



Preliminary  
Announcement  
11 November 2009

Growing  
Partnerships  
Worldwide



## FINANCIAL HIGHLIGHTS

	2009 £m	2008 £m
Revenue	499.4	437.8
Underlying operating profit	41.3	49.3
Exceptional items	(17.4)	(3.4)
Operating profit	17.1	43.8
Underlying profit before taxation	31.1	42.1
Profit before taxation	5.6	36.3
Underlying earnings per share	12.8p	17.7p
Basic earnings per share	2.6p	15.5p
Dividend per share	6.6p	6.6p

Financial performance measures described as "underlying" are before amortisation of intangible assets acquired and exceptional items and, where applicable, notional interest.

## CHAIRMAN'S STATEMENT

*The strength of the Group's businesses with their geographical spread has been demonstrated throughout the year despite economic conditions unseen for many years. Our coal related businesses have performed extremely well to deliver growth. The industrial businesses were presented with many business challenges and reacted swiftly where necessary to the changing environment to manage performance levels, whilst protecting our core competencies.*

### Financial Highlights

Revenue increased by 14% to £499.4m (2008 £437.8m). This increase included £46.6m from the net effect of acquisitions and disposals and £73.8m of favourable currency translation.

Underlying operating profit of £41.3m (2008 £49.3m) held up well through the global economic downturn, underpinned by the strength of demand from the mining and medical sectors, together with the early implementation of cost reduction initiatives in those parts of the Group which were exposed to reduced demand levels. The favourable net effects of acquisitions and disposals was £5.0m and currency translation was £8.5m.

Exceptional items of £17.4m (2008 £3.4m) principally comprised restructuring and reorganisation costs associated with our major investment projects and downsizing costs associated with the global economic downturn. Regretfully, the effects of the downturn resulted in a reduction in employees of 832. The associated annual cost savings are estimated to be in excess of £23.0m. Operating profit was £17.1m (2008 £43.8m).

Net finance costs increased to £11.5m (2008 £7.5m), comprising £10.2m (2008 £7.2m) of net interest payable and a non-cash notional charge of £1.3m (2008 £0.3m) relating to the unwinding of discount on provisions. The increase in interest was due to the planned higher level of borrowings from our investment programmes and unfavourable exchange rate movements.

The headline and underlying tax rates were 18% and 28% respectively. Underlying earnings per share was 12.8p (2008 17.7p) and basic earnings per share was 2.6p (2008 15.5p).

Net cash from operating activities generated £36.4m (2008 £28.2m), assisted by stringent management of working capital levels which generated a cash inflow of £16.5m (2008 outflow of £8.2m). Investing activities relating to capital expenditure and acquisition of businesses amounted to £71.4m (2008 £104.2m). Of this amount, £37.6m was invested in acquisitions, principally the assets and liabilities of the Conveyor Services Corporation group of companies (Conveyor Services) and the entire share capital of Solid Systems Engineering, LLC (Solid Systems). Capital expenditure amounted to £34.3m of which £18.4m related to our recently commissioned steel cord facility in Western Australia. The effect of exchange rate movements gave rise to an increase in debt of £21.2m. The resultant net debt was in accordance with our forecasts at £165.4m (2008 £97.6m) which gave a headroom of approximately £70m over available facilities. Interest cover was 4.0 times (2008 6.8 times).

None of the Group's major committed debt facilities are due for re-negotiation until 2012.

The Board is recommending a maintained final dividend of 4.4p per share which gives a total dividend for the year of 6.6p per share (2008 6.6p).

### **Operations**

The Conveyor Belting Division's result benefited from robust demand from the coal sector, in particular the energy driven demand for thermal coal. Our recent investment programmes across a network of global business units has led to growth in our coal related businesses, increased flexibility in our manufacturing choices and enhanced our ability to exceed our customers' expectations. In Asia Pacific, our growth projections were exceeded through the continuing development of our product and service offerings across a wider geographical area. At the end of the year, another strategic milestone was completed in the development of the Division when our new world-class manufacturing facility in Western Australia was commissioned. This will contribute to operational performance in the current financial year. In North America and Europe, mining volumes were strong which somewhat mitigated the softer industrial revenues experienced. In October 2008, our service network was significantly enhanced through the acquisitions of Conveyor Services and Solid Systems which, together with prior year acquisitions, are now integrated in the Americas as Fenner Dunlop Conveyor Services. These provide a platform for growth through range extension and service channels into both existing and new sectors.

In the Advanced Engineered Products Division, the overall performance, in an environment severely depressed by economic conditions, was noteworthy with the achievement of an underlying return on sales in excess of 11%. A strong result was delivered by our technical weaving business which was made possible by further progress in developments in the medical sector. Elsewhere, the Division suffered from the effects of deteriorating economic conditions which filtered through the supply chain during the second half of the year. Downstream de-stocking activities further exacerbated the position with lows in the cycle seen around late spring before levelling out in the summer. Signs of improvement emerged around our financial year end as enquiry levels started to pick up. With the cost reduction initiatives implemented through the downturn and a focus on maintaining service levels, the Division is well positioned to benefit from its operational gearing and ability to respond to customer demand.

### **People**

On behalf of the Board, I would like to thank all our employees for their continuing support during a period which has presented many challenges to our businesses around the world.

### **Outlook**

Each of our businesses have restructured costs appropriately to meet demand levels prevalent during the year, however, they have retained the skills and ability to respond to the current volume pick-up. We are seeing early but clear signs of underlying improvements in our markets and the benefits of market share gains in a number of areas.

For several months our Advanced Engineered Products Division has seen benefits from the end of customer de-stocking. This is combined with increasingly encouraging signs that the worst effects of the recession are behind us, although we expect growth and recovery to be slow.

Our Conveyor Belting businesses have made a positive start to the year with the prospect of Asia Pacific continuing its growth trend.

**Colin Cooke**  
Chairman

## **CHIEF EXECUTIVE OFFICER'S REVIEW**

### **Introduction and Strategy**

Our strategy is to increase market share and target new value added product areas. We 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. This common aim across a wide range of industrial markets gives Fenner a solid basis for long term growth, stability and shareholder value. Fenner is proud to be a world-class global manufacturer, with a strong commitment to health and safety, operating in key territories in established and emerging markets.

During the year under review, Fenner has responded to the global economic downturn in a swift, controlled and systematic manner. All operations that were impacted by the downturn ensured that costs and cash were contained by reducing headcount, stripping out non-essential expenditure, reducing inventory and ensuring both margin and market share were protected. None of our operations cut headcount beyond what was essential to maintain a healthy business. In many cases we were able to retain key skills by reducing employment costs through salary sacrifice, temporary lay-offs and short-time working. This has ensured that the operations are well positioned to benefit from a subsequent improvement in the economy. New product development continued during the downturn as this is a key component of future growth and positions the operations favourably against competitors in our ability to service customer expectations.

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

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

As a diversified Group, Fenner uses a wide range of materials, from thousands of tonnes of rubber compound to a few hundred grammes of metallic and polymeric biomaterials. Not only do we use significant volumes of some materials, we also work closely with selected suppliers to ensure that our customers benefit from the latest technical developments in materials and processes. The majority of these relationships are in the normal course of business, ensuring quality, continuity of supply and reasonable commercial terms. Where appropriate, and usually relating to technical developments, relationships are formally documented. Operations remain vigilant to potential problems in the supply chain to ensure continued stability and continuity of supply.

### **Conveyor Belting**

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

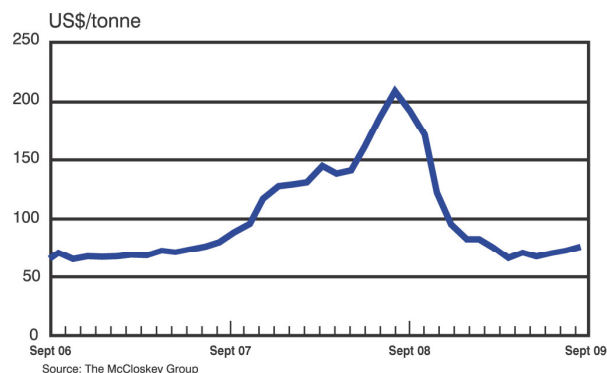
In November 2008, following the acquisitions of the businesses of the Conveyor Services Corporation group of companies and Solid Systems Engineering, LLC, Fenner Dunlop Conveyor Services was launched, providing a full service offering to our US coal customers on their conveyor systems. In addition to branch locations matching those of our US customers, we also acquired our first CB business in South America which is located in Antofagasta, Chile.

By December 2008, the two new belt lines in our Port Clinton, Ohio facility were fully commissioned and January 2009 saw the completion of our weaving facility in Lavonia, Georgia. These give Fenner unrivalled integrated facilities for the production of steel cord and rubber ply conveyor belting in the Americas.

The formal opening of our facility in Kwinana near Perth, Western Australia was in July 2009. This purpose built plant houses the world's largest steel cord press, calender and related equipment and is strategically located to service the iron ore miners of North Western Australia and elsewhere in the world through the nearby port of Fremantle.

As expected, and illustrated by the McCloskey graph below, energy coal prices fell from the unsustainable levels seen in the first half of 2008. Whilst the fall was precipitous, prices did not fall below the “trigger” value at which coal companies buy belt. In recent months, prices for both energy coal and metallurgical coal appear to be firming. Australian export volumes in the first eight months of the year are up on the same period in 2008.

#### NW Europe – Steam Coal marker



With the exception of those parts of the operations which serve the industrial markets, CB experienced positive trading conditions throughout the year under review; although all faced a variety of challenges including the effects of the lack of liquidity on customers and suppliers, competitive threats and delays in new projects.

The Australian business has continued its growth year on year. Much of this is attributable to a strong first half followed by the implementation of the BHP Billiton iron ore service contract in Western Australia. Coal and iron ore are the main trading exports for the country and the biggest influence on the trading performance of our Australian operations and both of these commodities continue to have a positive outlook. It is widely reported that the recent round of iron ore contract negotiations between Rio Tinto, Vale, BHP and Chinese / Asian steel mills are expected to set the pricing at higher levels than the long term average. Coking Coal with the lower pricing is once more at record production and export levels. The Chinese have been responsible for much of the extra volume uptake although India is expected to grow its coal imports significantly.

The Australian service branches not aligned to coal and iron ore have experienced tougher market conditions although we have placed our service operations in regions of significant future mining growth and ensured our belt supply offers are aligned with the needs of our major clients. The sale of belting has been above budget overall and, whilst we expect competition to be tight, market share will be maintained.

The Western Australian business is now well positioned to be part of the fastest growing sector of the Australian economy. The resources boom followed by the global recession stalled most major projects over recent months but the second wave of new projects is just recommencing with a growing confidence for 2010, particularly the second half.

The economic downturn in the Americas significantly impacted the trading volume in all market segments, in particular, the industrial segment. The aggregate, cement, construction and wood products markets are depressed by an estimated 30%-40% with little sign of recovery until mid 2010. Our distributors that service this market are taking a conservative approach to re-stocking as cash flow is the critical component to their survival. In this situation, our dedication to rapid service will be a key differentiator.

In the USA, most major coal mining companies reported strong earnings during the first quarter of 2009 but, due to mild weather and excessive coal stocks, have subsequently experienced a slowdown in coal sales. Economic and meteorological factors decreased electricity demand throughout 2009, reducing demand for energy coal which was further compounded by historically high stocks. Together with reduced exports of metallurgical coal and low natural gas pricing, this is expected to lead to a 5%-8% reduction in demand for coal in the calendar year. Peabody, Arch Coal and Consol all cut production early and report that their current capacities are sold out into 2010.

For over 50 years Fenner has manufactured fire resistant belts to the highest standards for use in underground coal mines. We welcome the introduction in the USA of a new, higher standard of fire resistance MSHA 30CFR14 (B.E.L.T.). From 31 December 2009, conveyor belts installed in underground mines in the USA need to be manufactured to B.E.L.T. standard. We have successfully launched the new Fireboss range of belts, including belts reinforced with our superior UsFlex fabric made at our Lavonia plant. The combination of the new Fireboss compound and UsFlex fabric will greatly improve the safety of the belt and improve its durability.

Despite a drop in sales volume of industrial belts, market share was maintained. European distributors, largely serving the steel, cement and automotive industries, have seen a substantial drop in sales which has resulted in a similar drop in sales from stock at Dunlop Conveyor Belting, based in Drachten, Netherlands. This drop was offset to a degree by a better than average performance in Africa and the Middle East which, when combined with tight cost management initiatives, minimised the impact.

The solid woven businesses have performed well this year, largely due to high demand from both coal and potash producers in their target markets. Raw material prices were extremely volatile in the early part of the year; in some areas the financial crisis caused suppliers to offer large discounts, but signs towards the end of the year were pointing to a resumption of price increases. Spare capacity in India has been used to help meet demand elsewhere. Solid woven belting remains the core of the business although the new steel cord offering in South Africa is progressing well, building on the increasing recognition of belt quality by its customers.

In India and China, there will be a continued effort to introduce heavy duty belts to appropriate customers. The Indian operation will initially source these products from our UK plant, leaving spare capacity which will be used to facilitate a stronger export offering. In the latter case, Fenner India has the advantage of the ability to produce PVC belts that meet all the relevant safety standards throughout the world. In South Africa, entry into Black Economic Empowerment mining juniors and non-coal applications remains important. The expansion of the conveyor service offer will prove significant in a market which is increasingly looking for total conveyor maintenance.

With ten locations throughout the USA and one in Chile, the newly formed Fenner Dunlop Conveyor Services offers all conveyor related needs including: conveyor belting, conveyor components, conveyor structures, installation, vulcanized splicing, system repairs, contract maintenance, transfer point technology, conveyor system design, belt scanning, coal transport and engineering services. In addition, under the name of Classic Conveyor Components, we manufacture and supply conveyor idlers, scrapers and structure. Based in Paonia, Colorado, Loadout Services offers contract labour and management to run coal wash plants and train loading facilities.

#### **Advanced Engineered Products**

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

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

All operations within AEP aim to provide high value added solutions to their customers' needs using advanced polymeric materials, expertise in application design, effective manufacturing design skills and timely delivery. Expansion into further mission critical applications is a key part of the AEP strategy as this supports the high added value, niche nature of the product range across the various AEP businesses and provides added protection against the full effects of economic volatility.

All the AEP operations benefited from a noticeable flight to quality as customers became increasingly focused on quality, reliability and stability in the supply chain during the year under review. Service levels have been maintained throughout the trading period with some of the AEP businesses continuing to invest in improving customer service and infrastructure during the downturn.

The Hose business at James Dawson was the first of the AEP businesses to be impacted by the global downturn as its OEM customer base experienced a severe contraction in the construction industry, with a subsequent and immediate reduction in the number of off-road vehicles being manufactured using Dawson hoses. This contraction was exacerbated by de-stocking in the supply chain, causing order levels to fall even further. Dawson responded to the slow down by controlling costs, reducing the work force and consolidating its satellite operation to the main facility in Lincoln, thereby streamlining production and improving capability and efficiencies. The product development team continued to be busy throughout the period meaning that Dawson is well placed to promote hoses that are compliant with changing emissions regulations worldwide.

Fenner Drives and Fenner Precision were also impacted by rapid de-stocking in their customer supply chains, with only a few served markets remaining unaffected. Both businesses were fleet enough to counter the worst effects of the downturn by proactively managing costs to enable variable margins to be maintained. Fenner Drives enhanced its online trading capabilities and geographic coverage, including the opening of a branch in Dubai; demonstrating commitment behind their slogan "solving more problems in more places for more customers". Fenner Precision completed the integration of the Winfield acquisition, increased its Asian sales force and developed new products, some for new markets like offshore wind farms.

The FAST businesses have enjoyed six years of continuous growth but saw a reduction in demand for hydraulic and oil and gas equipment in the first quarter. However, the work of the preceding years to improve production efficiencies, expand the product offering and increase service levels meant that FAST had gained market share and did not suffer as marked a contraction in sales as many of its competitors. FAST reacted quickly to the downturn by cutting costs, overheads and employee numbers whilst still protecting its core business capability. The strategic aim of FAST continues to be to generate a healthy return on sales whilst using the most advanced materials and technology to supply better solutions for performance critical applications ahead of its competitors. FAST continues to expand its global presence and maintain its reputation for high quality products.

The medical and technical textile businesses represented by Secant Medical and Prodesco were not impacted as sharply by the economic downturn and continued to trade well during the year. Further investment in the medical business to broaden the technical capability and product platform is seen as a key strategy for these businesses and continues to be progressed as a priority. Whilst not having a significant impact, the potential changes in US healthcare are creating some uncertainty, however demographic trends will inexorably increase demand over the next 10 to 20 years.

By the end of the fiscal year, order levels had stabilised and there are increasing signs that de-stocking by the customer base is coming to an end. All the businesses are poised to take advantage of opportunities as they arise.

### **Summary and Outlook**

The last year has been one of the most challenging ever experienced in the face of rapidly deteriorating economies around the world. However, the robustness of our strategy has enabled us to demonstrate our resilience with roughly half of the Group still growing in this tough environment. The other half, which was adversely impacted by the economy, responded incisively and swiftly to realign its cost base whilst retaining our long term values of safety, customer service and product development.

This has left the Group very strongly positioned to benefit from the recovery, although we expect the speed of any improvement in demand will vary across our end markets.

**Forward-Looking Statements**

Certain statements contained in this document including those under the caption “Summary and Outlook”, constitute forward-looking statements. Such forward-looking statements involve risks, uncertainties and other factors which may cause the actual results, performance or achievements of Fenner, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such statements. Such risks, uncertainties and other factors include, among others: growth in the energy markets, general economic conditions and the business environment.

**Mark Abrahams**

Chief Executive Officer

## **GROUP FINANCE DIRECTOR'S REVIEW**

### **Accounting Policies**

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

### **Revenue and Operating Profit**

Group revenue increased by 14% to £499.4m (2008 £437.8m). Of this increase, £46.6m was generated from the full year effect of prior year acquisitions and disposals and current year acquisitions. The effect of favourable exchange rate movements amounted to £73.8m, the largest component relating to the weakening of sterling against the US dollar.

In the CB Division, revenue increased to £361.8m (2008 £292.2m). Mining markets remained strong and our service network was significantly enhanced through acquisition activity in North America.

In the AEP Division, revenue decreased to £137.6m (2008 £145.6m) due to its greater exposure to industrial segments and the impact upon them from the global economic downturn.

Underlying operating profit reduced to £41.3m (2008 £49.3m). The net effect of acquisition and disposal activity contributed £5.0m and the favourable translation effect of exchange rate movements was £8.5m. Divisional profits contributed were £30.8m (2008 £29.1m) from the CB Division and £15.8m (2008 £26.1m) from the AEP Division.

Exceptional items incurred amounted to £17.4m (2008 £3.4m), the largest component relating to global restructuring activities associated with the economic downturn. See note 5 for further details of exceptional items.

Amortisation of intangible assets acquired increased to £6.8m (2008 £2.1m) due to the full year effect of acquisitions in the prior year and acquisitions completed during the year.

Group operating profit reduced to £17.1m (2008 £43.8m).

### **Interest**

Net interest payable was £10.2m (2008 £7.2m). The increase in the net charge reflected the growth in net debt as a result of the planned acquisitions and capital expenditure. The weakening of sterling during the year increased the cost on the translation of foreign currency denominated interest, albeit mitigated by reductions in short term interest rates.

In addition, notional interest on the unwinding of discount on provisions increased to £1.3m (2008 £0.3m) due to the increase in contingent deferred consideration on acquisitions.

### **Taxation**

The underlying tax rate was 28% (2008 30%). The reduction in the rate reflected a greater proportion of profits generated outside the USA where tax rates are generally lower and tax assets, including losses, and tax holidays have been utilised.

The headline rate of tax of 18% (2008 29%) principally reflected the higher rate of tax relief in the USA for exceptional items incurred in that territory.

### **Earnings per Share and Dividends**

Underlying earnings per share was 12.8p (2008 17.7p) and basic earnings per share was 2.6p (2008 15.5p).

The interim dividend of 2.2p per share (2008 2.2p) was paid on 7 September 2009. The Board is recommending a final dividend of 4.4p per share (2008 4.4p) to make a total dividend for the year of 6.6p per share (2008 6.6p).

### **Acquisitions and Disposals**

The Group completed two acquisitions during the year and one after the year end. One non-core product line was divested during the year.

In October 2008, the assets and liabilities of the Conveyor Services Corporation group of companies, including Loadout Services, were acquired. The consideration paid during the year amounted to

£30.1m, including acquisition costs, and outstanding contingent and deferred consideration payable is estimated at £17.3m.

Also in October 2008, the entire share capital of Solid Systems Engineering, LLC was acquired for £5.4m plus deferred consideration estimated at £1.3m.

As required under IFRS, a review of the fair value of assets and liabilities was undertaken at the dates of acquisition. This resulted in a provisional fair value of net assets acquired of £42.8m. This amount comprises the valuation of separately identifiable intangible assets of £31.0m, which include trade names and customer relationships that will be amortised over their economic lives, and other net assets acquired of £11.8m. Goodwill of £9.1m has been recorded which comprises £11.4m for acquisitions in the year less £2.3m from the re-assessment of contingent deferred consideration on prior year acquisitions.

Further acquisition disclosures are given in note 17.

In March 2009, a non-core product line in AEP which generated small revenue streams was disposed of for an initial consideration of £0.1m with deferred amounts of £0.4m.

In September 2009, after the year end, certain business assets and liabilities of Belt Service Srl were acquired for an initial consideration of £0.2m with deferred amounts of £0.5m. The business, located in Italy, further strengthens our conveyor belting service network in Europe.

#### **Cash Flow, Net Debt and Financing**

Net cash from operating activities increased to £36.4m (2008 £28.2m), benefiting from stringent working capital controls through the economic downturn. The reduction in working capital levels generated cash of £16.5m (2008 cash outflow of £8.2m).

Capital expenditure reduced to £34.3m (2008 £63.7m). The major spend during the year related to the strategic investment in a new steel cord facility in Western Australia. This compares to a depreciation charge of £15.0m (2008 £10.1m). After disposing of plant and equipment of £0.1m (2008 £0.5m), the free cash inflow was £2.2m (2008 outflow of £35.0m).

The net outflow on acquisition and disposal activity was £37.2m (2008 £41.0m). Dividends paid of £11.5m (2008 £9.9m) and an outflow from other financing activities of £0.1m (2008 inflow of £35.5m, principally relating to a share placing) gave an increase in net debt before the effects of exchange rate movements of £46.6m (2008 £50.4m). The translation effect of a weakening of sterling increased this amount by £21.2m (2008 £10.9m) which resulted in an increase in net debt of £67.8m to £165.4m (2008 £97.6m).

Gross debt at the year end amounted to £200.4m (2008 £141.2m). Cash and short-term deposits at the year end were £35.0m (2008 £43.6m).

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

At the year end, the Group's committed bank facilities primarily consisted of a £100m revolving credit facility with three UK banks which expires in June 2012. In addition, the Group's Australian operations had committed bank borrowings of Australian \$35m (£18.1m) which expire in May 2013.

The Group's other principal source of committed debt financing remain two US dollar private placements. \$90.0m (£55.2m) of Senior Notes repayable in June 2017 carry a fixed interest coupon of 5.78% and \$20.4m (£12.5m) of Senior Notes repayable between 2010 and 2012 carry a fixed interest coupon of 7.29%.

In addition to its undrawn committed facilities at the year end of £12.4m (2008 £51.3m), the Group has access to approximately £50m of uncommitted working capital facilities.

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

At 31 August 2009, the Group comfortably complied with its loan covenants. Interest cover was 4.0 times (2008 6.8 times) whilst net debt to reported EBITDA was 2.9 times (2008 1.7 times). In addition, for compliance with loan covenants, reported EBITDA is adjusted for, inter alia, acquisitions and non-cash items, thus the net debt to adjusted EBITDA ratio is significantly lower when adjusted for these items.

The Group remains well placed to fund and support its operations, with continuing access to medium and long term debt finance, cash resources and, where necessary, shorter term facilities.

### **Financial Risk Management**

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

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

In the normal course of business, derivatives have been used to hedge future non-functional currency cash flows arising from trading transactions relating to the sale and purchase of goods and services. The Group has chosen not to hedge account for such transactions under the requirements of IAS 39 'Financial Instruments: Recognition and Measurement', recognising that cash flows through to the maturity of the derivative are unaffected. In compliance with IAS 39, all financial instruments have been measured at their fair value as at the balance sheet date. A charge or credit to the income statement has been recognised for the loss or gain on these instruments. In addition, in accordance with IAS 21 'The Effects of Changes in Foreign Exchange Rates', all foreign currency monetary items have been re-translated at the closing rate, with changes in value charged or credited to the income statement.

The interest rate swap to hedge interest rate cash flows, entered into in 2006, continued during the year. This instrument fixes the interest rate on \$40m of floating rate bank borrowings until 2011. At 31 August 2009, the fair value of this instrument was a liability of £2.5m (2008 £1.5m). In 2007, the Group also swapped \$27.2m of the 2017 private placement into €20.0m, with cash flows mirroring the private placement at a fixed rate of 5.05%. This swap matures in June 2017 when the private placement is repayable. At 31 August 2009, the fair value of this instrument was a liability of £0.9m (2008 £0.3m). These swaps have been accounted for as hedges in accordance with IAS 39, with the charge or credit recognised directly in equity.

### **Return on Gross Capital Employed**

The average gross capital employed increased due to the effect of the Group's strategic expansion plans to £379.2m (2008 £266.9m) and underlying operating profit amounted to £41.3m (2008 £49.3m), adversely affected by the economic downturn. As a consequence, the return on gross capital employed reduced to 11% (2008 18%).

### **Post-retirement Benefits**

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

The principal scheme is the Fenner Pension Scheme which is based in the UK. The most recent triennial valuation of the Fenner Pension Scheme was carried out as at 31 March 2008. The total defined benefit post-retirement liability as calculated by the schemes' actuaries in accordance with IAS 19 'Employee Benefits' and recorded on the balance sheet at 31 August 2009, increased to £42.1m (2008 £19.1m). Of this amount, the Fenner Pension Scheme represents £37.6m (2008 £15.5m) and the overseas schemes totalled £4.5m (2008 £3.6m). During the year, the fair value of assets of the schemes reduced by £5.8m and the present value of recognised obligations increased by £17.2m, principally as a result of a reduction in corporate bond yields used to discount obligations.

**Richard Perry**  
Group Finance Director

## Consolidated income statement

for the year ended 31 August 2009

	Notes	2009 £m	2008 £m
<b>Revenue</b>	3	<b>499.4</b>	437.8
Cost of sales		<b>(379.8)</b>	(307.2)
<b>Gross profit</b>		<b>119.6</b>	130.6
Distribution costs		<b>(44.9)</b>	(42.5)
Administrative expenses		<b>(57.6)</b>	(44.3)
<b>Operating profit before amortisation of intangible assets acquired and exceptional items</b>	3	<b>41.3</b>	49.3
Amortisation of intangible assets acquired		<b>(6.8)</b>	(2.1)
Exceptional items	5	<b>(17.4)</b>	(3.4)
<b>Operating profit</b>	3,4	<b>17.1</b>	43.8
Finance income		<b>1.5</b>	1.8
Finance costs		<b>(11.7)</b>	(9.0)
Notional interest on the unwinding of discount on provisions		<b>(1.3)</b>	(0.3)
<b>Profit before taxation</b>		<b>5.6</b>	36.3
Taxation	6	<b>(1.0)</b>	(10.4)
<b>Profit for the year</b>		<b>4.6</b>	25.9
<b>Attributable to:</b>			
Equity holders of the parent		<b>4.5</b>	25.7
Minority interests		<b>0.1</b>	0.2
		<b>4.6</b>	25.9
<b>Earnings per share</b>			
Underlying - before amortisation of intangible assets acquired, exceptional items and notional interest	8	<b>12.8p</b>	17.7p*
Basic	8	<b>2.6p</b>	15.5p
Diluted	8	<b>2.6p</b>	15.4p

The result for the year derives from continuing operations.

\* 2008 comparatives restated (see note 8)

## Consolidated balance sheet

at 31 August 2009

	Notes	2009 £m	2008 £m
<b>Non-current assets</b>			
Property, plant and equipment	9	197.5	159.1
Intangible assets	10	164.4	116.8
Other investments		0.3	0.5
Deferred tax assets		26.3	17.9
		<b>388.5</b>	294.3
<b>Current assets</b>			
Inventories		63.0	74.8
Trade and other receivables		79.0	84.7
Current tax assets		3.9	1.6
Cash and short-term deposits	13	35.0	43.6
		<b>180.9</b>	204.7
<b>Total assets</b>		<b>569.4</b>	499.0
<b>Current liabilities</b>			
Borrowings	13	(30.2)	(13.7)
Trade and other payables		(81.5)	(99.8)
Current tax liabilities		(3.5)	(6.4)
Derivative financial liabilities		(4.1)	(2.6)
Provisions	12	(17.0)	(4.9)
		<b>(136.3)</b>	(127.4)
<b>Non-current liabilities</b>			
Borrowings	13	(170.2)	(127.5)
Trade and other payables		-	(0.5)
Retirement benefit obligations	11	(42.1)	(19.1)
Provisions	12	(17.2)	(11.1)
Deferred tax liabilities		(8.1)	(7.5)
		<b>(237.6)</b>	(165.7)
<b>Total liabilities</b>		<b>(373.9)</b>	(293.1)
<b>Net assets</b>		<b>195.5</b>	205.9
<b>Equity</b>			
Share capital	14	43.7	43.7
Share premium	14	83.9	83.9
Retained earnings	14	39.7	64.0
Exchange reserve	14	30.0	14.0
Hedging reserve	14	(4.2)	(1.8)
Other reserve	14	1.1	1.1
<b>Shareholders' equity</b>		<b>194.2</b>	204.9
Minority interests	14	1.3	1.0
<b>Total equity</b>		<b>195.5</b>	205.9

The financial statements were approved by the Board of Directors on 11 November 2009 and signed on its behalf by:

**C I Cooke**  
Chairman

**R J Perry**  
Group Finance Director

## Consolidated cash flow statement

for the year ended 31 August 2009

	Notes	2009 £m	2008 £m
Profit before taxation		5.6	36.3
<i>Adjustments for:</i>			
Depreciation of property, plant and equipment and amortisation of intangible assets		21.8	12.2
Impairment loss on property, plant and equipment		1.1	0.8
Movement in retirement benefit obligations		(2.4)	(2.7)
Movement in provisions		(0.6)	(0.2)
Finance income		(1.5)	(1.8)
Finance costs		11.7	9.0
Notional interest on the unwinding of discount on provisions		1.3	0.3
Profit on disposal of businesses		(0.5)	(0.7)
Other non-cash movements		0.5	0.7
Operating cash flow before movement in working capital		37.0	53.9
Movement in working capital		16.5	(8.2)
Net cash from operations		53.5	45.7
Interest received		1.5	1.8
Interest paid		(12.2)	(8.1)
Taxation paid		(6.4)	(11.2)
<b>Net cash from operating activities</b>		<b>36.4</b>	<b>28.2</b>
<b>Investing activities:</b>			
Purchase of property, plant and equipment		(33.0)	(63.4)
Disposal of property, plant and equipment		0.1	0.5
Purchase of intangible assets		(1.3)	(0.3)
Disposal of investments		0.3	0.1
Acquisition of businesses	17	(37.6)	(45.9)
Disposal of businesses		0.1	4.8
<b>Net cash used in investing activities</b>		<b>(71.4)</b>	<b>(104.2)</b>
<b>Financing activities:</b>			
Equity dividends paid		(11.5)	(9.9)
Dividends paid to minority shareholders		(0.1)	(0.1)
Issue of ordinary share capital		-	35.6
Repayment of borrowings		(22.6)	(47.0)
New borrowings		63.2	70.9
<b>Net cash from financing activities</b>		<b>29.0</b>	<b>49.5</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(6.0)</b>	<b>(26.5)</b>
Cash and cash equivalents at start of year		43.6	66.0
Exchange movements		(2.7)	4.1
<b>Cash and cash equivalents at end of year</b>		<b>34.9</b>	<b>43.6</b>

**Consolidated statement of recognised income and expense**  
for the year ended 31 August 2009

	2009 £m	2008 £m
Profit for the year	4.6	25.9
<i>Items recognised directly in equity:</i>		
Currency translation differences	16.2	19.0
Hedge of net investments in foreign currencies	(1.2)	(1.4)
Interest rate and currency swaps	(1.6)	(1.1)
Actuarial losses on defined benefit pension schemes	(24.3)	(7.4)
Taxation on items taken directly to equity	7.0	1.8
Net (expense)/income recognised directly in equity	(3.9)	10.9
<b>Total recognised income and expense for the year</b>	<b>0.7</b>	<b>36.8</b>
<b>Attributable to:</b>		
Equity holders of the parent	0.4	36.5
Minority interests	0.3	0.3
	<b>0.7</b>	<b>36.8</b>

## Notes

### 1. Basis of preparation

The preliminary results for the year ended 31 August 2009 were approved by the Board of Directors on 11 November 2009. They are abridged from the Group's audited financial statements and do not constitute the statutory accounts of the Company within the meaning of section 434 of the Companies Act 2006. The auditors, PricewaterhouseCoopers LLP, have reported on the Group financial statements for each of the years ending 31 August 2009 and 31 August 2008 and given unqualified opinions, which did not include a statement under Section 498 of the Companies Act 2006. The Group financial statements for 2008 have been delivered to the Registrar of Companies and the Group financial statements for 2009 will be filed with the Registrar of Companies in due course.

The Group financial statements from which these results have been extracted have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and with IFRIC interpretations and those parts of the Companies Act 2006 applicable to companies reporting under IFRS. They are prepared on the historical cost basis, except for derivative financial instruments, share-based payments and assets of post-retirement benefits schemes, which are measured at fair value.

### 2. Accounting policies

The accounting policies adopted are consistent with those for 2008, except for the following standards or interpretations to existing standards that have been adopted for the first time during the year:

- Amendment to IAS 39 'Financial Instruments: Recognition and Measurement' and IFRS 7 'Financial Instruments: Disclosures – Reclassification of Financial Assets'
- IFRIC 12 'Service Concession Arrangements'
- IFRIC 13 'Customer Loyalty Programmes'
- IFRIC 14 'IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction'

None of the standards or interpretations has had a significant impact on the preliminary results

### 3. Segment information

	2009 £m	2008 £m
<b>Revenue</b>		
Conveyor Belting	361.8	292.2
Advanced Engineered Products	137.6	145.6
	<b>499.4</b>	<b>437.8</b>
<b>Operating profit before amortisation of intangible assets acquired and exceptional items</b>		
Conveyor Belting	30.8	29.1
Advanced Engineered Products	15.8	26.1
Unallocated	(5.3)	(5.9)
	<b>41.3</b>	<b>49.3</b>
<b>Operating profit</b>		
Conveyor Belting	15.3	26.0
Advanced Engineered Products	7.1	23.7
Unallocated	(5.3)	(5.9)
	<b>17.1</b>	<b>43.8</b>

#### 4. Operating profit

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

	2009 £m	2008 £m
Depreciation of property, plant and equipment	14.6	9.7
Impairment loss on property, plant and equipment	1.1	0.8
Amortisation of intangible assets acquired	6.8	2.1
Amortisation of other intangible assets	0.4	0.4
Loss/(profit) on disposal of property, plant and equipment	0.2	(0.3)
Foreign exchange loss	-	0.2
Research and development costs	1.6	1.8
Government grants	(0.7)	(0.1)
Operating lease charges	6.2	4.1
Exceptional items*	16.3	1.9
Auditors' remuneration for audit services	0.5	0.6
Auditors' remuneration for non-audit services - overseas	0.1	0.3

\*Exceptional items exclude net costs in respect of exceptional depreciation, impairment loss and loss/(profit) on disposal of property, plant and equipment totalling £1.1m (2008: £1.5m) that are already included within their respective disclosures.

#### 5. Exceptional items

Exceptional items comprise £8.8m (2008: £nil) of global restructuring costs, principally costs of redundancy, to align the Group's cost base through the global economic downturn, £5.2m (2008: £3.7m) of restructuring and reorganisation costs associated with the major investment projects in the conveyor belting businesses in North America and Australia, £3.0m (2008: £nil) in respect of a new product replacement, £0.9m (2008: £0.4m) of acquisition integration and abortive costs and £0.5m (2008: £nil) of profit generated from the disposal of a non-core product line. Prior year exceptional items also included a £0.7m profit on disposal of the lightweight PVC conveyor belting business. The cash cost of exceptional items was £14.5m (2008: £2.1m).

#### 6. Taxation

	2009 £m	2008 £m
Current taxation:		
- UK Corporation tax	(0.2)	0.5
- Overseas tax	1.3	10.5
	1.1	11.0
Deferred taxation:		
- UK	0.2	0.8
- Overseas	(0.3)	(1.4)
	(0.1)	(0.6)
<b>Total taxation</b>	<b>1.0</b>	<b>10.4</b>

## 7. Dividends

	2009 £m	2008 £m
<b>Dividends paid or approved in the year</b>		
Interim dividend for the year ended 31 August 2008 of 2.2p (2007: 2.075p) per share	3.8	3.3
Final dividend for the year ended 31 August 2008 of 4.4p (2007: 4.15p) per share	7.7	6.6
	<b>11.5</b>	9.9
<b>Dividends neither paid nor approved in the year</b>		
Interim dividend for the year ended 31 August 2009 of 2.2p (2008: 2.2p) per share	3.8	3.8
Final dividend for the year ended 31 August 2009 of 4.4p (2008: 4.4p) per share	7.7	7.7
	<b>11.5</b>	11.5

The interim dividend for the year ended 31 August 2009 was paid on 7 September 2009. The proposed final dividend for the year ended 31 August 2009 is subject to approval by shareholders at the AGM. Consequently, neither have been recognised as liabilities at 31 August 2009. If approved, the final dividend will be paid on 8 March 2010 to shareholders on the register on 5 February 2010.

## 8. Earnings per share

	2009 £m	2008 (restated) £m
<b>Earnings</b>		
Profit for the year attributable to equity holders of the parent	4.5	25.7
Amortisation of intangible assets acquired and exceptional items	24.2	5.5
Notional interest	1.3	0.3
Taxation attributable to amortisation of intangible assets acquired, exceptional items and notional interest	(7.7)	(2.2)
Profit for the year before amortisation of intangible assets acquired, exceptional items and notional interest	<b>22.3</b>	29.3
	<b>number</b>	number
<b>Average number of shares</b>		
Weighted average number of shares in issue	174,770,029	166,091,438
Weighted average number of shares held by the Employee Share Ownership Plan Trust	(114,177)	(112,767)
Weighted average number of shares in issue - basic	174,655,852	165,978,671
Effect of share options and contingent long term incentive plans	-	888,357
Weighted average number of shares in issue - diluted	174,655,852	166,867,028
	<b>pence</b>	pence
<b>Earnings per share</b>		
Underlying - before amortisation of intangible assets acquired, exceptional items and notional interest	12.8	17.7
Basic	2.6	15.5
Diluted	2.6	15.4

The 2008 comparatives have been restated to remove the notional interest on the unwinding of discount on provisions from underlying earnings per share. This was changed in 2009 to provide a clearer understanding of the underlying performance of the Group.

## 9. Property, plant and equipment

The increase in property, plant and equipment in the year of £38.4m principally comprises additions of £33.0m and exchange movements of £18.2m less depreciation of £14.6m.

## 10. Intangible assets

The increase in intangible assets in the year of £47.6m principally comprises goodwill and intangible assets acquired on the acquisition of businesses of £40.1m and exchange movements of £13.4m less amortisation of £7.2m.

## 11. Post-retirement benefits

The Group operates a number of defined benefit post-retirement schemes for qualifying employees in operations around the world. The assets of the schemes are held in separate trustee administered funds. The cost of the schemes are assessed in accordance with the advice of independent qualified actuaries using the projected unit method.

The principal scheme is the Fenner Pension Scheme which is based in the UK. The most recent triennial valuation of the Fenner Pension Scheme was carried out as at 31 March 2008. The actuarial valuations for all schemes were updated as at 31 August 2009 by independent qualified actuaries.

Retirement benefit obligations increased by £23.0m in the year and this comprises a reduction in the fair value of assets of the schemes of £5.8m and an increase in the present value of recognised obligations of £17.2m, principally as a result of a reduction in corporate bond yields used to discount obligations.

## 12. Provisions

Provisions comprise current provisions of £17.0m (2008: £4.9m) and non-current provisions of £17.2m (2008: £11.1m). The overall increase in the year of £18.2m principally comprises contingent deferred consideration on acquisitions of £17.2m.

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

	2009 £m	2008 £m
Net decrease in cash and cash equivalents	(6.0)	(26.5)
Increase in borrowings resulting from cash flows	(40.6)	(23.9)
Movement in net debt resulting from cash flows	(46.6)	(50.4)
Exchange movements	(21.2)	(10.9)
<b>Movement in net debt in the year</b>	<b>(67.8)</b>	<b>(61.3)</b>
Net debt at start of year	(97.6)	(36.3)
<b>Net debt at end of year</b>	<b>(165.4)</b>	<b>(97.6)</b>

Net debt comprises cash and short-term deposits of £35.0m (2008: £43.6m), current borrowings of £30.2m (2008: £13.7m) and non-current borrowings of £170.2m (2008: £127.5m).

## 14. Equity

	Share capital £m	Share premium £m	Retained earnings £m	Exchange reserve £m	Hedging reserve £m	Other reserve £m	Minority interests £m	Total equity £m
At start of prior year	39.6	51.7	54.0	(4.9)	0.4	1.1	0.8	142.7
Total recognised income and expense for the year	-	-	19.8	18.9	(2.2)	-	0.3	36.8
Equity dividends paid	-	-	(9.9)	-	-	-	-	(9.9)
Dividends paid to minority shareholders	-	-	-	-	-	-	(0.1)	(0.1)
Shares issued in the year	4.1	32.2	(0.2)	-	-	-	-	36.1
Share-based payments	-	-	0.3	-	-	-	-	0.3
<b>At start of year</b>	<b>43.7</b>	<b>83.9</b>	<b>64.0</b>	<b>14.0</b>	<b>(1.8)</b>	<b>1.1</b>	<b>1.0</b>	<b>205.9</b>
Total recognised income and expense for the year	-	-	(13.2)	16.0	(2.4)	-	0.3	0.7
Equity dividends paid	-	-	(11.5)	-	-	-	-	(11.5)
Dividends paid to minority shareholders	-	-	-	-	-	-	(0.1)	(0.1)
Share-based payments	-	-	0.4	-	-	-	-	0.4
Acquisition of businesses	-	-	-	-	-	-	0.1	0.1
<b>At end of year</b>	<b>43.7</b>	<b>83.9</b>	<b>39.7</b>	<b>30.0</b>	<b>(4.2)</b>	<b>1.1</b>	<b>1.3</b>	<b>195.5</b>

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

## 16. Related party transactions

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

## 17. Acquisitions

On 1 October 2008, the Group completed the acquisition of substantially all of the operating assets and liabilities of the Conveyor Services Corporation group of companies (Conveyor Services), including Classic Conveyor Components Corporation and Loadout Services, together with a majority interest in the share capital of Conveyor Services, SA, registered in Chile. The initial cash consideration was £29.2m with subsequent contingent deferred consideration estimated at £18.2m, based on exchange rates at the date of completion.

On 31 October 2008, the Group completed the acquisition of the entire share capital of Solid Systems Engineering, LLC (Solid Systems). The initial cash consideration was £5.4m with subsequent deferred consideration estimated at £1.3m, based on exchange rates at the date of completion.

From the respective dates of acquisition, these businesses contributed £39.8m to Group revenue and £2.1m to Group operating profit before amortisation of intangible assets acquired and exceptional items. After deducting amortisation of intangible assets acquired and exceptional items of £3.3m, the contribution to Group operating profit was a loss of £1.2m.

If the acquisitions had occurred on 1 September 2008, it is estimated that Group revenue would have been £503.9m and Group operating profit before amortisation of intangible assets acquired and exceptional items would have been £42.0m. After deducting amortisation of intangible assets acquired and exceptional items of £24.5m, Group operating profit would have been £17.5m. 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 2008.

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

	Conveyor Services		Solid Systems		Prior year acquisitions	Total
	Book value £m	Provisional fair value £m	Book value £m	Provisional fair value £m	Fair value £m	Provisional fair value £m
Intangible assets acquired	-	27.4	-	3.6	-	31.0
Property, plant and equipment	2.5	2.7	0.5	0.5	-	3.2
Inventories	2.2	2.2	0.1	0.1	-	2.3
Cash and short-term deposits	-	-	0.1	0.1	-	0.1
Trade and other receivables	10.4	10.4	0.6	0.6	-	11.0
Trade and other payables	(4.5)	(4.5)	(0.3)	(0.3)	-	(4.8)
<b>Total net assets acquired</b>	<b>10.6</b>	<b>38.2</b>	<b>1.0</b>	<b>4.6</b>	<b>-</b>	<b>42.8</b>
Goodwill on acquisition		9.3		2.1	(2.3)	9.1
Minority interest on acquisition		(0.1)		-	-	(0.1)
<b>Total consideration</b>		<b>47.4</b>		<b>6.7</b>	<b>(2.3)</b>	<b>51.8</b>
Contingent and deferred consideration held as provisions		(18.2)		(1.3)	2.3	(17.2)
Contingent and deferred consideration paid		0.9		-	2.2	3.1
Cash consideration paid		30.1		5.4	2.2	37.7
Cash and short-term deposits acquired		-		(0.1)	-	(0.1)
<b>Net cash consideration paid per cash flow statement</b>		<b>30.1</b>		<b>5.3</b>	<b>2.2</b>	<b>37.6</b>

Cash consideration paid includes acquisition expenses of £0.7m in respect of Conveyor Services.

Provisional fair values include fair value adjustments which comprise the valuation of intangible assets acquired of £31.0m and the provisional restatement of assets and liabilities in accordance with the Group's accounting policies of £0.2m. Fair value amounts are provisional as the review process is ongoing.

The adjustment to goodwill on prior year acquisitions is due to the re-assessment of the estimated amounts payable as contingent deferred consideration.

Goodwill arising on acquisition principally represents the workforce and anticipated synergies gained through the acquisitions.

#### 18. Post balance sheet events

On 10 September 2009, the Group acquired certain business assets and liabilities of Belt Service Srl, based in Italy, for an initial consideration of £0.2m with deferred amounts of £0.5m.

## Consolidated income statement - half year analysis

for the year ended 31 August 2009

	First half (unaudited)		Second half (unaudited)		Full year (audited)	
	2009 £m	2008 £m	2009 £m	2008 £m	2009 £m	2008 £m
<b>Revenue</b>	<b>257.6</b>	201.1	<b>241.8</b>	236.7	<b>499.4</b>	437.8
<b>Operating profit before amortisation of intangible assets acquired and exceptional items</b>	<b>17.4</b>	19.2	<b>23.9</b>	30.1	<b>41.3</b>	49.3
Amortisation of intangible assets acquired	(3.1)	(0.5)	(3.7)	(1.6)	(6.8)	(2.1)
Exceptional items	(7.8)	(1.7)	(9.6)	(1.7)	(17.4)	(3.4)
<b>Operating profit</b>	<b>6.5</b>	17.0	<b>10.6</b>	26.8	<b>17.1</b>	43.8
Finance income	0.8	0.8	0.7	1.0	1.5	1.8
Finance costs	(6.1)	(3.8)	(5.6)	(5.2)	(11.7)	(9.0)
Notional interest on the unwinding of discount on provisions	(0.6)	(0.1)	(0.7)	(0.2)	(1.3)	(0.3)
<b>Profit before taxation</b>	<b>0.6</b>	13.9	<b>5.0</b>	22.4	<b>5.6</b>	36.3
Taxation	(0.2)	(4.2)	(0.8)	(6.2)	(1.0)	(10.4)
<b>Profit for the period</b>	<b>0.4</b>	9.7	<b>4.2</b>	16.2	<b>4.6</b>	25.9
<b>Attributable to:</b>						
Equity holders of the parent	0.4	9.6	4.1	16.1	4.5	25.7
Minority interests	-	0.1	0.1	0.1	0.1	0.2
	<b>0.4</b>	9.7	<b>4.2</b>	16.2	<b>4.6</b>	25.9
<b>Earnings per share</b>						
Underlying - before amortisation of intangible assets acquired, exceptional items and notional interest	<b>5.0p</b>	7.1p*	<b>7.8p</b>	10.6p*	<b>12.8p</b>	17.7p*
Basic	<b>0.2p</b>	6.1p	<b>2.4p</b>	9.4p	<b>2.6p</b>	15.5p
Diluted	<b>0.2p</b>	6.0p	<b>2.4p</b>	9.4p	<b>2.6p</b>	15.4p

\* 2008 comparatives restated (see note 8)



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