

Half Yearly  
Financial Report  
2010

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Growing Partnerships Worldwide

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# INTERIM MANAGEMENT REPORT

## FINANCIAL HIGHLIGHTS

Half year ended 28 February 2010	2010 £m	2009 £m
Revenue	246.3	257.6
Underlying operating profit <sup>1</sup>	21.5	17.4
Operating profit	17.9	6.5
Underlying profit before taxation <sup>2</sup>	16.3	12.1
Profit before taxation	12.1	0.6
Underlying earnings per share <sup>2</sup>	6.4p	5.0p
Basic earnings per share	4.8p	0.2p
Dividend per share	2.4p	2.2p

<sup>1</sup> Underlying operating profit is before amortisation of intangible assets acquired and exceptional items

<sup>2</sup> Underlying profit before taxation and underlying earnings per share are before amortisation of intangible assets acquired, exceptional items and notional interest on defined benefit post-retirement schemes and the unwinding of discount on provisions

*The Group's financial performance has been strong during the period with a return to growth and, in particular, a marked improvement in the second quarter over the comparable period. Underlying operating profit for the six months increased by 24% to £21.5m and underlying earnings per share increased by 28% to 6.4p. Both profits and cash flow reaped the benefits of the last financial year's cost reduction initiatives and the successful integration of the last two years' acquisitions. When combined with modest capital expenditure in the period following the completion of the major organic capital programmes in the last financial year, the positive effects on cash flow were significant. Net cash generated from operating activities increased by £23m compared to the first half of the previous financial year.*

## REVENUE AND PROFITS

Revenue for the period was £246.3m (2009 £257.6m). The reduction was due to the stronger first quarter last year when the effects of the global economic downturn were yet to be seen. Underlying operating profit increased to £21.5m (2009 £17.4m) with the benefits of our improved operational gearing and a second quarter performance which was significantly ahead of the comparable period. The favourable effect on underlying operating profit of exchange rate translation amounted to £1.6m.

Operating profit increased to £17.9m (2009 £6.5m) with no exceptional costs incurred (2009 £7.8m) and after charging amortisation of intangible assets acquired of £3.6m (2009 £3.1m).

Net finance costs were £5.8m (2009 £5.9m) which includes a non-cash notional charge relating to defined benefit post-retirement schemes and the unwinding of discount on provisions of £0.6m (2009 £0.6m). Underlying profit before taxation was £16.3m (2009 £12.1m) and profit before taxation was £12.1m (2009 £0.6m).

Underlying earnings per share were 6.4p per share (2009 5.0p) and basic earnings per share amounted to 4.8p per share (2009 0.2p).

## CASH RESOURCES

Net cash generated from operating activities increased significantly to £24.4m (2009 £1.4m) from improved profits and stringent control of working capital. The outflow from investing activities amounted to £12.5m (2009 £52.5m). This reduction was due to much lower capital expenditure of £3.3m (2009 £18.2m) following the completion of our major organic investment programme and reduced acquisition payments which amounted to £9.3m (2009 £34.6m). Acquisition payments in the period principally related to deferred payments from prior year transactions with £0.2m relating to the initial payment to acquire certain operating assets and liabilities of Belt Service Srl, based in Italy. The reduction in net debt resulting from cash flows generated was £8.0m (2009 £62.7m increase in net debt) in the half year. Adverse exchange rate movements amounted to £11.8m (2009 £27.8m) to increase net debt by £3.8m (2009 £90.5m) in the period to £169.2m (2009 £188.1m), representing a reduction of £18.9m since February 2009.

## DIVIDENDS

Given our confidence in the growth prospects for the Group, an increase in the interim dividend to 2.4p per share (2009 2.2p) is declared and will be paid on 6 September 2010 to shareholders on the register on 30 July 2010.

## OPERATIONS

In our Conveyor Belting Division, revenue was £176.7m (2009 £181.2m), underpinned by the strength of demand from the thermal coal mining industry throughout the global economic downturn. Underlying operating profit was much improved at £16.4m (2009 £11.7m), assisted by the benefits of cost reduction initiatives implemented in the previous financial year. The translation effects of favourable exchange rate movements, principally arising on the Australian dollar, on revenue and underlying operating profit amounted to £9.7m and £1.8m respectively.

## **INTERIM MANAGEMENT REPORT** continued

Our businesses in Asia Pacific performed well with significant market share gains achieved in the service sector. The critical mass and locations of our Australian service businesses provides both complementary and counter cyclical characteristics to our manufacturing operations. Our steel cord plant in Western Australia, which was commissioned at the end of the last financial year, has enabled us to improve further our service levels and production capabilities.

In North America, we have continued to experience solid demand patterns from the coal mining industry where coal inventories are reducing following the colder winter months. A higher standard of fire resistant belt was introduced for underground mining in the US following the introduction of new legislation. We welcome this advancement in health and safety and have successfully launched our Fireboss product range which meets the enhanced fire resistance safety standard. Industrial markets remained soft although signs of improvement are being seen with new national account volumes. Our network of service businesses has continued to meet our expectations.

Our UK business has performed well particularly in export markets given the weakness of sterling. In Continental Europe, our businesses, which have a greater exposure to industrial markets, have traded successfully in a difficult economic environment as the effects of de-stocking continued into the first quarter of the half year.

In the Advanced Engineered Products Division, revenue was £69.6m (2009 £76.4m). Revenue in the first quarter of the current period was significantly lower than that of the comparable period when the effects of the global economic downturn were yet to be seen. In the second quarter, it was encouraging to see a reversal as revenue exceeded the comparable period. Underlying operating profit was £9.2m (2009 £9.8m) with a similar trend between the first and second quarters as profits advanced significantly in the second quarter over the comparable period last year. The translation effects of exchange rate movements on the results of the Advanced Engineered Products Division were negligible.

Our technical weaving business has continued to perform strongly and new business development activity bodes well in the medical segment going forward. Elsewhere, we started to see a recovery at the start of the new calendar year. Some of this was due to re-stocking inventory pipelines although, given the trend in industrial segments in the US towards more responsive supply chains and lower inventory levels, we believe that we are experiencing underlying growth. This growth has been supported by our intense focus on striving for excellent customer service levels which are essential in a responsive supply chain. It is most encouraging that this focus has been rewarded in some segments with a growth in market share.

### **BOARD**

The Board has been strengthened following the appointment of Alan Wood as an independent non-executive director with effect from 1 April 2010. Alan (63) has a wealth of experience of running world class manufacturing businesses. He is currently the non-executive Chairman of Siemens Holdings plc, a non-executive board member of Ceres Power Holdings plc, Chairman of the German-British Chamber of Industry and Commerce and is a past President of the EEF.

### **PRINCIPAL RISKS AND UNCERTAINTIES**

The principal risks and uncertainties affecting the Group remain those set out in the 2009 Annual Report. Those which are most likely to impact the performance of the Group in the remaining months of the financial year are as set out below.

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

### **OUTLOOK**

The Group's resilience in the face of the difficult world economic conditions of the last year and a half reflects the strength of our operations, our global presence and our ability to respond and serve local markets. As we move forward, there are increasing levels of optimism for the economic landscape in the global manufacturing sector.

The improved momentum in our second quarter has continued to be seen in current trading and underpins our confidence in the improving prospects for the year as a whole.

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

In this report, financial performance measures described as "underlying" are before amortisation of intangible assets acquired and exceptional items and, where applicable, notional interest on defined benefit post-retirement schemes and the unwinding of discount on provisions.

## Consolidated income statement

for the half year ended 28 February 2010 (unaudited)

	Notes	Half year ended 28 February 2010 £m	Half year ended 28 February 2009 £m	Year ended 31 August 2009 £m
<b>Revenue</b>	3	<b>246.3</b>	257.6	499.4
Cost of sales		<b>(174.2)</b>	(192.7)	(379.8)
<b>Gross profit</b>		<b>72.1</b>	64.9	119.6
Distribution costs		<b>(21.6)</b>	(24.1)	(44.9)
Administrative expenses		<b>(32.6)</b>	(34.3)	(57.6)
<b>Operating profit before amortisation of intangible assets acquired and exceptional items</b>	3	<b>21.5</b>	17.4	41.3
Amortisation of intangible assets acquired		<b>(3.6)</b>	(3.1)	(6.8)
Exceptional items	4	-	(7.8)	(17.4)
<b>Operating profit</b>	3	<b>17.9</b>	6.5	17.1
Finance income		<b>0.7</b>	0.8	1.5
Finance costs		<b>(5.9)</b>	(6.1)	(11.7)
Notional interest		<b>(0.6)</b>	(0.6)	(1.3)
<b>Profit before taxation</b>		<b>12.1</b>	0.6	5.6
Taxation	5	<b>(3.6)</b>	(0.2)	(1.0)
<b>Profit for the period</b>		<b>8.5</b>	0.4	4.6
<b>Attributable to:</b>				
Equity holders of the parent		<b>8.4</b>	0.4	4.5
Minority interests		<b>0.1</b>	-	0.1
		<b>8.5</b>	0.4	4.6
<b>Earnings per share</b>				
Underlying - before amortisation of intangible assets acquired, exceptional items and notional interest	7	<b>6.4p</b>	5.0p	12.8p
Basic	7	<b>4.8p</b>	0.2p	2.6p
Diluted	7	<b>4.8p</b>	0.2p	2.6p

The result for the period derives from continuing operations.

## Consolidated statement of comprehensive income

for the half year ended 28 February 2010 (unaudited)

	Notes	Half year ended 28 February 2010 £m	Half year ended 28 February 2009 £m	Year ended 31 August 2009 £m
<b>Profit for the period</b>		<b>8.5</b>	0.4	4.6
<b>Other comprehensive income:</b>				
Currency translation differences		<b>18.2</b>	36.1	16.2
Hedge of net investments in foreign currencies		<b>(0.9)</b>	(0.6)	(1.2)
Interest rate and currency swaps		<b>1.0</b>	0.4	(1.6)
Actuarial gains/(losses) on defined benefit pension schemes	10	<b>2.4</b>	(16.8)	(24.3)
Tax on other comprehensive income		<b>(1.2)</b>	4.1	7.0
<b>Other comprehensive income for the period net of tax</b>		<b>19.5</b>	23.2	(3.9)
<b>Total comprehensive income for the period</b>		<b>28.0</b>	23.6	0.7
<b>Attributable to:</b>				
Equity holders of the parent		<b>27.8</b>	23.3	0.4
Minority interests		<b>0.2</b>	0.3	0.3
		<b>28.0</b>	23.6	0.7

## Consolidated balance sheet

at 28 February 2010 (unaudited)

	Notes	28 February 2010 £m	28 February 2009 £m	31 August 2009 £m
<b>Non-current assets</b>				
Property, plant and equipment	8	207.4	198.5	197.5
Intangible assets	9	172.4	183.1	164.4
Other investments		0.2	0.3	0.3
Deferred tax assets		28.8	24.4	26.3
		<b>408.8</b>	406.3	388.5
<b>Current assets</b>				
Inventories		70.2	89.3	63.0
Trade and other receivables		93.7	94.7	79.0
Current tax assets		3.2	3.4	3.9
Cash and short-term deposits	12	37.2	21.9	35.0
		<b>204.3</b>	209.3	180.9
<b>Total assets</b>		<b>613.1</b>	615.6	569.4
<b>Current liabilities</b>				
Borrowings	12	(28.3)	(25.0)	(30.2)
Trade and other payables		(109.5)	(96.1)	(81.5)
Current tax liabilities		(5.6)	(4.9)	(3.5)
Derivative financial liabilities		(3.2)	(3.3)	(4.1)
Provisions	11	(7.5)	(20.5)	(17.0)
		<b>(154.1)</b>	(149.8)	(136.3)
<b>Non-current liabilities</b>				
Borrowings	12	(178.1)	(185.0)	(170.2)
Trade and other payables		-	(0.5)	-
Retirement benefit obligations	10	(39.0)	(35.4)	(42.1)
Provisions	11	(20.1)	(19.9)	(17.2)
Deferred tax liabilities		(9.6)	(6.7)	(8.1)
		<b>(246.8)</b>	(247.5)	(237.6)
<b>Total liabilities</b>		<b>(400.9)</b>	(397.3)	(373.9)
<b>Net assets</b>		<b>212.2</b>	218.3	195.5
<b>Equity</b>				
Share capital		43.7	43.7	43.7
Share premium		83.9	83.9	83.9
Retained earnings		38.4	40.6	39.7
Exchange reserve		48.1	49.8	30.0
Hedging reserve		(4.4)	(2.1)	(4.2)
Other reserve		1.1	1.1	1.1
<b>Shareholders' equity</b>		<b>210.8</b>	217.0	194.2
Minority interests		1.4	1.3	1.3
<b>Total equity</b>		<b>212.2</b>	218.3	195.5

## Consolidated cash flow statement

for the half year ended 28 February 2010 (unaudited)

	Notes	Half year ended 28 February 2010 £m	Half year ended 28 February 2009 £m	Year ended 31 August 2009 £m
Profit before taxation		12.1	0.6	5.6
Adjustments for:				
Depreciation of property, plant and equipment and amortisation of intangible assets		12.3	10.3	21.8
Impairment loss on property, plant and equipment		-	-	1.1
Movement in retirement benefit obligations		(1.0)	(0.9)	(2.4)
Movement in provisions		(1.0)	(1.4)	(0.6)
Finance income		(0.7)	(0.8)	(1.5)
Finance costs		5.9	6.1	11.7
Notional interest		0.6	0.6	1.3
Profit on disposal of businesses		-	-	(0.5)
Other non-cash movements		0.5	1.5	0.5
Operating cash flow before movement in working capital		28.7	16.0	37.0
Movement in working capital		2.7	(4.6)	16.5
Net cash from operations		31.4	11.4	53.5
Interest received		0.7	0.8	1.5
Interest paid		(5.6)	(5.9)	(12.2)
Taxation paid		(2.1)	(4.9)	(6.4)
<b>Net cash from operating activities</b>		<b>24.4</b>	<b>1.4</b>	<b>36.4</b>
<b>Investing activities:</b>				
Purchase of property, plant and equipment		(2.9)	(17.8)	(33.0)
Disposal of property, plant and equipment		-	-	0.1
Purchase of intangible assets		(0.4)	(0.4)	(1.3)
Disposal of investments		0.1	0.3	0.3
Acquisition of businesses	13	(9.3)	(34.6)	(37.6)
Disposal of businesses		-	-	0.1
<b>Net cash used in investing activities</b>		<b>(12.5)</b>	<b>(52.5)</b>	<b>(71.4)</b>
<b>Financing activities:</b>				
Equity dividends paid	6	(3.8)	(11.5)	(11.5)
Dividends paid to minority shareholders		(0.1)	(0.1)	(0.1)
Repayment of borrowings		(9.1)	(8.0)	(22.6)
New borrowings		1.2	49.1	63.2
<b>Net cash (used in)/from financing activities</b>		<b>(11.8)</b>	<b>29.5</b>	<b>29.0</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>0.1</b>	<b>(21.6)</b>	<b>(6.0)</b>
Cash and cash equivalents at start of period		34.9	43.6	43.6
Exchange movements		1.7	(1.2)	(2.7)
<b>Cash and cash equivalents at end of period</b>		<b>36.7</b>	<b>20.8</b>	<b>34.9</b>
<b>Cash and cash equivalents comprises:</b>				
Cash and short-term deposits		37.2	21.9	35.0
Bank overdrafts		(0.5)	(1.1)	(0.1)
		<b>36.7</b>	<b>20.8</b>	<b>34.9</b>

## Consolidated statement of changes in equity

for the half year ended 28 February 2010 (unaudited)

	Attributable to equity holders of the parent						Total £m	Minority interests £m	Total equity £m
	Share capital £m	Share premium £m	Retained earnings £m	Exchange reserve £m	Hedging reserve £m	Other reserve £m			
At 1 September 2008	43.7	83.9	64.0	14.0	(1.8)	1.1	204.9	1.0	205.9
Profit for the period	-	-	0.4	-	-	-	0.4	-	0.4
Other comprehensive income for the period	-	-	(12.6)	35.8	(0.3)	-	22.9	0.3	23.2
Equity dividends	-	-	(11.5)	-	-	-	(11.5)	-	(11.5)
Dividends paid to minority shareholders	-	-	-	-	-	-	-	(0.1)	(0.1)
Acquisition of businesses	-	-	-	-	-	-	-	0.1	0.1
Share-based payments	-	-	0.3	-	-	-	0.3	-	0.3
At 28 February 2009	43.7	83.9	40.6	49.8	(2.1)	1.1	217.0	1.3	218.3
Profit for the period	-	-	4.1	-	-	-	4.1	0.1	4.2
Other comprehensive income for the period	-	-	(5.1)	(19.8)	(2.1)	-	(27.0)	(0.1)	(27.1)
Share-based payments	-	-	0.1	-	-	-	0.1	-	0.1
At 31 August 2009	43.7	83.9	39.7	30.0	(4.2)	1.1	194.2	1.3	195.5
Profit for the period	-	-	8.4	-	-	-	8.4	0.1	8.5
Other comprehensive income for the period	-	-	1.5	18.1	(0.2)	-	19.4	0.1	19.5
Equity dividends	-	-	(11.5)	-	-	-	(11.5)	-	(11.5)
Dividends paid to minority shareholders	-	-	-	-	-	-	-	(0.1)	(0.1)
Share-based payments	-	-	0.3	-	-	-	0.3	-	0.3
<b>At 28 February 2010</b>	<b>43.7</b>	<b>83.9</b>	<b>38.4</b>	<b>48.1</b>	<b>(4.4)</b>	<b>1.1</b>	<b>210.8</b>	<b>1.4</b>	<b>212.2</b>

# Notes to the half yearly financial statements

## 1. Basis of preparation

These condensed half yearly financial statements for the half year ended 28 February 2010 have been prepared in accordance with the Disclosure and Transparency Rules ('DTR') of the Financial Services Authority ('FSA') and with IAS 34 'Interim Financial Reporting' as adopted by the European Union. They should be read in conjunction with the Group's financial statements for the year ended 31 August 2009.

The comparative financial information for the year ended 31 August 2009 does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. It has been extracted from the Group's financial statements for 2009 which have been filed with the Registrar of Companies. They contained an unqualified audit report and did not contain a statement under Section 498 of the Companies Act 2006.

## 2. Accounting policies

The accounting policies adopted are consistent with those applied in the preparation of the Group's financial statements for the year ended 31 August 2009 except for the following standards or interpretations to existing standards which have been adopted for the first time for the year ending 31 August 2010:

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

In adopting IFRS 8, the Group concluded that the operating segments were the same as the business segments determined under IAS 14 'Segment Reporting'. Details of these segments are disclosed in note 3.

The adoption of IAS 1 (Revised) requires movements in equity to be presented as a primary statement in the Consolidated statement of changes in equity. The Group has elected to show the Consolidated statement of comprehensive income separate from the Consolidated income statement.

None of these standards or interpretations has had a significant impact on the results or net assets of the Group.

## 3. Segment information

IFRS 8 'Operating Segments' requires segment information to be presented on the same basis as that used for internal management reporting. The Group is organised into two distinct divisions:

Conveyor Belting	Manufacture of rubber, PVC and steel cord conveyor belts. Applications include mining (underground and surface), aggregates and various industrial uses such as package handling and process industries. This is supported by a network of service branches around the world.
Advanced Engineered Products	Manufacture of precision polymer products including: <ul style="list-style-type: none"><li>- precision drives for computer peripherals, copiers and ATMs</li><li>- problem-solving power transmission and motion transfer components</li><li>- silicone and complex hoses for heavy duty trucks, buses and off-road vehicles</li><li>- seals and sealing solutions for the fluid power and oil and gas industries</li><li>- technical textiles for medical and industrial applications</li><li>- rollers for digital image processing and medical diagnostics</li><li>- fluropolymer components for fluid and gas handling</li></ul>

The financial position of both divisions is reported to the Board of directors on a monthly basis. This is used to assess the performance of each division and assists the decision making process to allocate resources.

### 3. Segment information continued

Segment results are analysed as follows:

	Half year ended 28 February 2010			
	Conveyor Belting £m	Advanced Engineered Products £m	Corporate £m	Total £m
Total segment revenue	<b>176.7</b>	<b>70.3</b>	-	<b>247.0</b>
Inter-segment revenue	-	<b>(0.7)</b>	-	<b>(0.7)</b>
Revenue	<b>176.7</b>	<b>69.6</b>	-	<b>246.3</b>
Operating profit before amortisation of intangible assets acquired and exceptional items	<b>16.4</b>	<b>9.2</b>	<b>(4.1)</b>	<b>21.5</b>
Amortisation of intangible assets acquired	<b>(2.1)</b>	<b>(1.5)</b>	-	<b>(3.6)</b>
Operating profit	<b>14.3</b>	<b>7.7</b>	<b>(4.1)</b>	<b>17.9</b>
Net finance costs				<b>(5.8)</b>
Taxation				<b>(3.6)</b>
Profit for the period				<b>8.5</b>
	Half year ended 28 February 2009			
	Conveyor Belting £m	Advanced Engineered Products £m	Corporate £m	Total £m
Total segment revenue	181.2	77.5	-	258.7
Inter-segment revenue	-	(1.1)	-	(1.1)
Revenue	181.2	76.4	-	257.6
Operating profit before amortisation of intangible assets acquired and exceptional items	11.7	9.8	(4.1)	17.4
Amortisation of intangible assets acquired	(1.5)	(1.6)	-	(3.1)
Exceptional items	(7.0)	(0.8)	-	(7.8)
Operating profit	3.2	7.4	(4.1)	6.5
Net finance costs				(5.9)
Taxation				(0.2)
Profit for the period				0.4

## Notes to the half yearly financial statements continued

### 3. Segment information continued

	Year ended 31 August 2009			
	Conveyor Belting £m	Advanced Engineered Products £m	Corporate £m	Total £m
Total segment revenue	361.8	139.9	-	501.7
Inter-segment revenue	-	(2.3)	-	(2.3)
Revenue	361.8	137.6	-	499.4
Operating profit before amortisation of intangible assets acquired and exceptional items	30.8	15.8	(5.3)	41.3
Amortisation of intangible assets acquired	(3.6)	(3.2)	-	(6.8)
Exceptional items	(11.9)	(5.5)	-	(17.4)
Operating profit	15.3	7.1	(5.3)	17.1
Net finance costs				(11.5)
Taxation				(1.0)
Profit for the period				4.6

Segment assets and liabilities are analysed as follows:

	Half year ended 28 February 2010			
	Conveyor Belting £m	Advanced Engineered Products £m	Corporate £m	Total £m
Total assets	<b>402.8</b>	<b>192.5</b>	<b>17.8</b>	<b>613.1</b>
Total liabilities	<b>(146.6)</b>	<b>(46.0)</b>	<b>(208.3)</b>	<b>(400.9)</b>
Net assets	<b>256.2</b>	<b>146.5</b>	<b>(190.5)</b>	<b>212.2</b>

	Half year ended 28 February 2009			
	Conveyor Belting £m	Advanced Engineered Products £m	Corporate £m	Total £m
Total assets	395.0	201.9	18.7	615.6
Total liabilities	(144.8)	(32.0)	(220.5)	(397.3)
Net assets	250.2	169.9	(201.8)	218.3

	Year ended 31 August 2009			
	Conveyor Belting £m	Advanced Engineered Products £m	Corporate £m	Total £m
Total assets	371.3	182.8	15.3	569.4
Total liabilities	(131.9)	(35.3)	(206.7)	(373.9)
Net assets	239.4	147.5	(191.4)	195.5

#### 4. Exceptional items

There were no exceptional items in 2010. For the 2009 half year, exceptional items comprised £2.8m of restructuring costs associated with the major investment projects in the conveyor belting business in North America, £2.5m in respect of a new product replacement and £2.5m of global restructuring costs to align the Group's cost base to the economic climate.

#### 5. Taxation

	Half year ended 28 February 2010 £m	Half year ended 28 February 2009 £m	Year ended 31 August 2009 £m
UK taxation	0.2	0.1	-
Overseas taxation	3.4	0.1	1.0
	3.6	0.2	1.0

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

#### 6. Dividends

	Half year ended 28 February 2010 £m	Half year ended 28 February 2009 £m	Year ended 31 August 2009 £m
<b>Dividends paid or approved in the period</b>			
Interim dividend for the year ended 31 August 2009 of 2.2p (2008: 2.2p) per share	3.8	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	7.7
	11.5	11.5	11.5
<b>Dividends neither paid nor approved in the period</b>			
Interim dividend for the year ended 31 August 2010 of 2.4p (2009: 2.2p) per share	4.2	3.8	3.8

The interim dividend for the year ended 31 August 2009 was paid on 7 September 2009. The final dividend for the year ended 31 August 2009 was approved by shareholders at the Annual General Meeting on 13 January 2010 and was paid after the half year end date, on 8 March 2010. The interim dividend for the year ending 31 August 2010 is due for payment on 6 September 2010 and so has not been recognised as a liability at 28 February 2010. It will be paid to shareholders on the register on 30 July 2010.

## Notes to the half yearly financial statements continued

### 7. Earnings per share

	Half year ended 28 February 2010 £m	Half year ended 28 February 2009 £m	Year ended 31 August 2009 £m
<b>Earnings</b>			
Profit for the period attributable to equity holders of the parent	8.4	0.4	4.5
Amortisation of intangible assets acquired	3.6	3.1	6.8
Exceptional items	-	7.8	17.4
Notional interest	0.6	0.6	1.3
Taxation attributable to amortisation of intangible assets acquired, exceptional items and notional interest	(1.5)	(3.1)	(7.7)
Profit for the period before amortisation of intangible assets acquired, exceptional items and notional interest	11.1	8.8	22.3
	<b>number</b>	<b>number</b>	<b>number</b>
<b>Average number of shares</b>			
Weighted average number of shares in issue	174,770,029	174,770,029	174,770,029
Weighted average number of shares held by the Employee Share Ownership Plan Trust	(114,177)	(114,177)	(114,177)
Weighted average number of shares in issue - basic	174,655,852	174,655,852	174,655,852
Effect of share options and contingent long term incentive plans	634,639	-	-
Weighted average number of shares in issue - diluted	175,290,491	174,655,852	174,655,852
	<b>pence</b>	<b>pence</b>	<b>pence</b>
<b>Earnings per share</b>			
Underlying - before amortisation of intangible assets acquired, exceptional items and notional interest	6.4	5.0	12.8
Basic	4.8	0.2	2.6
Diluted	4.8	0.2	2.6

### 8. Property, plant and equipment

The increase in property, plant and equipment in the period of £9.9m principally comprises additions of £2.9m and exchange movements of £15.2m less depreciation of £8.5m.

### 9. Intangible assets

The increase in intangible assets in the period of £8.0m principally comprises acquisition of businesses of £1.4m and exchange movements of £10.0m less amortisation of £3.8m.

### 10. 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 is 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 on 31 March 2008.

Retirement benefit obligations decreased by £3.1m in the period. This principally comprises £2.4m of actuarial gains, largely a result of the return on the assets being greater than expected, and £2.3m of employer contributions less amounts charged to the income statement of £1.5m.

## 11. Provisions

Provisions comprise current provisions of £7.5m (2009 year end: £17.0m) and non-current provisions of £20.1m (2009 year end: £17.2m). The overall decrease in the period of £6.6m principally comprises a net reduction in deferred consideration payable on acquisitions of £7.4m and utilisation of provisions of £1.0m less exchange movements of £1.4m.

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

	Half year ended 28 February 2010 £m	Half year ended 28 February 2009 £m	Year ended 31 August 2009 £m
Net increase/(decrease) in cash and cash equivalents	0.1	(21.6)	(6.0)
Decrease/(increase) in borrowings resulting from cash flows	7.9	(41.1)	(40.6)
Movement in net debt resulting from cash flows	8.0	(62.7)	(46.6)
Exchange movements	(11.8)	(27.8)	(21.2)
<b>Movement in net debt in the period</b>	<b>(3.8)</b>	<b>(90.5)</b>	<b>(67.8)</b>
Net debt at start of period	(165.4)	(97.6)	(97.6)
<b>Net debt at end of period</b>	<b>(169.2)</b>	<b>(188.1)</b>	<b>(165.4)</b>

Net debt is analysed as follows:

	Half year ended 28 February 2010 £m	Half year ended 28 February 2009 £m	Year ended 31 August 2009 £m
Cash and short-term deposits	37.2	21.9	35.0
Current borrowings	(28.3)	(25.0)	(30.2)
Non-current borrowings	(178.1)	(185.0)	(170.2)
	<b>(169.2)</b>	<b>(188.1)</b>	<b>(165.4)</b>

## Notes to the half yearly financial statements continued

### 13. Acquisitions

On 10 September 2009, the Group acquired certain operating assets and liabilities of Belt Service Srl, based in Italy. The initial cash consideration was £0.2m with deferred consideration of £0.5m.

From the date of acquisition, this business contributed £0.6m to Group revenue and £0.1m to Group operating profit.

There would be no significant difference to the reported Group results if the acquisition had occurred on 1 September 2009.

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

	Belt Service	Prior year acquisitions	Total
	Book value and provisional fair value £m	Fair value £m	Provisional fair value £m
Property, plant and equipment	0.2	0.1	0.3
Inventories	0.2	-	0.2
Trade and other receivables	-	0.2	0.2
Trade and other payables	(0.2)	-	(0.2)
Total net assets acquired	0.2	0.3	0.5
Intangible assets acquired	0.3	-	0.3
Goodwill on acquisition	0.2	0.9	1.1
Total consideration	0.7	1.2	1.9
Contingent and deferred consideration held as provisions	(0.5)	(1.2)	(1.7)
Contingent and deferred consideration paid	-	9.1	9.1
Cash consideration paid per cash flow statement	0.2	9.1	9.3

Fair values in respect of Belt Service are provisional as the review process is ongoing.

Adjustments to the fair value of net assets acquired and goodwill of £0.3m in respect of prior year acquisitions have been made within 12 months of the acquisition date, as permitted by IFRS 3 'Business Combinations'. Goodwill and deferred consideration held as provisions have also been adjusted by £1.2m due to a re-assessment of the total consideration payable.

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

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

### 14. Contingencies

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

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

### 15. 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 period.

## Responsibility Statement

We confirm that to the best of our knowledge:

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

The directors of Fenner PLC and their respective responsibilities are listed in the Annual Report for 2009 except for Alan Wood who was appointed as non-executive director on 1 April 2010.

By order of the Board

Colin Cooke  
Chairman  
28 April 2010

Richard Perry  
Group Finance Director  
28 April 2010





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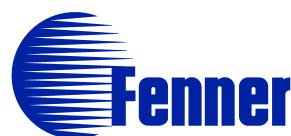
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