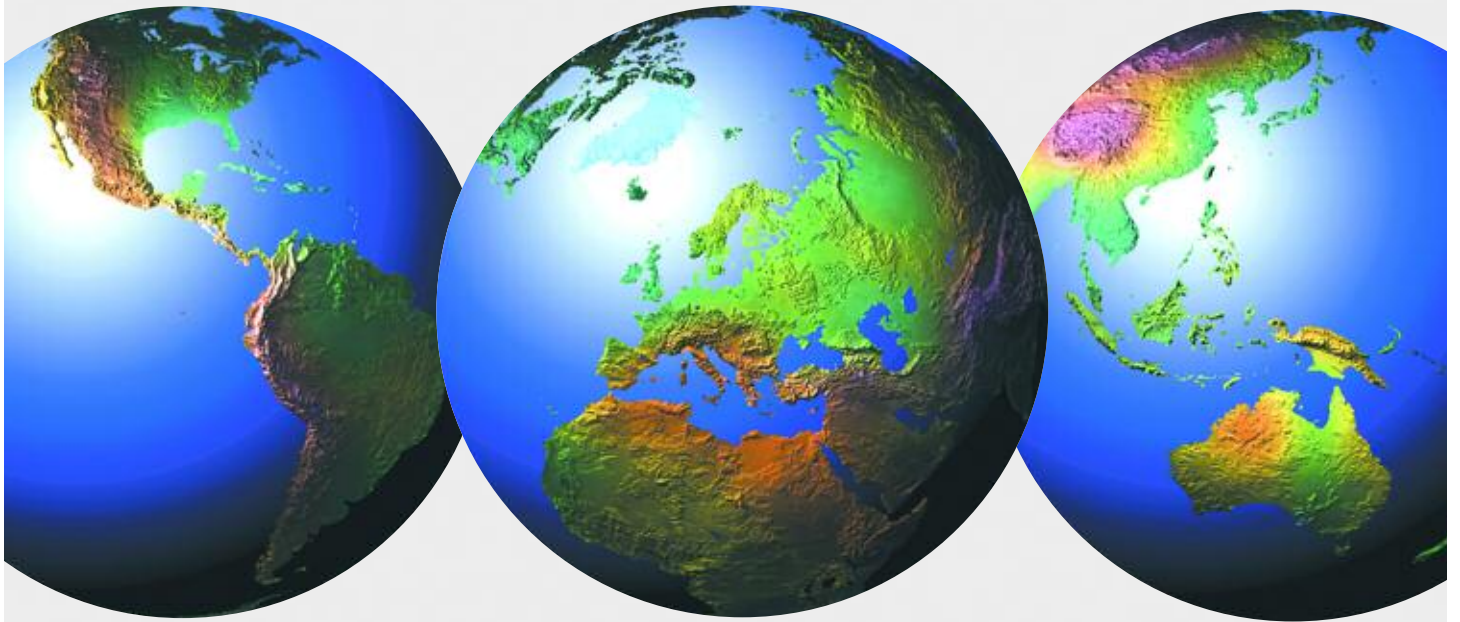




# Preliminary Announcement

9 November 2005



Growing Partnerships Worldwide

## Chairman's Statement



**Colin Cooke**  
Chairman

<b>Financial Highlights</b>	<b>2005</b>	2004
	<b>£000</b>	£000
Turnover	<b>313,012</b>	260,595
Operating profit before goodwill amortisation and exceptional items	<b>21,255</b>	16,101
Operating profit	<b>15,849</b>	8,738
Profit before tax	<b>12,025</b>	6,395
Adjusted earnings per share before goodwill amortisation, exceptional items and profit on sale of operations	<b>9.34p</b>	7.67p
Basic earnings per share	<b>5.28p</b>	2.19p
Dividends per share	<b>5.825p</b>	5.825p

# Improvements throughout our operations

*Following a solid first half performance, Group profit before tax for the year*

*increased 88% to £12.0m. We have benefited from an unprecedented worldwide demand for energy particularly in China. Our capital expenditure and rationalisation programmes*

*have created opportunities for productivity improvements throughout our operations.*

*The acquisition of Wellington Holdings plc ("Wellington") in May has provided a valuable addition to our niche precision polymer businesses. Our strengthened balance sheet leaves us well placed to exploit these opportunities.*

*We are encouraged by our strong start to the year and by current positive indications for the future.*

### TURNOVER AND PROFITS

Group turnover increased 20% to £313.0m (2004 £260.6m) which includes £10.8m from the former Wellington businesses acquired on 20 May 2005. Turnover growth in our underlying businesses amounted to 16% reflecting the strong recovery in the heavyweight belting market driven by global energy demands.

Group operating profit for the year before goodwill amortisation and exceptional items amounted to £21.3m (2004 £16.1m) including £1.9m from the former Wellington businesses. After goodwill amortisation and exceptional items, Group operating profit amounted to £15.8m (2004 £8.7m).

Turnover for the second half year reached £171.7m (2004 £139.8m) generating an operating profit before goodwill amortisation and exceptional items of £14.7m (2004 £10.6m) reflecting a strong second half performance characteristic of the markets in which the Group operates.

Following an improved first half performance, our heavyweight belting businesses made further progress building on the significant volume recovery particularly in North America. Despite intense raw material price pressures, profit margins have continued to improve.

The Precision Polymers businesses in both the UK and North America have performed well, benefiting from a recovery in levels of industrial activity.

The former Wellington businesses outperformed our expectations during the final quarter of our financial year.

Exceptional items of £3.5m (2004 £6.2m) principally arose from impairment costs, giving a Group profit before tax of £12.0m (2004 £6.4m). As a result of the much improved operating performance, Group earnings per share before goodwill amortisation and exceptional items increased to 9.34p per share (2004 7.67p) and after goodwill amortisation and exceptional items to 5.28p (2004 2.19p).

## **DIVIDENDS**

The Board recommends a final dividend maintained at 3.85p, which, together with the interim dividend of 1.975p, represents a total for the year of 5.825p (2004 5.825p). The underlying dividend cover is 1.6 after adjusting for goodwill amortisation, exceptional items and the element relating to shares that were only in issue for three months of the year.

## **CASH RESOURCES AND INVESTMENT**

We have raised a net £56.3m from shareholders during the year. £45.7m was invested in the Wellington acquisition. The balance was applied to reducing our existing debt levels whilst we examine the opportunities available for further investment. Net borrowings at the year end amounted to £33.9m (2004 £39.4m).

*“...opportunities...  
for further  
investment.”*

## **PEOPLE**

The progress in improving our margin returns is a demonstration of the commitment by all our employees, whom I thank for their efforts in this regard.

Our AGM in January 2006 will mark the retirement from the Board of Tom Glucklich, who has been a non-executive director of the Company for over 10 years. I would like to take this opportunity to thank Tom for his support and intellectual contribution during that period and to wish him every success for the future.

I am pleased to announce the appointment on 1 November 2005 of David Campbell as a non-executive director of the Company. David was formerly Chief Executive of British Vita plc and following the retirement of Tom Glucklich in January 2006, will chair the Company's Remuneration Committee.

## **OUTLOOK**

We have made a strong start to the new year with many of our markets showing continuing, robust strength. A buoyant energy sector has been a significant factor in our recent growth and the confidence of our customers in this area is an encouraging sign. Asian demand has provided the opportunity for further new developments as the region becomes a more significant part of the Group. Overall we look forward to another year of healthy progress as we consolidate the benefits of our acquisition strategy.

*“...strong start  
to the new  
year...”*

Colin Cooke Chairman

# A transformational year



**Mark Abrahams**  
Chief Executive Officer

*2005 saw a transformation in the Group with the acquisition of Wellington Holdings plc in May. As a result we have now increased the high-margin Precision Polymer's turnover to a third of the Group's. We believe this also improves our profit and cash generating ability and provides a further platform for growth.*

*Since the acquisition, the Wellington business, now renamed Fenner Advanced Sealing Technologies, has performed above our initial expectations and has already started to deliver the synergies envisaged.*

*During the year we saw many of our markets strengthen as the combination of Chinese demand and surging energy prices benefited many of our operations, both directly and indirectly. These developments have been particularly favourable to our Asia Pacific businesses, encouraging us to expand further our operations in China with three additional new major projects in progress, which are detailed below.*

## ASIA PACIFIC

Our Chinese conveyor belting operation continued to gain momentum with strong sales growth. As China's burgeoning economy surged ahead on the strength of its exports and insatiable demand for energy, coal producers endeavoured to match the requirements. The ensuing drive for coal productivity improvements has proved beneficial for our heavy duty products, as existing and new customers realise the value of utilising higher performance belting. This upward trend has supported our capital investment to date with further plant expansion planned to service our broadening customer base in this increasingly important territory for the Group.

The hose operation in Shanghai received additional investment during the year to accommodate output levels which are increasing as new business is gained. Slow but steady progress is being made towards tighter truck emissions legislation that requires

changes to be made to original equipment manufacturers' designs, which in turn increases demand for our products. These positive developments underpin our capital expenditure programme for the commissioning of a dedicated world-class manufacturing hose facility capable of meeting market demand.

The acquisition of Wellington Holdings plc brought numerous new and exciting opportunities to the Group. These included the identification of gaps in their geographical coverage in locations where we have existing knowledge and expertise. To exploit these distinctive competencies, plans are underway for further penetration of seals' markets in China with the construction of a new plant.

Production of computer peripherals has progressively migrated to South East Asia in recent years, and the overwhelming majority of our mini-pitched timing belts are shipped

*"...dedicated world-class manufacturing hose facility..."*

into the region. Accordingly, our presence has been strengthened in South East Asia to support existing office equipment accounts and to identify and develop new business opportunities.

Australia recorded a solid return from both the heavyweight conveyor belting and service operations. Strong coal market conditions, enhanced by lower Chinese coal exports in order to serve their domestic demand, facilitated a year-on-year improvement in this sector. The performance was particularly encouraging in our network of national service operations where the focus is on the provision of solutions tailored to meet our customers' existing and future requirements. This network was further strengthened during the year through the acquisition of L&K Conveyor Services which has enhanced our presence in Western Australia and provides a strong foundation for further penetration of this territory.

Our Indian conveyor belting operation enjoyed a successful first full year as a wholly owned subsidiary, following the prior year's restructuring of the Group's interest.

### **NORTH AMERICA**

Our conveyor belting operations experienced a continuation of the market and productivity improvements from the latter part of the previous year although rising oil prices caused upward pressure on input costs. Sales to the mining sector were particularly strong as reinvestment programmes commenced, underpinned by the buoyant global demand for energy which has held coal prices at near record levels. Sales to industrial markets improved through a combination of the recovery in the economic conditions and the increasing value of our organisational support structure. A dedication to solving all conveying challenges, with the use of the latest technology, has uniquely positioned the

*“...key partnerships  
with our customers...”*

business to develop key partnerships with our customers.

Precision polymer operations encountered more volatile demand patterns as US markets faced rising oil prices and consequent raw material price inflation. Despite these effects, the industrial products group successfully continued to deploy their strategy of product line expansion and channel exploitation. The development programme included the launch of two new products in the year. The T-Max range of belt and chain tensioners was expanded through the launch of the innovative, light-duty RT-3000 rotary tensioner. A new, patented variant of PowerTwist link belt has been developed specifically to meet the market demand for roller conveyor systems to carry higher loads, faster and more quietly.

The markets have responded favourably to both of these carefully targeted product launches. These, together with our marketing alliances, have contributed to incremental sales growth. Market demand in the office equipment segment was slow in the first few months of the year, but recovered considerably in the second half. Our continuous improvement programme increased production yields, but nevertheless, capacity was flexed to meet customer demand for mini-pitch timing belts. Planning is now well advanced for a building extension to accommodate an increase in capacity with completion scheduled for 2006.

The newly-acquired seals operations benefited from buoyant energy markets. To enhance growth further new applications, including the semi conductor processing industry, were developed. The design of new sealing solutions, such as the patented SigmaSeal is encouraging. This seal, which is generating interest in new markets, has unique self-energising and low friction properties suitable to the control valve industry.

## Chief Executive Officer's Review

### EUROPE

The environment for our UK based heavyweight conveyor belting operation became increasingly difficult during the year with declining demand from both the UK and German coal industries. Against this, the demand from our worldwide potash customers remained robust and further penetration of Eastern European, Ukrainian and Russian coal markets was achieved. Whilst raw material prices increased significantly during the year, sales pricing action coupled with improved purchasing enabled margins to be maintained.

Weak economic conditions prevailed in most of our major European industrial markets, which together with the threat from the competition over an otherwise flat market, led to a difficult year for our Dutch operation. As a consequence, action to address the cost base was implemented in the second half through a reduction in the workforce whilst overall productivity improvements were achieved through additional investment in new plant and systems.

James Dawson at Lincoln built upon the solid foundations established in recent years to record a good performance overall. Demand from the speciality vehicle and business machine markets was generally strong allowing the benefits from recent capital investment programmes to be realised. Further recognition of the accomplishments of this operation was gained in the year with the Queen's Award for Enterprise in International Trade.

The Poynton (Cheshire) hose facility, which was acquired in February 2004, continued to perform well. The projected market synergy between Poynton's EPDM hose and Lincoln's silicone hose products is now beginning to be realised and is expected to lead to continued steady growth of sales of Poynton products.

Fenner Drives Europe, formerly BTL in Leeds, experienced a continuing reduction in demand from traditional markets, reflecting the general decline in UK manufacturing. However, this decline was more than offset as programmes of innovative marketing, product line expansion and increased activity in Europe took effect.

At the end of the year, the UK operations of both James Dawson and Fenner Drives were restructured. James Dawson now operates exclusively in the world markets for commercial and speciality vehicles, focusing upon capitalising on recent investments in the specialist hose business. The industrial rubber and business machine products of James Dawson have been brought under the responsibility of Fenner Drives Europe.

Sales from our European seals operations exceeded expectations in the period since acquisition with strong demand from longwall mining equipment and the oil and gas industry. As we enter the new year, the planned relocation of the UK operation to a new facility is progressing satisfactorily. The factory and offices which are currently under construction at Hampton will replace the existing network of 1920's buildings. The benefits of the move will follow the completion which is scheduled for the second half of 2006.

*“...seals operations exceeded expectations...”*

**AFRICA**

An increase in demand for energy in South Africa caused a heightened activity in the region's coal mining industry and the commissioning of previously mothballed power generation plants. This environment enabled the achievement of a further successful year by our conveyor belting operation, despite the keen competition within the local market.

The Group's other South African operation, KSB, improved as the year progressed following softer volumes into agricultural markets in the early months and higher contract volumes in the second half-year.

Significant progress has been made during the last year with an increasingly encouraging trend in performance. As we enter the new financial year we do so with confidence that most of our businesses are seeing healthy market conditions with opportunities for growth.

**Mark Abrahams** Chief Executive Officer

## Group Profit and Loss Account

for the financial year ended 31 August 2005

	Note	2005 £000	2004 £000
<b>Turnover</b>	2	<b>313,012</b>	260,595
Continuing operations		<b>302,193</b>	260,595
Acquisitions		<b>10,819</b>	-
<b>Operating profit before goodwill amortisation and exceptional items</b>	2	<b>21,255</b>	16,101
Goodwill amortisation		<b>(1,904)</b>	(1,149)
Exceptional items	3	<b>(3,502)</b>	(6,214)
<b>Operating profit</b>		<b>15,849</b>	8,738
Continuing operations		<b>14,775</b>	8,738
Acquisitions		<b>1,074</b>	-
Share of operating loss in associated undertaking		<b>(20)</b>	489
Profit on sale of associated undertaking		-	695
<b>Profit on ordinary activities before interest</b>		<b>15,829</b>	9,922
Net interest payable		<b>(3,761)</b>	(3,458)
Share of net interest payable in associated undertaking		<b>(43)</b>	(69)
<b>Profit on ordinary activities before taxation</b>		<b>12,025</b>	6,395
Taxation on profit on ordinary activities	4	<b>(4,514)</b>	(3,052)
<b>Profit on ordinary activities after taxation</b>		<b>7,511</b>	3,343
Minority equity interests		<b>(980)</b>	(976)
<b>Profit for the year</b>		<b>6,531</b>	2,367
Dividends	5	<b>(8,174)</b>	(6,324)
<b>Retained loss for the year</b>		<b>(1,643)</b>	(3,957)
<b>Earnings per share*</b>			
Adjusted - before goodwill amortisation, exceptional items and profit on sale of operations	6	<b>9.34p</b>	7.67p
Basic - after goodwill amortisation, exceptional items and profit on sale of operations	6	<b>5.28p</b>	2.19p
Diluted - after goodwill amortisation, exceptional items and profit on sale of operations	6	<b>5.25p</b>	2.17p

\*Comparative figures have been restated following a placing and open offer on 20 May 2005 (note 8).

All of the Group's activities are continuing operations.

**Group Balance Sheet**

at 31 August 2005

	Note	2005 £000	2004 £000
<b>Fixed assets</b>			
Intangible assets - Goodwill		<b>60,422</b>	20,676
- Other		<b>26</b>	5
Tangible assets		<b>62,851</b>	57,513
Investments - Associated undertaking		<b>233</b>	344
- Other		<b>262</b>	262
		<b>123,794</b>	78,800
<b>Current assets</b>			
Stocks		<b>54,922</b>	43,391
Debtors		<b>70,255</b>	55,456
Cash at bank and in hand		<b>52,091</b>	32,229
		<b>177,268</b>	131,076
Creditors - Amounts falling due within one year		<b>(116,214)</b>	(82,718)
		<b>61,054</b>	48,358
<b>Net current assets</b>			
		<b>184,848</b>	127,158
<b>Total assets less current liabilities</b>			
Creditors - Amounts falling due after more than one year		<b>(49,741)</b>	(55,037)
Provisions for liabilities and charges		<b>(11,948)</b>	(7,670)
		<b>123,159</b>	64,451
<b>Net assets</b>			
<b>Capital and reserves</b>			
Called up share capital		<b>39,141</b>	27,150
Share premium account		<b>49,088</b>	4,238
Revaluation reserve		<b>3,985</b>	3,991
Other reserve		<b>1,122</b>	16,758
Profit and loss account		<b>25,489</b>	8,602
		<b>118,825</b>	60,739
<b>Shareholders' funds - Equity interest</b>	8	<b>118,825</b>	60,739
Minority equity interests		<b>4,334</b>	3,712
		<b>123,159</b>	64,451
<b>Total funds employed</b>			

The accounts were approved by the Board of Directors on 9 November 2005 and signed on its behalf by

Cl Cooke *Chairman*

RJ Perry *Group Finance Director*

## Group Cash Flow Statement

for the financial year ended 31 August 2005

	Note	2005		2004	
		£000	£000	£000	£000
<b>Net cash inflow from operating activities</b>			<b>21,315</b>		14,191
<b>Dividends received from associated undertaking</b>			-		77
<b>Returns on investments and servicing of finance</b>					
Interest received		<b>1,142</b>		1,142	
Interest paid		<b>(4,565)</b>		(4,874)	
Interest element of finance lease rental payments		<b>(10)</b>		(2)	
Dividends paid to minority shareholders		<b>(477)</b>		(511)	
Net cash outflow from returns on investments and servicing of finance			<b>(3,910)</b>		(4,245)
<b>Taxation</b>			<b>(5,590)</b>		(2,591)
<b>Capital expenditure and financial investment</b>					
Purchase of tangible fixed assets		<b>(8,031)</b>		(7,999)	
Purchase of investments and secured loans		-		(744)	
Sale of tangible fixed assets		<b>130</b>		43	
Net cash outflow on capital expenditure and financial investment			<b>(7,901)</b>		(8,700)
<b>Acquisitions and disposals</b>					
Purchase of subsidiary undertakings	7	<b>(44,199)</b>		(2,796)	
Sale of subsidiary undertakings		<b>(19)</b>		11	
Net proceeds on disposal of associated undertaking and purchase of related subsidiary		-		1,279	
Net cash outflow on acquisitions and disposals			<b>(44,218)</b>		(1,506)
<b>Equity dividends paid</b>			<b>(6,324)</b>		(6,015)
<b>Net cash outflow before financing</b>			<b>(46,628)</b>		(8,789)
<b>Financing</b>					
Issue of ordinary share capital		<b>56,340</b>		4,684	
Loan repayment from associated undertaking		<b>70</b>		68	
Capital element of finance lease repayments		<b>(106)</b>		(11)	
Repayment of bank and other borrowings		<b>(7,436)</b>		(3,968)	
New bank and other borrowings		<b>26,332</b>		916	
Net cash inflow from financing			<b>75,200</b>		1,689
<b>Increase in cash</b>			<b>28,572</b>		(7,100)

## Statement of Total Recognised Gains and Losses

for the financial year ended 31 August 2005

	<b>2005</b> <b>£000</b>	2004 £000
Profit for the year	<b>6,531</b>	2,367
Currency translation differences on foreign currency net investments	<b>1,715</b>	1,378
Total recognised gains and losses since last annual report	<b>8,246</b>	3,745

## Reconciliation of Operating Profit to Net Cash Inflow from Operating Activities

for the financial year ended 31 August 2005

	<b>2005</b> <b>£000</b>	2004 £000
Operating profit	<b>15,849</b>	8,738
<i>Non cash items</i>		
Depreciation and amortisation	<b>10,156</b>	7,097
Others including the effect of foreign exchange rate changes	<b>278</b>	1,040
<i>Working capital movements</i>		
Stocks	<b>(6,356)</b>	(119)
Debtors	<b>(3,353)</b>	(1,898)
Creditors	<b>3,259</b>	1,885
Provisions	<b>1,482</b>	(2,552)
Net cash inflow from operating activities	<b>21,315</b>	14,191

## Reconciliation of Net Cash Flow to Movement in Net Debt

for the financial year ended 31 August 2005

	<b>2005</b> <b>£000</b>	2004 £000
Increase in cash	<b>28,572</b>	(7,100)
Cash inflow from increase in loans and finance leases	<b>(18,790)</b>	3,063
Decrease in net debt resulting from cash flows	<b>9,782</b>	(4,037)
Effect of foreign exchange rate changes	<b>234</b>	9,117
Loans and finance leases acquired with subsidiaries	<b>(4,452)</b>	-
New finance leases	<b>(55)</b>	-
Decrease in net debt	<b>5,509</b>	5,080
Opening net debt	<b>(39,416)</b>	(44,496)
Closing net debt	<b>(33,907)</b>	(39,416)
Gearing (closing net debt / shareholders' funds)	<b>28.5%</b>	64.9%

## Notes

### 1 Basis of preparation

The preliminary announcement, which was approved by the Board on 9 November 2005, has been prepared on the basis of the accounting policies set out in the 2004 Annual Report.

The profit and loss account, balance sheet and cash flow statement are abridged from the Group's full accounts on which the auditors, PricewaterhouseCoopers LLP, have given an unqualified opinion which did not include a statement under section 237(2) or 237(3) of the Companies Act 1985. The statutory accounts will be filed with the Registrar of Companies in due course.

The profit and loss account and the cash flow statement for the year ended 31 August 2004 and the balance sheet as at that date are an abridged version of the statutory accounts for that period which, together with an unqualified audit report, have been filed with the Registrar of Companies.

### 2 Segmental information by geographical origin

	Turnover		Operating profit before goodwill amortisation and exceptional items	
	2005 £000	2004 £000	2005 £000	2004 £000
Europe	<b>91,585</b>	80,298	<b>167</b>	2,145
North America	<b>144,053</b>	119,413	<b>10,584</b>	5,471
Africa	<b>30,791</b>	26,594	<b>4,494</b>	4,402
Rest of world	<b>50,709</b>	39,237	<b>6,010</b>	4,083
Inter-segment sales	<b>(4,126)</b>	(4,947)	-	-
	<b>313,012</b>	260,595	<b>21,255</b>	16,101

### 3 Exceptional items

The exceptional charge of **£3,502,000** (2004 £6,214,000) comprises:

- property and plant impairments of **£2,574,000** (2004 £502,000);
- acquisition integration costs of **£328,000** (2004 £2,175,000)
- other amounts of **£600,000** (2004 £6,079,000) which principally comprise an asset impairment relating to the Group's investment in United Polymers Limited and professional costs relating to proceedings against the Welsh Development Agency (WDA) for damages in relation to the provision by the WDA of defective manufacturing facilities.

During 2004 the re-commissioning of the Canadian facility, which was mothballed in the prior year, gave rise to a provision release of £2,542,000. The related tax credit amounts to **£378,000** (2004 £735,000).

### 4 Taxation on profit on ordinary activities

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

	2005 £000	2004 £000
Current taxation		
UK corporation tax	<b>280</b>	34
Overseas taxation	<b>5,104</b>	3,714
Deferred taxation	<b>(870)</b>	(696)
	<b>4,514</b>	3,052

**5 Dividends**

	<b>2005</b>	2004
	<b>£000</b>	£000
<i>Ordinary shares</i>		
Dividend payable – interim 1.975p (2004 1.975p)	<b>2,148</b>	2,145
Dividend proposed – final 3.85p (2004 3.85p)	<b>6,028</b>	4,181
Adjustment to prior year final dividend	<b>6</b>	6
	<b>8,182</b>	6,332
Amount due to the Employee Share Ownership Plan Trust	<b>(8)</b>	(8)
	<b>8,174</b>	6,324

If approved, the final dividend of **3.85p** per share (2004 3.85p) will be paid on 16 January 2006 to shareholders on the register on 16 December 2005. UK income tax at the lower rate of 10% is deemed to have been paid in respect of these dividends but will not in most cases be recoverable by shareholders.

**6 Earnings per share**

In view of the significance of the exceptional items, goodwill amortisation and profit on sale of operations, in the current and prior years, the directors consider it appropriate to disclose earnings per share calculated both before and after these items.

	<b>2005</b>	2004
	<b>£000</b>	£000
<i>Earnings</i>		
Profit for the year	<b>6,531</b>	2,367
Goodwill amortisation, exceptional items and profit on sale of operations	<b>5,406</b>	6,668
Tax attributable to exceptional items and profit on sale of operations	<b>(378)</b>	(735)
Earnings for the year before goodwill amortisation, exceptional items and profit on sale of operations	<b>11,559</b>	8,300
	<b>Number</b>	Number
<i>Weighted average number of ordinary shares in issue during the year*</i>		
Weighted average number of shares in issue	<b>123,908,805</b>	108,348,584
Weighted average number of shares held by the Employee Share Ownership Plan Trust	<b>(133,769)</b>	(134,684)
Weighted average number of shares in issue - basic	<b>123,775,036</b>	108,213,900
Weighted average effect of share options and contingent long term incentive plan shares	<b>735,681</b>	945,674
Weighted average number of shares in issue - diluted	<b>124,510,717</b>	109,159,575
	<b>Pence</b>	Pence
<i>Earnings per share*</i>		
Basic - after goodwill amortisation, exceptional items and profit on sale of operations	<b>5.28</b>	2.19
Goodwill amortisation, exceptional items and profit on sale of operations	<b>4.37</b>	6.16
Tax attributable to exceptional items and profit on sale of operations	<b>(0.31)</b>	(0.68)
Adjusted - before goodwill amortisation, exceptional items and profit on sale of operations	<b>9.34</b>	7.67

Diluted earnings per share after goodwill amortisation, exceptional items and profit on sale of operations amount to **5.25p** (2004 2.17p).

Diluted earnings per share before goodwill amortisation, exceptional items and profit on sale of operations amount to **9.28p** (2004 7.60p).

\*Comparative figures have been restated following a placing and open offer on 20 May 2005 (note 8).

**Notes** continued**7 Acquisitions**

Wellington Holdings plc was acquired during the year through the acquisition of its entire share capital for a total cash consideration of £44,312,000 together with shares issued valued at £1,420,000. The acquisition was completed on 20 May 2005.

The Group's other acquisitions were the business and assets of L&K Conveyors and service branches of Rob Harvey.

The combined cash flow impact of these acquisitions and provisional fair value of the assets acquired is

	Provisional fair value £000
Intangible fixed assets	22
Tangible fixed assets	4,703
Stock, debtors less creditors	(645)
Cash at bank and in hand	294
	<hr/>
Total net assets acquired	4,374
Goodwill arising	41,649
	<hr/>
Consideration	46,023
Deferred consideration and accrued costs	(136)
Cash at bank and in hand of operations acquired	(294)
Shares issued	(1,420)
Deferred consideration in respect of previous acquisitions	26
	<hr/>
Cash outflow in respect of the acquisition of subsidiary undertakings	44,199

**8 Reconciliation of movements in shareholders' funds**

	<b>2005</b> <b>£000</b>	2004 £000
1 September 2004	<b>60,739</b>	58,428
Profit for the year	<b>6,531</b>	2,367
Dividends	<b>(8,174)</b>	(6,324)
Share capital issued*	<b>57,760</b>	4,684
UITF17 share award accrual	<b>254</b>	206
Currency translation differences on foreign currency net investments	<b>1,715</b>	1,378
	<hr/>	<hr/>
Net increase in shareholders' funds	<b>58,086</b>	2,311
	<hr/>	<hr/>
31 August 2005	<b>118,825</b>	60,739

\*Share capital issued represents a placing and open offer of 46,611,102 ordinary shares and an issue of 1,192,933 ordinary shares to Wellington Holdings plc shareholders as part of the Wellington acquisition.

**9 Contingent assets and liabilities**

The Group has disposed of certain businesses in prior years, which included obligations under certain property leases and grants. Should the purchasers of the businesses default on these commitments, the future obligation could revert to the Group.

In the normal course of business the Group has given guarantees and counter indemnities in respect of commercial transactions and has entered into forward contracts for the sale and purchase of foreign currencies by reference to its forecast requirements.

Proceedings have continued against the Welsh Development Agency ("WDA"), claiming substantial damages in relation to the provision by the WDA of defective manufacturing facilities. The proceedings are now the subject of litigation.

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

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

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## Group Profit and Loss Account

First Half / Second Half Split

for the year ended 31 August 2005

	First half (unaudited)		Second half (unaudited)		Total year	
	2005 £000	2004 £000	2005 £000	2004 £000	2005 £000	2004 £000
<b>Turnover</b>	<b>141,339</b>	120,836	<b>171,673</b>	139,759	<b>313,012</b>	260,595
<b>Operating profit before goodwill amortisation and exceptional items</b>	<b>6,571</b>	5,453	<b>14,684</b>	10,648	<b>21,255</b>	16,101
Goodwill amortisation	<b>(691)</b>	(550)	<b>(1,213)</b>	(599)	<b>(1,904)</b>	(1,149)
Exceptional items	<b>(556)</b>	(1,756)	<b>(2,946)</b>	(4,458)	<b>(3,502)</b>	(6,214)
<b>Operating profit</b>	<b>5,324</b>	3,147	<b>10,525</b>	5,591	<b>15,849</b>	8,738
Share of operating loss in associated undertaking	<b>(5)</b>	269	<b>(15)</b>	220	<b>(20)</b>	489
Profit on sale of associated undertaking	-	-	-	695	-	695
<b>Profit on ordinary activities before interest</b>	<b>5,319</b>	3,416	<b>10,510</b>	6,506	<b>15,829</b>	9,922
Net interest payable	<b>(1,695)</b>	(1,778)	<b>(2,066)</b>	(1,680)	<b>(3,761)</b>	(3,458)
Share of net interest payable in associated undertaking	<b>(22)</b>	(34)	<b>(21)</b>	(35)	<b>(43)</b>	(69)
<b>Profit on ordinary activities before taxation</b>	<b>3,602</b>	1,604	<b>8,423</b>	4,791	<b>12,025</b>	6,395
Taxation on profit on ordinary activities	<b>(1,332)</b>	(819)	<b>(3,182)</b>	(2,233)	<b>(4,514)</b>	(3,052)
<b>Profit on ordinary activities after taxation</b>	<b>2,270</b>	785	<b>5,241</b>	2,558	<b>7,511</b>	3,343
Minority equity interests	<b>(384)</b>	(378)	<b>(596)</b>	(598)	<b>(980)</b>	(976)
<b>Profit for the period</b>	<b>1,886</b>	407	<b>4,645</b>	1,960	<b>6,531</b>	2,367
<b>Earnings per share*</b>						
Adjusted - before goodwill amortisation, exceptional items and profit on sale of operations	<b>2.72p</b>	2.22p	<b>6.62p</b>	5.45p	<b>9.34p</b>	7.67p
Basic - after goodwill amortisation, exceptional items and profit on sale of operations	<b>1.69p</b>	0.38p	<b>3.59p</b>	1.81p	<b>5.28p</b>	2.19p

\*Comparative and first half figures have been restated following a placing and open offer on 20 May 2005 (note 8).



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