

Advanced Engineered Products. *The AEP division uses advanced polymeric materials and technical expertise to provide high value-added solutions to customers' most challenging engineering problems and to identify and develop new opportunities. Customers are spread across a variety of end-user segments, including oil & gas, medical, construction, transportation, automation and general industrial. AEP's trading names are recognised globally and include Hallite, CDI Energy Products, EGC Critical Components, AIP, Fenner Precision, Fenner Drives, James Dawson, Mandals, Secant Medical, Charter Medical and Xeridiem.*

Engineered Conveyor Solutions. *The ECS division, trading under the Fenner Dunlop, Fenner and Dunlop brand names, is a recognised leader in the global conveying market. The division offers a unique, comprehensive suite of products and services, which serve the conveying needs of mining, power generation and bulk handling markets.*

Forward-looking statements

Certain statements contained in this Report, in particular Outlook, constitute forward-looking statements. Such forward-looking statements involve risks, uncertainties and other factors which may cause the actual results, performance or achievements of Fenner, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such statements. Such risks, uncertainties and other factors include, among others, exchange rates, the commodity markets, general economic conditions and the business environment.

Operating review

A year of strong focus on management of costs and cash and on selective growth opportunities.

Overview

In the financial year to 31 August 2015, the Group has faced difficult trading conditions in some of its key markets. We have responded by rigorous control of costs and the close management of cash and working capital, whilst still maintaining our ability to resume growth when market conditions allow.

The year's results represent the first time that AEP has made the larger contribution to the Group's underlying operating profit and reflect three particular features.

First, important parts of AEP's industrial and medical businesses saw further growth during the year, reflecting the investments which we have made in these businesses in recent years, in particular in their employees and knowledge base. The Group's presence in the medical industry was significantly enhanced during the year through the acquisition of Charter Medical, and we are continuing to invest in these businesses, for example, through the consolidation of Secant Medical's operations into new, purpose-built premises.

Second, carrying on from the successful growth which they have achieved in recent years, AEP's principal oil and gas businesses saw continued expansion in the first half of the year; however, the significant falls in the prices of oil and gas led to reductions in revenue and, despite a pro-active approach to cost reduction, in profitability in the second half of the year.

Third, the ECS division continued to face difficult trading conditions in most of its principal markets, including the USA and Australia, as commodity prices generally continued on the downward trends seen in the previous year. During the year, we reduced costs across the business and took steps to align the capacity of the division to match our revised views of likely medium-term levels of demand.

Summary of results

The Group's results, which are summarised in the accompanying table and discussed more fully below, show revenue of £666.7m and underlying operating profit of £56.4m.

	Advanced Engineered Products		Engineered Conveyor Solutions		Unallocated Corporate		Total	
At constant currencies	**2015 £m**	2014 £m	**2015 £m**	2014 £m	**2015 £m**	2014 £m	**2015 £m**	2014 £m
Revenue	**266.2**	269.7	**400.5**	455.6	**-**	-	**666.7**	725.3
Underlying operating profit	**41.0**	43.6	**23.3**	44.0	**(7.9)**	(8.6)	**56.4**	79.0
Underlying operating margin	**15.4%**	16.2%	**5.8%**	9.7%			**8.5%**	10.9%

Throughout the year, close management attention across the Group led to total operating costs excluding materials being reduced by £38m on an annualised basis. As part of this process, the Group's headcount was reduced by 11 per cent. Operating cash flow was £69.2m (2014: £63.8m), an increase of 8 per cent, reflecting an increased focus on the Group's working capital.

Advanced Engineered Products

In 2015, AEP generated revenue of £266.2m (2014: £269.7m at constant currencies) and underlying operating profit of £41.0m (2014: £43.6m at constant currencies). Underlying operating margin was 15.4 per cent (2014: 16.2 per cent at constant currencies).

Performance was generally strong across the division in the first half of the year; the medical businesses in particular continued their strong performance in the second half of the year, during which time the AEP businesses serving the oil & gas industry saw sharp falls in demand, reflecting lower energy prices. Pre-emptive management action led to AEP's total operating costs excluding materials being reduced by £13m on an annualised basis.

AEP is organised into three product groups: Advanced Sealing Technologies (which generated 49 per cent of AEP's revenue in 2015); Precision Polymers (36 per cent); and Solesis Medical Technologies (15 per cent).

Advanced Sealing Technologies

Advanced Sealing Technologies, the largest product group within AEP, designs and manufactures performance-critical seals for use in oil & gas and fluid power applications. In 2015, revenue was £130.9m (2014: £140.4m at constant currencies), a decrease of 7 per cent.

CDI (design and manufacture of custom seals for upstream oil & gas) has its principal operations in Texas, USA and accounts for by far the largest share of the revenue which AEP generates from customers within the oil & gas industry. During the first half of the year, CDI continued the strong growth seen in earlier years, building upon its relationships with major oilfield services companies and OEMs. Sharp falls in the prices of oil and gas across global markets, which had been seen since the start of the Group's financial year, led to reductions in revenue and profitability in the second half of the year. Reductions in CDI's revenue run rate have been consistent with movements in industry metrics and the impact of these reductions on CDI's profits has been mitigated by measures taken to reduce variable costs and overheads.

Hallite (seals for fluid power) achieved a result moderately behind the previous year, as generally buoyant trading conditions in construction-related industries were offset by weaknesses in sales of end-user products to customers engaged in oil & gas and agriculture.

EGC (wear components, precision components, connectors and seals) and AIP (precision machined polymer components) each saw general progress in their businesses offset by a slowdown in sales to customers in the oil & gas industry and across the energy sector as a whole.

Precision Polymers

Precision Polymers produces high value-added components, principally belts and hoses, for niche industrial markets, including hydraulic fracturing. In 2015, revenue was £95.3m (2014: £99.8m at constant currencies), a decrease of 5 per cent.

Fenner Drives (specialist products for power transmission and motion control) achieved another year of higher revenue, underlying operating profit and margin whilst further improving its high return on capital employed. The business introduced a number of new lines and benefitted from generally buoyant market conditions. Further progress was made in expanding the business into Latin America and Australia, whilst demand in Europe remained flat.

Fenner Precision (bespoke belts for printers, ATMs and other precision applications) saw a significantly improved underlying operating profit on modestly higher revenue. The business benefitted from the introduction of new products and close attention to costs. The business completed the closure of its facility at Buffalo, New York and the consolidation of the US manufacturing operations in Pennsylvania.

James Dawson (hoses for large specialist diesel engines) made a slightly improved contribution, despite modestly lower revenue, due to improved manufacturing and tight cost control. Demand for Dawson products for use in diesel engines in commercial trucking, the oil & gas industry and agriculture was generally subdued.

Mandals (lay-flat hoses) experienced a sharp and significant reduction in demand for its lay-flat hoses for use in hydraulic fracturing applications at the start of the year in response to falls in the oil price, since which time demand has remained at very low levels. We remain convinced that Mandals' lay-flat hoses provide significant cost, operational and environmental advantages over pre-existing technologies and we expect demand to recover when conditions in the industry improve. In the meantime, the business has reduced headcount and re-focused on its traditional markets of emergency fire services and agriculture.

Solesis Medical Technologies

Solesis Medical Technologies took an important step forward during the year with its acquisition of Charter Medical; Solesis Medical Technologies also includes Secant Medical and Xeridiem. All three businesses are located in the USA and most of their revenue arises in the USA. In 2015, revenue was £40.0m (2014: £29.5m at

constant currencies), an increase of 36 per cent; excluding the benefit of the acquisition, revenue grew by 11 per cent at constant currencies.

Secant Medical (biomedical textile components and biomaterials) produced a strong result with underlying operating profit and margin both well ahead of the previous year, reflecting an improved mix of sales and the benefit of various cost efficiency initiatives undertaken during the year. The business has increased its capabilities to act as a partner of those medical majors which choose to outsource the development and manufacture of medical components and its pipeline of products under development now exceeds 100 customer-funded projects. The extensive programme to consolidate Secant's facilities has completed its first phase; the programme is proceeding as planned and is expected to be substantially complete by the end of the current financial year.

Xeridiem (single-use medical devices) saw an improved result although overall its performance remains below other AEP businesses. The improved result was due to a combination of higher revenue and lower costs, with some indications during the year that the over-stock of catheters and enteral feeding products was easing.

Charter Medical (single-use products for blood management, bio-processing and cell therapy) was acquired at the end of January 2015. Its integration into the Group was completed on schedule and the business is performing in line with expectations. We are increasingly excited about Charter Medical's potential as part of the Fenner Group.

Engineered Conveyor Solutions

In 2015, ECS faced another year in which trading conditions in each of its principal markets showed further deteriorations, especially in the US coal industry. Whilst ECS generally maintained its share of each of the principal markets in which it operates, these deteriorations led to lower revenue and, despite stringent measures to reduce costs, lower profit.

In 2015, ECS generated revenue of £400.5m (2014: £455.6m at constant currencies) and underlying operating profit of £23.3m (2014: £44.0m at constant currencies). Underlying operating margin was 5.8 per cent (2014: 9.7 per cent at constant currencies).

Strong action by management resulted in an improved operating cash flow of £48.0m (2014: £45.1m).

ECS continues to address its cost base. In 2015, total operating costs excluding materials were reduced by £24m (11 per cent) on an annualised basis which was in addition to the reduction of £8m achieved during the previous year; as part of this, there have been significant reductions in manned capacity across ECS's business as demand for belting product and services have fallen. A process for ECS to right-size its factory capacity to suit likely medium-term levels of demand for belting product has been undertaken in Asia Pacific and EMEA, resulting in significant reductions in headcount at ECS's factories in China and the UK, and is on-going in North America. Over the course of the year, ECS's permanent headcount was reduced by over 300 (representing 11 per cent of the workforce) with further reductions in temporary employees and contract labour.

Americas

In 2015, revenue was £162.4m (2014: £182.8m at constant currencies), a decrease of 11 per cent; this represented 41 per cent of ECS's revenue.

In North America, which accounts for the great majority of the region's business, revenue from industrial customers, which include manufacturers of bulk materials used in non-residential construction and hard rock miners, grew significantly in response to enhanced distribution arrangements and other industry specific initiatives undertaken to increase its share of this market. Revenue also benefitted from a generally helpful economic environment in the USA.

The coal industry in the USA continued to show sequential declines to the extent that, by the end of the year, it appeared the industry was undergoing a process of structural change. During the year, a number of coal mining groups entered insolvency proceedings; whilst the impact of bad debts on ECS has been limited, this development has further weakened sentiment across the coal mining industry. Sentiment over the longer-term prospects of the coal industry was also damaged by certain government policy announcements, although the implementation of these policies remains uncertain.

The volume of coal extracted over the course of the year was down by some 6 per cent, well below earlier industry expectations. Coal and gas prices weakened throughout the year, encouraging switching by electricity generators away from coal, to the extent that at times gas matched the share of electricity generated from burning coal. The share of electricity generated by renewable sources also increased markedly during the year.

Against this background, ECS has seen its coal mining customers continue to defer belt replacements and generally seek to minimise their expenditures on belting products and services, for example through the use of second-hand belt from closed mines. Inevitably, in such an environment, ECS saw pricing pressures which offset the benefit of lower raw material prices.

Throughout the year, ECS continued to address its cost base and working capital. Significant amounts of direct and indirect cost have been taken out of the business and the increase in ECS's inventories which took place during the previous financial year was reversed. The service business has been largely reconfigured with an increased focus on those customers which value a combined offering of belting product and service and a withdrawal from low margin service activities.

ECS's presence in South America is focused on the copper mining industry in Chile, where ECS's trading results for the year showed a moderate improvement, despite lower copper prices and lower than anticipated copper production.

Asia Pacific

In 2015, revenue was £149.2m (2014: £177.2m at constant currencies), a decrease of 16 per cent; the region accounted for 37 per cent of ECS's total revenue.

Australia represents the greatest part of the Asia Pacific region; ECS's revenue fell due to a combination of lower belt volumes, lower service revenue and continuing pricing pressure.

ECS saw a sharp reduction in demand for belt for use in new mining facilities, with many projects having been deferred or cancelled as mining groups curtailed capital expenditure programmes. In response, ECS's project businesses have refocused on value-added service activities in the aftermarket.

The extraction rates of iron ore and coal, both predominantly for export to Asian markets, continued to grow and reached new record levels. However, commodity prices weakened, with iron ore prices on average around 39 per cent below the previous year.

Higher extraction tonnages supported demand for replacement conveyor belt, although over the period increasing uncertainty surrounding the outlook for Asian economies and their future demand for commodities encouraged the mining sector to reduce conveyor belt inventories. There was a modest impact on demand for belt from the temporary closure of a small number of mines in response to falling commodity prices.

ECS's service revenues fell during the period as it did not pursue the renewal of certain service contracts which offered insufficient return, given the resources required and risk potential.

Pricing pressure continued as mines sought to extract further value from their supply chains in response to falling commodity prices. ECS was able to partly offset the impact of pricing pressure through continuing close attention to improving business efficiency.

In China, ECS performed well in the first half of the year, but saw much reduced activity in the second half as order intake from its principal coal mining customers was much reduced. In response to the slowdown, ECS made significant reductions in its workforce. ECS has a unique position in the Chinese market as the most credible domestic manufacturer of the high-performance belting required in very large long-wall mines and there have been some recent indications that demand for belt may begin to increase.

EMEA

In 2015, revenue was £88.9m (2014: £95.6m at constant currencies), a decrease of 7 per cent; EMEA accounted for 22 per cent of ECS's total revenue.

Demand from customers across Europe showed little sign of improvement during the year as the principal industries served by ECS remained subdued. In the newer mining markets of west and north Africa, the growth

previously anticipated did not materialise, as the mines could not operate economically at current levels of commodity prices.

ECS's performance was supported by continued close attention to costs, in particular at the region's principal factory in the Netherlands where manning levels were significantly reduced. A review of the prospects for belt sales in the Russian and Ukrainian markets concluded that demand is unlikely to recover in the near term and the decision was made to downsize ECS's UK facility. This process was completed during the second half of the year.

ECS's business in the Republic of South Africa ("RSA") continued the improvement started last year, with ECS maintaining its leading position in the supply of belt to coal mining, although the region's contribution to the Group's results was reduced by the weakness of the South African Rand. With its mining customers having access to Asian export markets, RSA is seen as an area of further development for ECS in the future.

Group financing

The Group remains soundly financed with a strong balance sheet. The Group's year end net debt was £138.0m (2014: £117.3m). The increase over the year of £20.7m reflected acquisition spend (£25.6m), capital expenditure (£28.1m) and an on-going Group-wide initiative to improve the management of working capital which resulted in an inflow of £13.9m in the year. The ratio of net debt to EBITDA for the year was 1.7 times (2014: 1.2 times), well within the level required by the Group's financing facilities.

Capital expenditure represented a multiple of 1.2 times depreciation. Capital expenditure in AEP was £23.4m, including the acquisition of specialist properties for Secant Medical and Mandals, against depreciation of £9.0m; we expect AEP's capital expenditure to revert to more normalised levels in the current financial year. In ECS, capital expenditure was £4.7m, which, given the investment which we have made in the business during recent years, we regard as appropriate for the foreseeable future in order to maintain the business in a steady state. On this basis, we expect Group capital expenditure to be appreciably below depreciation whilst continuing a growth stance in AEP and maintaining ECS in its current form.

Dividends

The Board is recommending an unchanged final dividend of 8.0p per share, which gives a total dividend for the year of 12.0p (2014: 12.0p). The dividend is covered 1.3 times by underlying earnings and 1.4 times by free cash flow.

The Board recognises that the dividend paid to the Company's shareholders is an important component of shareholder value. Whilst the current level of dividend remains affordable, the Board will set future dividends after taking into account opportunities to invest in future growth.

Outlook

Management has significantly reduced the Group's cost structure and is continuing to tightly manage costs in each business. The Board believes that, over the medium and longer term, the Group's principal markets will grow at rates in excess of GDP growth although the current year is likely to see a continuation of difficult trading conditions in the Group's businesses serving the oil & gas and mining industries.

AEP's industrial businesses have performed well although some external indicators now suggest a possible slowing of growth in the US industrial sector. Oil & gas industry metrics, such as US rig count, remain at the lower end of the range of the Group's planning assumptions and current oil and gas prices do not suggest any improvement in demand levels in AEP's businesses serving that industry.

We remain optimistic about the prospects for Secant Medical. Its development pipeline is beginning to benefit from the recent investment in innovation and engineering capabilities; the expected completion later this year of the second phase of the move to new facilities will bring operational benefits and enable further growth. Charter Medical, which was acquired in January 2015, is performing in line with expectations and will make a full-year contribution to the Group's results.

In relation to ECS, on-going excess commodity supply and low prices globally are likely to mean that miners will continue to maintain their focus on operating costs and restrain capital expenditure. In the Southern Hemisphere,

the outlook for the mining industry is closely tied to the strength of the Chinese economy about which there is on-going uncertainty. In North America, ECS expects to achieve further growth in industrial markets, although the benefits of this will be more than offset by the increasing cyclical, long-term structural and financial challenges being faced by the US coal mining industry. As a consequence, we expect to announce a restructuring of ECS's North American business (at a cash cost of up to £10m) in early 2016.

Trading in the majority of the Group remains in line with management expectations. However, in the light of the recent further deterioration in the US coal industry, the Board envisages that the Group is likely to achieve an outcome for the current financial year which is moderately below its previous expectations.

Financial review

Revenue and operating profit

Group revenue decreased by 9% to £666.7m (2014: £729.4m). The translation effect of movements in foreign exchange rates was much reduced this year. Revenue at constant exchange rates decreased by 8% as the weakening of sterling against the US dollar was largely offset by a strengthening against both the Australian dollar and the euro.

In the AEP division, revenue increased marginally to £266.2m (2014: £265.5m). At constant exchange rates revenue decreased by 1%. The increase in industrial and medical revenue, which included acquired growth from Charter Medical, was offset by a decrease in oil and gas revenue, with a strong first half being followed by a significantly weaker second half.

In the ECS division, revenue decreased by 14% to £400.5m (2014: £463.9m) or by 12% at constant exchange rates. Difficult trading conditions prevailed throughout the year in most of its principal markets.

Underlying operating profit decreased by 29% to £56.4m (2014: £79.5m). The impact of changes in exchange rates across the Group as a whole was negligible. The initial contribution from the acquisition of Charter Medical was £1.1m.

Throughout the year, there was stringent management of the cost base and several cost restructuring initiatives were completed. Whilst this was, and will continue to be, a Group-wide cost reduction programme, the main focus was on our ECS operations and those businesses in AEP which trade in the oil & gas sector. In ECS, action has continued to realign the division's cost base to its expected operating environment; during the year, the employment and overhead cost base reduced by £18.7m. In AEP, action was taken in the second half to address the cost base as oil and gas demand weakened with cost reductions amounting to £4.6m in the year.

Divisional underlying operating profits contributed were £41.0m (2014: £42.3m) from the AEP division and £23.3m (2014: £45.7m) from the ECS division. On a constant currency basis, AEP profits decreased by 6% and ECS profits decreased by 47%.

Amortisation of intangible assets acquired decreased to £12.9m (2014: £15.0m).

Exceptional items amounted to a charge of £34.4m (2014: £19.7m). This comprised impairment costs relating to goodwill and intangible assets acquired of £24.5m and restructuring costs of £9.9m.

Carrying amounts of goodwill and intangible assets acquired are reviewed at least annually by conducting an impairment review which is based on the net present value of projected cash flows for each cash-generating unit ("CGU"). In the ECS division, the impairment of goodwill and intangible assets acquired was £14.5m, which arose in relation to the Australian CGUs of Australian Conveyor Engineering (£7.3m), Northern Belting Specialists (£2.1m) and Spliceline (£0.8m), together with the US CGU of Allison (£4.3m). These impairments arose following continued weakness in commodity prices and subsequent reductions in demand for mining related products and services in Australia and low energy prices in the USA which has led to fewer coal mining projects. In the AEP division, the impairment of goodwill and intangible assets acquired was £10.0m and related entirely to Norwegian Seals which operates in the European oil & gas sector. The impairment arose following a significant drop in the oil price and a weakening in the outlook of the oil & gas industry in Europe. These economic conditions have decreased the present value of projected cash flows in the respective CGUs.

The restructuring costs of £9.9m are predominantly the cost of implementing the Group-wide cost reduction initiatives. Of this amount, £6.3m was incurred in the ECS division where the focus remains on re-aligning the cost base to market conditions. The remaining £3.6m was incurred in the AEP division and weighted towards the Advanced Sealing Technologies product group which has a greater exposure to the oil & gas sector. Further details of exceptional items are given in note 4.

The resultant Group operating profit decreased to £9.1m (2014: £44.8m).

Financing

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

The Group's principal committed loan facilities consist of US dollar private placement loan notes and bank facilities. The US dollar private placement loan notes total $290.0m (£188.3m). These mature between 2017 and 2023 and bear fixed interest rates averaging 5.4%.

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

The Group's total committed loan facilities at 31 August 2015 were £313.6m (2014: £300.0m). At 31 August 2015, £87.7m (2014: £93.3m) of these facilities were not drawn down. In addition, the Group has uncommitted facilities of £40.3m (2014: £43.7m). The private placement notes are fully drawn down and used to fund or hedge Group operations, partly through the use of cross-currency swaps.

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

Throughout the year under review, the Group complied with all of its loan covenants, with significant headroom available. At 31 August 2015, net debt to reported EBITDA was 1.7 times (2014: 1.2 times). Reported EBITDA interest cover was 5.7 times (2014: 7.3 times). For the purpose of testing the Group's compliance with its loan covenants, reported EBITDA is adjusted for, inter alia, acquisitions, exceptional and certain non-cash items, which improves the reported ratios.

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

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

Net finance costs

Finance costs, net of finance income, reduced by £1.2m to £14.4m (2014: £15.6m).

	2015 £m	2014 £m
Fixed rate debt [1]	**10.3**	10.1
Floating rate debt [2]	**3.6**	4.1
Loan and commitment fees	**0.5**	0.3
Less: interest receivable	**(0.5)**	(0.6)
Net interest payable	**13.9**	13.9
Notional interest	**0.5**	1.7
Net finance costs	**14.4**	15.6

1 Including the cost of long-term cross-currency swaps.
2 Including the cost of short-term cross-currency swaps.

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

Notional interest comprises the net interest cost of defined benefit post-retirement schemes of £1.0m (2014: £0.9m), the unwinding of the discount on deferred payments on acquisitions of £1.1m (2014: £1.4m) and a finance credit relating to the redemption liability on acquisitions of £1.6m (2014: £0.6m); this is due to a reduction

in the estimated amount payable on the purchase of the non-controlling interest of BBCS/LECS in the financial year ending 31 August 2017.

Taxation

The underlying tax rate for the year was 27.3% (2014: 28.0%), being the rate of tax on the underlying profit before taxation. The rate reflects a combination of the varying tax rates applicable throughout the countries in which the Group operates and, in any year, will depend on the mix of profits made between those countries.

The tax rate for the year was significantly higher than the underlying tax rate, principally as a result of exceptional items relating to impairments on which no tax relief is available and some restructuring costs giving rise to tax losses on which deferred tax assets have not been recognised.

Dividends

The interim dividend of 4.0p per share (2014: 4.0p) was paid on 7 September 2015. The Board is recommending a final dividend of 8.0p per share (2014: 8.0p) to make a total dividend for the year of 12.0p per share (2014: 12.0p). Dividend cover, defined as the ratio of underlying earnings per share to dividend per share, was 1.3 times (2014: 1.9 times). If approved by shareholders, the final dividend will be paid on 9 March 2016 to shareholders on the register on 29 January 2016.

Earnings per share

Underlying earnings per share was 15.5p (2014: 23.3p) and basic loss per share was 5.4p (2014: earnings per share of 11.7p). Further details are given in note 9.

Acquisitions

On 30 January 2015, the Group acquired the entire share capital of Charter Medical for a cash consideration of £20.0m. Charter Medical, based in North Carolina, USA, manufactures speciality single-use assemblies and Class I and Class II medical devices for the collection, processing, storage and filtration of biological and bioprocessing fluids. Charter Medical also produces bio-containers and fluid management sets that serve a range of life science applications including biopharmaceutical manufacturing, cell therapy and cryogenic storage. Charter Medical has been integrated into the Solesis Medical Technologies business in the AEP division. Further details of this acquisition are disclosed in note 17.

Cash flow and net debt

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

	2015 £m	2014 £m
Operating profit before amortisation of intangible assets acquired and exceptional items	**56.4**	79.5
Depreciation and amortisation (excluding intangible assets acquired)	**23.4**	22.0
Capital expenditure (including finance leases)	**(28.1)**	(28.7)
Capital disposals	**3.6**	0.6
Working capital	**13.9**	(9.6)
Operating cash flow	**69.2**	63.8
Exceptional items	**(9.6)**	(1.0)
Taxation	**(8.5)**	(17.7)
Interest	**(14.2)**	(14.0)
Other movements	**(3.3)**	(4.6)
Free cash flow	**33.6**	26.5
Acquisitions and investments	**(25.6)**	(7.5)
Dividends - Fenner shareholders	**(23.3)**	(21.8)
Dividends - non-controlling interests	**(2.0)**	(2.6)
Currency movements	**(3.4)**	9.2
Movement in net debt	**(20.7)**	3.8
Opening net debt	**(117.3)**	(121.1)
Closing net debt	**(138.0)**	(117.3)

Despite the reduction in underlying operating profit in the year and the cash outflow from exceptional restructuring costs, free cash inflow increased by 27% to £33.6m. An increased focus on working capital management helped to achieve this improvement. The ECS division in particular has been the focus of the Group-wide initiative and generated £11.5m of the total working capital inflow, largely from reduced inventory levels.

Of the £28.1m capital expenditure, £23.4m was invested in the AEP division and included the major facilities consolidation at Secant Medical of £12.8m.

Acquisition payments comprised £20.0m for the Charter Medical acquisition in January 2015 and £5.6m relating to contingent and deferred consideration in respect of prior year acquisitions.

The adverse currency movements reflect the effect on borrowings of the strengthening US dollar against sterling during the year. This is offset in part by gains from the settlement of short-term cross-currency swaps in the year, particularly in respect of the weakening Australian dollar.

Financial risk management

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

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

Foreign exchange translation risk

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

The Group is exposed to translation risk in respect of its income statement. Principal average exchange rates applied on translation of the income statement for 2015 and 2014 were as follows:

	2015	2014
US$	**1.55**	1.65
AUD$	**1.94**	1.79
Euro	**1.34**	1.22

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

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

Foreign exchange transaction risk

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

Material transaction exposures are hedged, principally with forward foreign currency contracts, once cash flows can be identified with sufficient certainty. Where derivatives are used to hedge transaction exposures, the Group

does not hedge account for such transactions under the requirements of IAS 39, recognising that cash flows through to the maturity of the derivative are unaffected. In compliance with IAS 39, all financial instruments have been measured at their fair value as at the balance sheet date. A charge or credit to the income statement has been recognised for the loss or gain on these instruments. In addition, in accordance with IAS 21 'The Effects of Changes in Foreign Exchange Rates', all foreign currency monetary items have been retranslated at the closing rate, with changes in value charged or credited to the income statement.

Return on gross capital employed

The return on gross capital employed has decreased to 11.6% (2014: 14.9%) largely due to the reduction in underlying operating profit in the ECS division.

Post-retirement benefits

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

During the year, the fair value of assets of the schemes increased to £183.1m (2014: £179.7m), principally generated from actuarial gains in the UK scheme's investments and additional Group contributions paid to reduce the deficit. The present value of obligations remained at a level similar to the prior year at £209.5m (2014: £209.7m).

The total defined benefit post-retirement deficit, as calculated by the schemes' actuaries and recorded on the balance sheet at 31 August 2015, decreased to £26.4m (2014: £30.0m). This was largely due to the UK scheme where the deficit decreased to £18.6m (2014: £21.9m). The overseas schemes' deficit remained at a similar level to the prior year at £7.8m (2014: £8.1m).

Accounting policies

The Group financial statements have been prepared in accordance with the accounting policies described in note 2, in accordance with International Financial Reporting Standards as adopted by the European Union.

Going concern review

After making enquiries, the directors have formed a judgement that there is a reasonable expectation the Group has adequate resources to continue in operational existence for the foreseeable future and for a period of at least 12 months from the date of this report. Accordingly, the Board have assessed that the going concern basis of accounting is appropriate 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.

Long-term viability statement

The directors have also assessed the viability of the Group over a three year period to 31 August 2018, taking account of the Group's position at 31 August 2015 and the potential impacts of the principal risks over the review period. Based on this assessment, the directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due during the period to 31 August 2018.

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

The directors have determined that the three year period to 31 August 2018 is an appropriate period over which to provide its viability statement since this represents the period over which financial forecasts are prepared in the annual budget process. In making their assessment of long-term viability, the directors have taken account of the Group's balance sheet strength, the maturity profile of its current debt funding and its ability to raise new finance in most market conditions.

Consolidated income statement

for the year ended 31 August 2015

	Notes	2015 £m	2014 £m
Revenue		**666.7**	729.4
Cost of sales		**(476.1)**	(503.3)
Gross profit		**190.6**	226.1
Distribution costs		**(55.1)**	(58.3)
Administrative expenses		**(126.4)**	(123.0)
Operating profit before amortisation of intangible assets acquired and exceptional items		**56.4**	79.5
Amortisation of intangible assets acquired		**(12.9)**	(15.0)
Exceptional items	4	**(34.4)**	(19.7)
Operating profit		**9.1**	44.8
Finance income	5	**0.5**	0.6
Finance costs	6	**(14.9)**	(16.2)
(Loss)/profit before taxation		**(5.3)**	29.2
Taxation	7	**(4.4)**	(4.5)
(Loss)/profit for the year		**(9.7)**	24.7
Attributable to:			
Owners of the parent		**(10.5)**	22.6
Non-controlling interests		**0.8**	2.1
		(9.7)	24.7
(Loss)/earnings per share			
Basic	9	**(5.4)p**	11.7p
Diluted	9	**(5.4)p**	11.7p

Consolidated statement of comprehensive income

for the year ended 31 August 2015

	2015 £m	2014 £m
(Loss)/profit for the year	**(9.7)**	24.7
Other comprehensive income/(expense)		
Items that will not be reclassified subsequently to profit or loss		
Remeasurements on defined benefit post-retirement schemes	**0.7**	(8.8)
Tax on items that will not be reclassified	**0.2**	1.8
	0.9	(7.0)
Items that may be reclassified subsequently to profit or loss		
Currency translation differences	**(11.5)**	(29.8)
Cash flow hedges	**3.4**	(3.6)
Net investment hedges	**9.0**	12.2
Tax on items that may be reclassified	**(2.3)**	0.6
	(1.4)	(20.6)
Total other comprehensive income/(expense) for the year	**(0.5)**	(27.6)
Total comprehensive expense for the year	**(10.2)**	(2.9)
Attributable to:		
Owners of the parent	**(9.0)**	(4.5)
Non-controlling interests	**(1.2)**	1.6
	(10.2)	(2.9)

Consolidated balance sheet

at 31 August 2015

	Notes	2015 £m	2014 £m
Non-current assets			
Property, plant and equipment	10	**208.4**	210.1
Intangible assets	11	**188.5**	212.5
Deferred tax assets		**20.8**	25.7
Derivative financial assets		**11.7**	3.7
		429.4	452.0
Current assets			
Inventories		**76.0**	91.6
Trade and other receivables		**105.2**	126.2
Non-current assets held for sale		**-**	2.9
Current tax assets		**3.6**	1.7
Derivative financial assets		**0.8**	0.8
Cash and cash equivalents	14	**93.2**	95.9
		278.8	319.1
Total assets		**708.2**	771.1
Current liabilities			
Borrowings	14	**(39.9)**	(34.6)
Trade and other payables		**(113.9)**	(136.6)
Current tax liabilities		**(6.7)**	(7.9)
Derivative financial liabilities		**(0.2)**	(0.8)
Provisions	13	**(8.9)**	(9.2)
		(169.6)	(189.1)
Non-current liabilities			
Borrowings	14	**(191.3)**	(178.6)
Trade and other payables		**(0.7)**	(0.2)
Retirement benefit obligations	12	**(26.4)**	(30.0)
Provisions	13	**(10.7)**	(20.5)
Deferred tax liabilities		**(7.2)**	(12.2)
Derivative financial liabilities		**(1.1)**	(4.3)
		(237.4)	(245.8)
Total liabilities		**(407.0)**	(434.9)
Net assets		**301.2**	336.2
Equity			
Share capital		**48.5**	48.5
Share premium		**51.7**	51.7
Retained earnings		**111.4**	143.5
Exchange reserve		**(7.8)**	1.7
Hedging reserve		**22.3**	12.2
Merger reserve		**65.9**	65.9
Shareholders' equity		**292.0**	323.5
Non-controlling interests		**9.2**	12.7
Total equity		**301.2**	336.2

The financial statements were approved by the Board of Directors on 11 November 2015 and signed on its behalf by:

M S Abrahams
Chairman

W J Pratt
Group Finance Director

Registered Number: 329377

Consolidated cash flow statement

for the year ended 31 August 2015

	Notes	2015 £m	2014 £m
(Loss)/profit before taxation		**(5.3)**	29.2
Adjustments for:			
Depreciation of property, plant and equipment and amortisation of intangible assets		**36.3**	37.0
Impairment of property, plant and equipment		**1.6**	0.6
Impairment of intangible assets		**24.5**	24.3
Impairment of investments		**-**	0.5
Release of contingent deferred consideration on acquisitions		**-**	(10.7)
Other exceptional non-cash movements		**1.4**	4.0
Cash payments in respect of prior year exceptional items		**(2.7)**	-
Defined benefit post-retirement costs charged to operating profit		**2.1**	0.9
Cash contributions to defined benefit post-retirement schemes		**(4.9)**	(5.3)
Movement in provisions		**(0.8)**	(1.1)
Finance income		**(0.5)**	(0.6)
Finance costs		**14.9**	16.2
Other non-cash movements		**0.3**	0.9
Operating cash flow before movement in working capital		**66.9**	95.9
Movement in inventories		**15.2**	(5.9)
Movement in trade and other receivables		**20.4**	(0.5)
Movement in trade and other payables		**(21.7)**	(3.2)
Net cash from operations		**80.8**	86.3
Taxation paid		**(8.5)**	(17.7)
Net cash from operating activities		**72.3**	68.6
Investing activities			
Purchase of property, plant and equipment		**(25.2)**	(25.0)
Disposal of property, plant and equipment		**3.6**	0.6
Purchase of intangible assets		**(2.2)**	(2.7)
Acquisition of businesses	17	**(25.6)**	(7.0)
Acquisition of investments		**-**	(0.5)
Interest received		**0.5**	0.6
Net cash used in investing activities		**(48.9)**	(34.0)
Financing activities			
Dividends paid to Company's shareholders	8	**(23.3)**	(21.8)
Dividends paid to non-controlling interests		**(2.0)**	(2.6)
Interest paid		**(14.7)**	(14.6)
Repayment of borrowings		**(3.8)**	(2.5)
New borrowings		**12.7**	9.4
Net cash used in financing activities		**(31.1)**	(32.1)
Net (decrease)/increase in cash and cash equivalents		**(7.7)**	2.5
Cash and cash equivalents at start of year		**95.8**	99.1
Exchange movements		**5.0**	(5.8)
Cash and cash equivalents at end of year		**93.1**	95.8
Cash and cash equivalents comprises:			
Cash and cash equivalents		**93.2**	95.9
Bank overdrafts		**(0.1)**	(0.1)
		93.1	95.8

Consolidated statement of changes in equity

for the year ended 31 August 2015

	Attributable to owners of the parent								
	Share capital £m	Share premium £m	Retained earnings [1] £m	Exchange reserve £m	Hedging reserve £m	Merger reserve £m	Total [1] £m	Non-controlling interests £m	Total equity [1] £m
At 1 September 2013	48.5	51.7	147.9	31.0	3.0	65.9	348.0	15.1	363.1
Profit for the year	-	-	22.6	-	-	-	22.6	2.1	24.7
Other comprehensive income/(expense)									
Currency translation differences	-	-	-	(29.3)	-	-	(29.3)	(0.5)	(29.8)
Cash flow hedges	-	-	-	-	(3.6)	-	(3.6)	-	(3.6)
Net investment hedges	-	-	-	-	12.2	-	12.2	-	12.2
Remeasurements on defined benefit post-retirement schemes	-	-	(8.8)	-	-	-	(8.8)	-	(8.8)
Tax on other comprehensive income	-	-	1.8	-	0.6	-	2.4	-	2.4
Total other comprehensive income/(expense)	-	-	(7.0)	(29.3)	9.2	-	(27.1)	(0.5)	(27.6)
Total comprehensive income/(expense) for the year	-	-	15.6	(29.3)	9.2	-	(4.5)	1.6	(2.9)
Transactions with owners									
Dividends paid in the year	-	-	(21.8)	-	-	-	(21.8)	(2.6)	(24.4)
Share-based payments	-	-	0.6	-	-	-	0.6	-	0.6
Transfer of non-controlling interests	-	-	1.4	-	-	-	1.4	(1.4)	-
Tax on transactions with owners	-	-	(0.2)	-	-	-	(0.2)	-	(0.2)
Total transactions with owners	-	-	(20.0)	-	-	-	(20.0)	(4.0)	(24.0)
At 1 September 2014	**48.5**	**51.7**	**143.5**	**1.7**	**12.2**	**65.9**	**323.5**	**12.7**	**336.2**
(Loss)/profit for the year	**-**	**-**	**(10.5)**	**-**	**-**	**-**	**(10.5)**	**0.8**	**(9.7)**
Other comprehensive income/(expense)									
Currency translation differences	**-**	**-**	**-**	**(9.5)**	**-**	**-**	**(9.5)**	**(2.0)**	**(11.5)**
Cash flow hedges	**-**	**-**	**-**	**-**	**3.4**	**-**	**3.4**	**-**	**3.4**
Net investment hedges	**-**	**-**	**-**	**-**	**9.0**	**-**	**9.0**	**-**	**9.0**
Remeasurements on defined benefit post-retirement schemes	**-**	**-**	**0.7**	**-**	**-**	**-**	**0.7**	**-**	**0.7**
Tax on other comprehensive income	**-**	**-**	**0.2**	**-**	**(2.3)**	**-**	**(2.1)**	**-**	**(2.1)**
Total other comprehensive income/(expense)	**-**	**-**	**0.9**	**(9.5)**	**10.1**	**-**	**1.5**	**(2.0)**	**(0.5)**
Total comprehensive income/(expense) for the year	**-**	**-**	**(9.6)**	**(9.5)**	**10.1**	**-**	**(9.0)**	**(1.2)**	**(10.2)**
Transactions with owners									
Dividends paid in the year	**-**	**-**	**(23.3)**	**-**	**-**	**-**	**(23.3)**	**(2.0)**	**(25.3)**
Share-based payments	**-**	**-**	**0.6**	**-**	**-**	**-**	**0.6**	**-**	**0.6**
Transfer of non-controlling interests	**-**	**-**	**0.3**	**-**	**-**	**-**	**0.3**	**(0.3)**	**-**
Tax on transactions with owners	**-**	**-**	**(0.1)**	**-**	**-**	**-**	**(0.1)**	**-**	**(0.1)**
Total transactions with owners	**-**	**-**	**(22.5)**	**-**	**-**	**-**	**(22.5)**	**(2.3)**	**(24.8)**
At 31 August 2015	**48.5**	**51.7**	**111.4**	**(7.8)**	**22.3**	**65.9**	**292.0**	**9.2**	**301.2**

[1] 2013 restated following the adoption of IAS 19 (Revised) ‘Employee Benefits’.

Notes

1. Basis of preparation

The full year results for the year ended 31 August 2015 were approved by the Board of Directors on 11 November 2015. 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 ended 31 August 2015 and 31 August 2014 and given unqualified opinions, which did not include a statement under Section 498 of the Companies Act 2006. The Group financial statements for 2014 have been delivered to the Registrar of Companies and the Group financial statements for 2015 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") and IFRS IC interpretations as adopted by the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. They are prepared under the historical cost convention, as modified by the revaluation of land and buildings and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

2. Accounting policies

The accounting policies adopted are consistent with those for 2014, except for new standards, amendments or interpretations adopted by the Group and effective for the first time for the financial year ended 31 August 2015. None of these have had a material impact on the Group.

A number of new standards, amendments or interpretations have been published but are not mandatory for the year ended 31 August 2015 and consequently have not yet been applied in preparing the financial statements.

IFRS 9 'Financial Instruments'
IFRS 9 covers the requirements for classification, measurement, impairment and hedge accounting. The standard is effective for accounting periods beginning on or after 1 January 2018. The Group has not yet assessed the impact of this standard.

IFRS 15 'Revenue from Contracts with Customers'
IFRS 15 establishes a single, comprehensive framework for revenue recognition, based on a five-step model. The standard is effective for accounting periods beginning on or after 1 January 2018. The Group has not yet assessed the impact of this standard.

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

Exceptional items and non-GAAP performance measures

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

Exceptional items, together with amortisation of intangible assets acquired and notional interest, are excluded from underlying performance measures in order to present a more meaningful measure of the underlying performance of the business. These measures are consistent with how underlying business performance is measured internally.

3. Segment information

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

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

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

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

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

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

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

Segment information for the years ended 31 August 2015 and 31 August 2014 is as follows:

	Advanced Engineered Products		Engineered Conveyor Solutions		Unallocated Corporate		Total	
	2015 £m	2014 £m	**2015 £m**	2014 £m	**2015 £m**	2014 £m	**2015 £m**	2014 £m
Segment result								
Total segment revenue	**266.2**	265.6	**400.5**	463.9	**-**	-	**666.7**	729.5
Inter-segment revenue	**-**	(0.1)	**-**	-	**-**	-	**-**	(0.1)
Revenue from external customers	**266.2**	265.5	**400.5**	463.9	**-**	-	**666.7**	729.4
Operating profit before amortisation of intangible assets acquired and exceptional items	**41.0**	42.3	**23.3**	45.7	**(7.9)**	(8.5)	**56.4**	79.5
Amortisation of intangible assets acquired	**(6.4)**	(6.6)	**(6.5)**	(8.4)	**-**	-	**(12.9)**	(15.0)
Exceptional items	**(13.6)**	(4.6)	**(20.8)**	(15.1)	**-**	-	**(34.4)**	(19.7)
Operating profit/(loss)	**21.0**	31.1	**(4.0)**	22.2	**(7.9)**	(8.5)	**9.1**	44.8
Net finance costs							**(14.4)**	(15.6)
Taxation							**(4.4)**	(4.5)
(Loss)/profit for the year							**(9.7)**	24.7
Segment assets and liabilities								
Total assets	**286.7**	273.4	**393.9**	474.2	**27.6**	23.5	**708.2**	771.1
Total liabilities	**(65.1)**	(68.1)	**(113.2)**	(144.6)	**(228.7)**	(222.2)	**(407.0)**	(434.9)
Net assets	**221.6**	205.3	**280.7**	329.6	**(201.1)**	(198.7)	**301.2**	336.2

4. Exceptional items

	2015 £m	2014 £m
Charged/(credited) to operating profit		
Impairment of goodwill, intangible assets acquired and investments	**24.5**	24.5
Release of contingent deferred consideration on acquisitions	**-**	(10.7)
Restructuring costs	**9.9**	5.9
	34.4	19.7
Credited to taxation		
Taxation on exceptional items	**(4.5)**	(6.2)
Exceptional tax credit	**-**	(2.5)
	(4.5)	(8.7)

Exceptional items comprise £13.6m in respect of AEP and £20.8m in respect of ECS.

The impairment of goodwill and intangible assets acquired relates to Norwegian Seals (£10.0m), Spliceline (£0.8m), Northern Belting Specialists (£2.1m), Australian Conveyor Engineering (£7.3m) and Allison (£4.3m). The impairments were triggered by a reduction in the projected cash flows in these cash-generating units ("CGUs").

Norwegian Seals is involved in the provision of seals, gaskets and metal sealing assemblies into the European oil & gas market.
The decline in oil and gas prices during the year has had a significant impact on actual and forecast cash flows, resulting in the recognition of an impairment charge of £10.0m.

Spliceline and Northern Belting Specialists service the Northern Territories and South Australia mining markets respectively. Australian Conveyor Engineering is involved in the design, manufacture and installation of conveyor systems. The continuing weakness in commodity prices and subsequent reduction in demand for mining related products in Australia has led to reductions in actual and forecast cash flows in these businesses, resulting in the recognition of impairment charges totalling £10.2m.

Allison designs and manufactures customised material handling equipment primarily for the US coal mining markets of Pennsylvania and West Virginia. The impact of low energy prices on the coal mining industry in the USA has led to significant reductions in actual and forecast cash flows from the previous year, resulting in the recognition of an impairment charge of £4.3m.

Restructuring costs principally relate to measures taken to reduce employment and other costs within ECS and AEP in response to changed market conditions. Of this amount, £6.9m was paid in cash, with £2.0m payable after the year end and held in provisions. In addition, there is a £1.6m property, plant and equipment impairment charge less a £0.6m retirement benefit scheme curtailment credit; these are principally in connection with the restructuring programme at the ECS UK operation. In addition, cash payments of £2.7m were made in the year in respect of prior year exceptional items.

In 2014, the exceptional tax credit related to tax losses now recognised in Fenner Dunlop BV following agreement with the tax authorities in the Netherlands. The credit arose from the liquidation of German and Belgian subsidiaries, the businesses of which were closed following the Group's acquisition of the conveyor belting businesses of Unipoly SA in 2001.

5. Finance income

	2015 £m	2014 £m
Bank interest receivable	**0.5**	0.6

6. Finance costs

	2015 £m	2014 £m
Interest payable on bank overdrafts and loans	**4.4**	4.2
Interest payable on other loans	**10.4**	10.3
	14.8	14.5
Less amounts capitalised on qualifying assets	**(0.4)**	-
Interest payable	**14.4**	14.5
Net interest on defined benefit post-retirement schemes	**1.0**	0.9
Interest on the unwinding of discount on provisions	**1.1**	1.4
Finance credit on redemption liability	**(1.6)**	(0.6)
Notional interest	**0.5**	1.7
Total finance costs	**14.9**	16.2

7. Taxation

	2015 £m	2014 £m
Current taxation		
UK corporation tax:		
- current year	**0.4**	(1.3)
- double tax relief	**(0.4)**	(0.4)
- adjustments in respect of prior years	**-**	(0.3)
	-	(2.0)
Overseas tax:		
- current year	**6.2**	16.7
- adjustments in respect of prior years	**(0.8)**	(0.3)
	5.4	16.4
	5.4	14.4
Deferred taxation		
Origination and reversal of temporary differences:		
UK:		
- current year	**(0.7)**	0.3
- adjustments in respect of prior years	**0.2**	-
Overseas:		
- current year	**(1.3)**	(8.1)
- adjustments in respect of prior years	**0.8**	(2.1)
	(1.0)	(9.9)
Total taxation	**4.4**	4.5

The taxation charge includes a credit of £4.5m (2014: £8.7m) in respect of exceptional items (note 4), £2.5m (2014: £4.8m) in respect of the amortisation of intangible assets acquired and £0.2m (2014: £0.4m) in respect of notional interest.

8. Dividends

	2015 £m	2014 £m
Dividends paid or approved in the year		
Interim dividend for the year ended 31 August 2014 of 4.0p (2013: 3.75p) per share	**7.8**	7.3
Final dividend for the year ended 31 August 2014 of 8.0p (2013: 7.5p) per share	**15.5**	14.5
	23.3	21.8
Dividends neither paid nor approved in the year		
Interim dividend for the year ended 31 August 2015 of 4.0p (2014: 4.0p) per share	**7.8**	7.8
Final dividend for the year ended 31 August 2015 of 8.0p (2014: 8.0p) per share	**15.5**	15.5
	23.3	23.3

The interim dividend for the year ended 31 August 2015 was paid on 7 September 2015. The proposed final dividend for the year ended 31 August 2015 is subject to approval by shareholders at the AGM. Consequently, neither has been recognised as liabilities at 31 August 2015. If approved, the final dividend will be paid on 9 March 2016 to shareholders on the register on 29 January 2016.

9. Earnings per share

	2015 £m	2014 £m
Earnings		
(Loss)/profit for the year attributable to owners of the parent	**(10.5)**	22.6
Amortisation of intangible assets acquired	**12.9**	15.0
Exceptional items	**34.4**	19.7
Notional interest	**0.5**	1.7
Taxation attributable to amortisation of intangible assets acquired, exceptional items and notional interest and exceptional tax credit (note 7)	**(7.2)**	(13.9)
Profit for the year before amortisation of intangible assets acquired, exceptional items and notional interest	**30.1**	45.1

	number	number
Average number of shares		
Weighted average number of shares in issue	**194,002,741**	193,951,857
Weighted average number of shares held by the Employee Share Ownership Plan Trust	**(114,177)**	(114,177)
Weighted average number of shares in issue - basic	**193,888,564**	193,837,680
Effect of share options and contingent long-term incentive plans	**-**	43,342
Weighted average number of shares in issue - diluted	**193,888,564**	193,881,022

	pence	pence
(Loss)/earnings per share		
Underlying - Basic (before amortisation of intangible assets acquired, exceptional items and notional interest)	**15.5**	23.3
Underlying - Diluted (before amortisation of intangible assets acquired, exceptional items and notional interest)	**15.5**	23.3
Basic	**(5.4)**	11.7
Diluted	**(5.4)**	11.7

Underlying earnings per share measures have been presented to provide a more meaningful measure of the underlying performance of the Group.

10. Property, plant and equipment

The decrease in property, plant and equipment in the year of £1.7m comprises depreciation of £21.9m, impairments of £1.6m, disposals of £0.4m and exchange movements of £7.6m less additions of £28.5m and acquisition of businesses of £1.3m.

11. Intangible assets

The decrease in intangible assets in the year of £24.0m comprises amortisation of £14.4m, impairments of £24.5m and exchange movements of £4.5m less additions of £2.2m and acquisition of businesses of £17.2m. The impairment charge relates to Norwegian Seals (£10.0m), Spliceline (£0.8m), Northern Belting Specialists (£2.1m), Australian Conveyor Engineering (£7.3m) and Allison (£4.3m). The impairments were triggered by a reduction in the projected cash flows in these CGUs.

12. Post-retirement benefits

The Group operates a number of defined benefit post-retirement schemes for qualifying employees in operations around the world; the principal schemes are based in the UK and the Netherlands. The assets of all the schemes are held in separate trustee-administered funds. The cost of all the schemes are assessed in accordance with the advice of independent qualified actuaries using the projected unit credit method. The actuarial valuations for all schemes were updated as at 31 August 2015 by independent qualified actuaries.

The decrease in retirement benefit obligations in the year of £3.6m comprises employer contributions of £4.9m, remeasurements of £0.7m and exchange movements of £0.5m less amounts charged to the income statement of £2.5m (including a £0.6m curtailment credit classified within exceptional items). The present value of obligations decreased by £0.2m and the fair value of assets of the schemes increased by £3.4m. This was principally due to returns on assets of the UK scheme and additional Group contributions paid to reduce the deficit.

13. Provisions

	Restructuring costs £m	Property and environmental £m	Contingent and deferred consideration on acquisitions £m	Redemption liability on acquisitions £m	Total £m
At 1 September 2014	**3.4**	**2.3**	**10.9**	**13.1**	**29.7**
Provisions created during the year	**2.0**	**-**	**-**	**-**	**2.0**
Provisions utilised during the year	**(2.7)**	**(0.7)**	**(5.4)**	**(0.2)**	**(9.0)**
Provisions released during the year	**-**	**(0.1)**	**-**	**-**	**(0.1)**
Notional interest on the unwinding of discount	**-**	**-**	**0.3**	**0.8**	**1.1**
Notional finance credit on redemption liability	**-**	**-**	**-**	**(1.6)**	**(1.6)**
Exchange movements	**-**	**-**	**(0.2)**	**(2.3)**	**(2.5)**
At 31 August 2015	**2.7**	**1.5**	**5.6**	**9.8**	**19.6**

Provisions comprise current provisions of £8.9m (2014: £9.2m) and non-current provisions of £10.7m (2014: £20.5m).

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

	2015 £m	2014 £m
Net (decrease)/increase in cash and cash equivalents	**(7.7)**	2.5
Net increase in borrowings resulting from cash flows	**(8.9)**	(6.9)
Movement in net debt resulting from cash flows	**(16.6)**	(4.4)
Finance leases	**(0.7)**	(1.0)
Exchange movements	**(3.4)**	9.2
Movement in net debt in the year	**(20.7)**	3.8
Net debt at start of year	**(117.3)**	(121.1)
Net debt at end of year	**(138.0)**	(117.3)

Net debt comprises cash and cash equivalents of £93.2m (2014: £95.9m), current borrowings of £39.9m (2014: £34.6m) and non-current borrowings of £191.3m (2014: £178.6m).

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. 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 to disclose.

17. Acquisitions

On 30 January 2015, the Group completed the acquisition of the entire share capital of Charter Medical, Limited, based in North Carolina, USA.

Charter Medical manufactures speciality single-use assemblies and Class I and Class II medical devices for the collection, processing, storage and filtration of biological and bioprocessing fluids. Charter Medical also produces bio-containers and fluid management sets that serve a range of life science applications including biopharmaceutical manufacturing, cell therapy and cryogenic storage. Charter Medical has been integrated into the Solesis Medical Technologies business in the AEP division. The cash consideration was £20.0m.

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

	Charter Medical	Prior year acquisitions	Total
	Provisional fair value £m	Contingent and deferred consideration £m	Provisional fair value £m
Property, plant and equipment	1.3	-	1.3
Goodwill	5.4	-	5.4
Intangible assets acquired:			
- customer relationships	8.5	-	8.5
- brands and trademarks	3.3	-	3.3
Inventories	1.6	-	1.6
Trade and other receivables	1.6	-	1.6
Trade and other payables	(1.9)	-	(1.9)
Deferred taxation	0.2	-	0.2
	20.0	-	20.0
Consideration			
Cash consideration per cash flow statement	20.0	5.6	25.6
Contingent and deferred consideration	-	(5.6)	(5.6)
	20.0	-	20.0

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

Goodwill arising on acquisition principally represents the workforce and anticipated synergies gained through the acquisition. Goodwill in respect of the acquisition of Charter Medical is deductible for tax purposes.

From the date of acquisition, Charter Medical contributed £7.4m to Group revenue, £1.1m to Group operating profit before amortisation of intangible assets acquired and exceptional items and £0.5m to Group operating profit. If the acquisition had occurred on 1 September 2014, it is estimated that Group revenue would have been £672.0m, Group operating profit before amortisation of intangible assets acquired and exceptional items would have been £56.9m and Group operating profit would have been £9.1m. These amounts have been calculated by adjusting the results of the acquired business to reflect the effect of the Group's accounting policies as if they had been in effect from 1 September 2014.

18. Principal risks

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