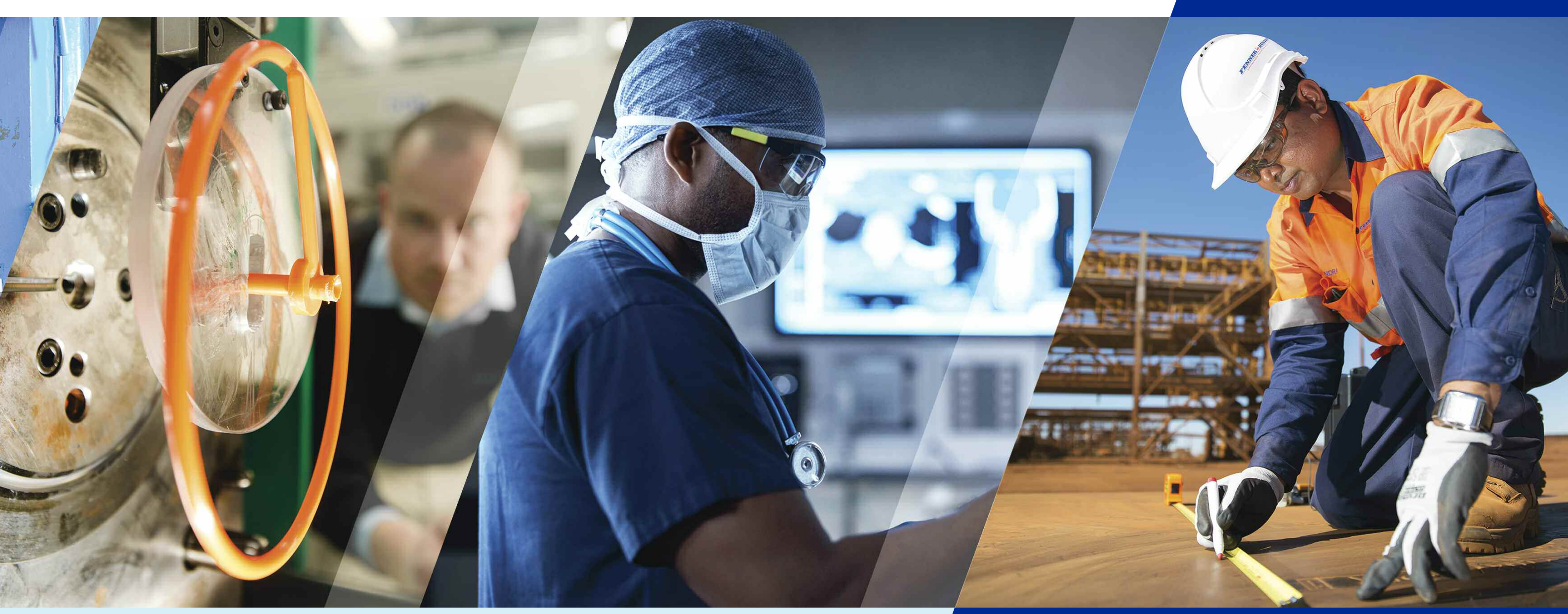

2017 | Fenner PLC Annual Report

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Forward-looking statements

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

Alternative performance measures

Underlying and non-GAAP measures (including constant currency and like-for-like revenue) have been presented to provide a more meaningful measure of the underlying performance of the business. Reconciliations of these amounts from the most directly comparable measures recognised under International Financial Reporting Standards can be found in Alternative Performance Measures on pages 133 to 134.

Financial Highlights

"The Group's results for 2017 show significant improvements over the previous year on all measures. These improvements illustrate the strength of the Group's responses to the difficult trading conditions faced by the Group in many of its principal markets over recent years and particularly reflect our continuing commitments to customer service, product development and operating efficiency.

As we enter the new year, the outlook is strengthening. The Group's momentum is being maintained with each of our businesses seeing opportunities and encouraging developments.

We believe the coming year will see further progress across the Group, notwithstanding the significant macro-economic uncertainties around the world. Overall, given the structural growth opportunities that the Group has created, the Board anticipates that the outcome will be above its previous expectations."

Mark Abrahams
Chief Executive Officer

Revenue
£655.4m up 14%
2016: £572.5m

Underlying operating profit
£59.1m up 59%
2016: £37.1m

Operating profit
£53.4m up £68.1m
2016: £14.7m loss

Underlying profit before taxation
£45.3m up 95%
2016: £23.2m

Profit before taxation
£38.1m up £68.4m
2016: £30.3m loss

Underlying earnings per share
17.7p up 111%
2016: 8.4p

Earnings per share
17.6p up 31.2p
2016: 13.6p loss

Dividend per share
4.2p up 40%
2016: 3.0p

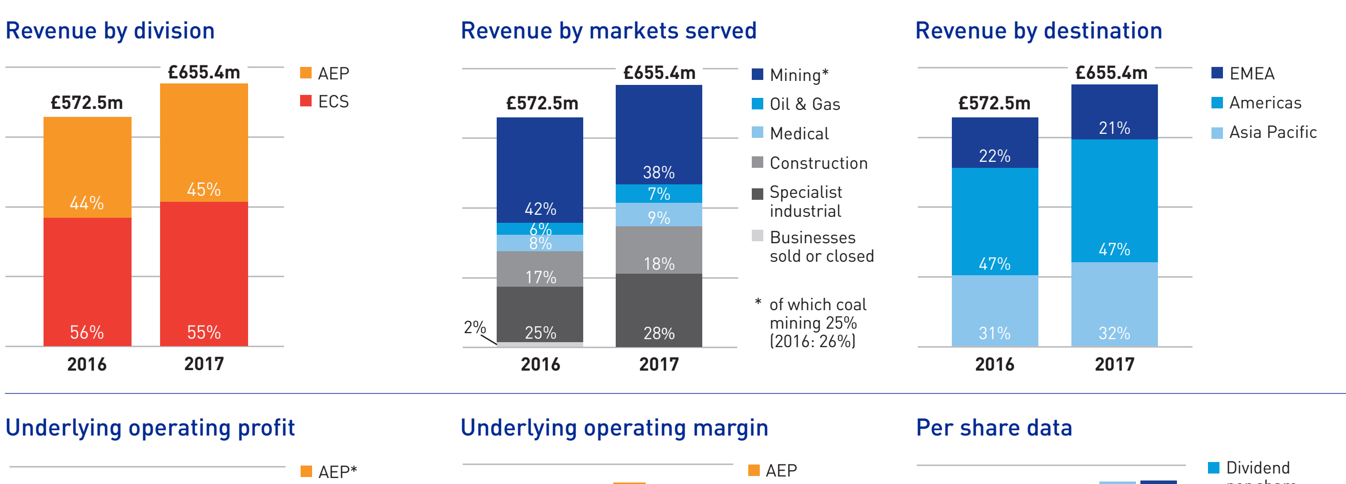
Free cash flow
£69.0m up 78%
2016: £38.8m

See note on Alternative performance measures opposite.

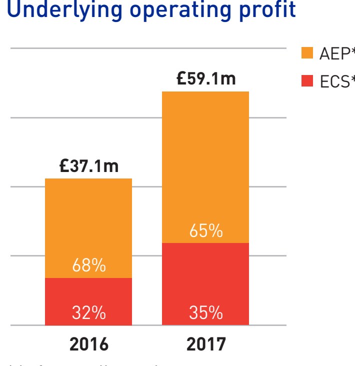
Introduction to Fenner

- Fenner is a world leader in reinforced polymer technology
- Fenner uses its expertise to identify, design and manufacture performance-critical polymer products for niche markets around the world
- Our approach to creating value for our shareholders emphasises:
  - targeting growth markets
  - growing our market shares
  - investing in knowledge
  - maximising operational efficiency
  - disciplined use of capital
  - close attention to environmental issues
- Fenner operates through two divisions: Advanced Engineered Products ("AEP") and Engineered Conveyor Solutions ("ECS")
  - AEP provides high value-added solutions using advanced polymeric materials; its principal product areas are sealing systems; belts, hoses and elastomeric solutions; and medical
  - ECS is a recognised global leader in the heavyweight conveyor belt market, operating in the Northern and Southern Hemispheres
- Fenner is a global group headquartered in Yorkshire, UK

Summary financials

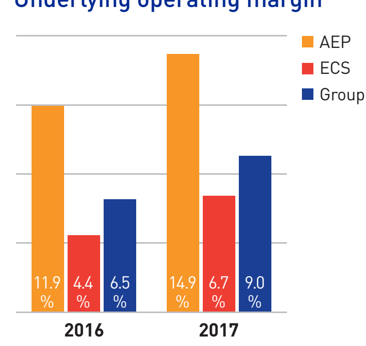


Underlying operating profit

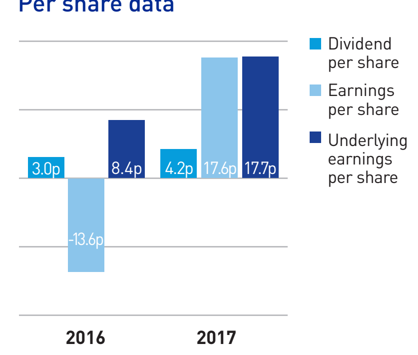


* before unallocated corporate costs

Underlying operating margin



Per share data



Overview of activities

AEP has three product areas being, Advanced Sealing Technologies, Precision Polymers and Solesis Medical, which contain nine growth businesses serving global business customers.

Product areas	Principal businesses	Principal products	Principal facilities
Advanced Sealing Technologies	CDI Energy Products, EGC Critical Components, Hallite, AIP Precision Machining	Seals and sealing systems for oil & gas and fluid power	USA Europe Asia
Precision Polymers	Precision Polymers US, Precision Polymers UK, mandals since 1775	Belts, hoses and elastomeric products	USA UK Norway
Solesis Medical	secant group, CharterMedical	Biomedical textile components and biomaterials Custom single-use medical devices	USA

ECS supplies industry-leading heavyweight conveyor belting and related services to industrial and mining markets with particular strengths in Australia, Europe and North America.

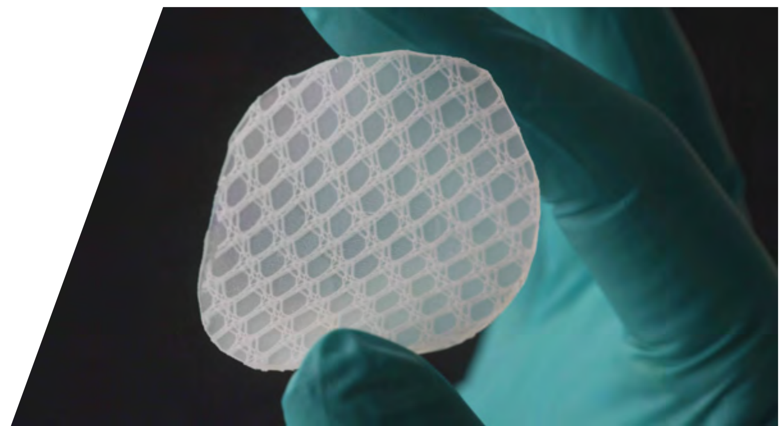
Products	Principal brands	Principal products	Principal facilities
Belting for industrial customers	Fenner Dunlop Engineered Conveyor Solutions, Fenner Engineered Conveyor Solutions, Dunlop Conveyor Belting	Heavyweight conveyor belting (ply and steel cord)	USA Europe
Belting for mining customers	Fenner Dunlop Engineered Conveyor Solutions, Fenner Engineered Conveyor Solutions	Heavyweight conveyor belt (ply, solid woven and steel cord)	Australia USA Europe RSA
Strategic service offering	Fenner Dunlop Engineered Conveyor Solutions, Fenner Engineered Conveyor Solutions	Maintenance Design/installation Facility management	Australia USA

Innovation Drivers

Fenner's ongoing investments in innovation are enabling it to develop new technologies and new products as well as enhancing the capabilities of existing products. Some particular initiatives underway during the year are described below.

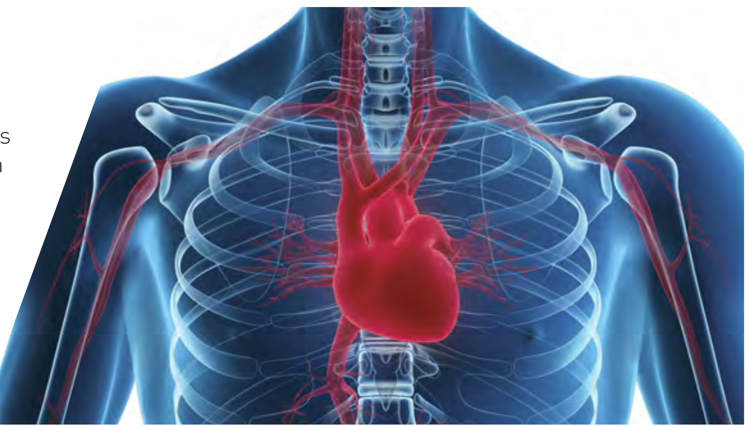
PGS structure

Through the use of resorbable polymer technology and through creating unique fibre architecture, Secant Group has been able to create materials with properties that support the regeneration of human tissue. The combination of these materials with Secant Group's extensive textile forming capabilities provides a powerful combination to support the development of many new medical devices.



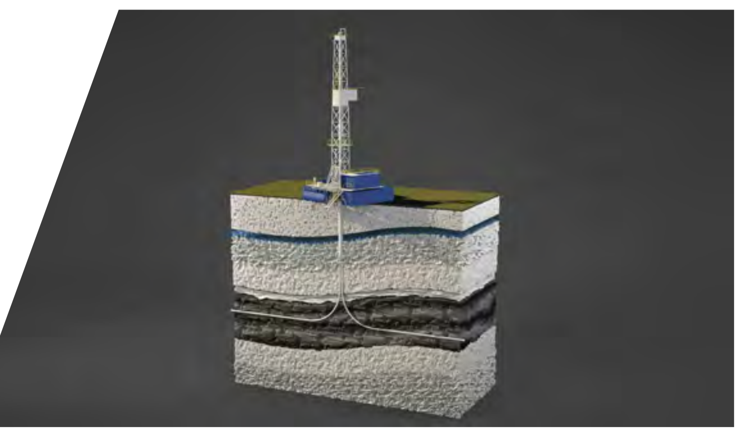
Heart valve component

Components for new generations of transcatheterheart valves are being developed by Secant Group. These valves offer advantages in terms of minimising the incision site, tissue damage and patient trauma. This product segment is seen as offering considerable market growth potential with revenue expected to grow at 20% per annum over the next few years.



Lateral drilling

Lateral drilling is increasingly being used in hydraulic fracturing as it allows greater quantities of oil and gas to be extracted through a single well and therefore can be more cost effective. Lateral drilling subjects the components within the wells to much higher pressures and flow rates. CDI has developed seals which are capable of operating in these more demanding conditions which has assisted in winning additional share of this important market.



Urethane timing belts

Precision Polymers has enhanced its capabilities in relation to urethane timing belts through the acquisition of Revolution Drives. These belts are used for motion control applications such as document handling, cash machines (ATMs), ticket machines and mail handling. They are generally bespoke products designed to a customer's specification and might include a single or dual durometer belt (depending on whether a specific coefficient of friction is required), reinforcement (for additional durability) and often a unique tooth pattern (required for synchronous pulleys).

Patriot X

As part of its initiatives to increase its product offering to industrial users of heavyweight conveyor belting, especially in North America, ECS has launched the Patriot X range of belts, intended for use in light and medium applications, such as the movement of sand, gravel, paper & pulp and aggregates. ECS has adapted the design specifications used in its traditional heavyweight belting products to produce a belt with better characteristics than other belts in the same market segment.

Value added contracts

Innovative contractual arrangements with customers for the supply of Fenner's market leading conveyor belt have assisted ECS in enhancing its share of key markets around the world. Contracts may be tailored to the specific needs of a customer in order for that customer to achieve the lowest cost per tonne of material moved whilst maintaining high levels of conveyor reliability.

Chairman's Statement

Our commitment to creating long-term shareholder value

Vanda Murray OBE
Chairman

Dear Shareholder

I am delighted to welcome you to our 2017 Annual Report.

The year saw a considerable improvement in the Group's results which largely reflect the measures taken over recent years and, as a consequence of which, the Group was well positioned to respond to the easing of the difficult trading conditions which many of the Group's businesses have faced.

Within the Strategic Report, there is a review of the Group's activities over the past year and information on how we intend to build upon what has been achieved so far in order to generate sustainable and profitable growth.

The strength and depth of the improvements across the Group's activities becomes particularly apparent from the Key Performance Indicators, set out on pages 14 to 17. These are the series of measures that the Board uses to determine how well the Group is performing over time relative to external benchmarks and relative to the Board's expectations. The Board is very pleased that all indicators, including non-financial measures, have moved strongly in the right direction.

Shareholder returns

The Board is committed to the creation of long-term value for Fenner shareholders. The Board is pleased to have noted the strong recovery which has taken place in the Company's share price over the last year and, as the Group implements its strategy for further growth, expects to see additional sustained enhancements of shareholder value.

The Board regards dividends as an important part of the overall return which the Company generates for its shareholders. The Board is recommending a final dividend of 2.8p per share (2016: 2.0p), making a total dividend for the year of 4.2p (2016: 3.0p), an increase of 40%. Higher profitability and strong cash flows mean that the increased dividend for the year is covered 4.2 times by underlying earnings and 8.5 times by free cash flow.

The Board intends to continue to pursue a progressive dividend policy, reflective of the Group's earnings, prospects and financial strength.

Board and governance

There have been a number of changes to the Board this year.

I took up the role of Non-Executive Chairman with effect from 20 December 2016, having been the acting Non-Executive Chairman since 8 June 2016. My selection as independent Non-Executive Chairman followed a rigorous process using external executive search consultants; the process was overseen by non-executive director Chris Surch on behalf of the Board.

Also on 20 December 2016, Chris Surch was appointed as the Senior Independent Director and Geraint Anderson became the Chairman of the Remuneration Committee.

On 11 January 2017, Michael Ducey was appointed a non-executive director. The Board intends to extend its skills and knowledge further, with the appointment of an additional non-executive director in due course.

The search continues for a new Chief Executive Officer and the Board continues to be extremely grateful to Mark Abrahams for agreeing to remain in position in the meantime. Whilst the search has proven challenging, the focus continues to be on identifying the correct candidate. Mark has also agreed to remain with the Group to assist during the transitioning to the new Chief Executive Officer when a suitable candidate is appointed.

The Board is sad to record that the former Chief Executive Officer, Nicholas Hobson, passed away in January 2017 and wishes, once again, to put on record its thanks for the many years of service given by Nick to the Fenner Group.

Further information on Corporate Governance is set out on **pages 46 to 56**

Employees

I would like to take this opportunity to express my sincere thanks to all of our employees for their continued hard work, commitment and determination during a year which has presented the Group with many and varied challenges.

I would especially like to highlight the outstanding response of the Group's employees in Houston, Texas in the face of the extreme weather conditions caused by Hurricane Harvey. Despite catastrophic flooding in the area, our facilities were successfully protected and, after full inspections, became operational within a matter of days. Regrettably, whilst all employees were safe, several lost their homes with a number of others also badly affected. The Group is determined to provide support to its employees when it is needed and a fund was immediately established to help distressed employees recover from the effects of this natural disaster.

Environment and corporate responsibility

Environmental issues are of ongoing significance to Fenner as governments around the world increasingly respond to public concerns and intervene more actively; for Fenner, the principal issues are likely to be around the use of coal as a primary energy source. New policies adopted by governments may seek to control how much coal is burnt and where that coal is sourced; market dynamics, such as continuing growth in global demand for energy and the relative prices of coal and alternative primary energy sources (such as natural gas) may reinforce or offset the effect of these new policies over the coming decades. The Board's views on the expected impact of environmental issues will help determine the allocation of capital across the Group's businesses.

Fenner's approach to corporate responsibility covers five key areas: health & safety; people; environmental responsibility; community and business behaviours. This approach recognises that acting in a corporately responsible manner helps to deliver long-term, sustainable business success. The Board sets the strategy and has overall responsibility for the development and monitoring of the Group's policies relating to corporate responsibility which are communicated to, and applied at, a divisional and operational level.

The Group's record on corporate responsibility remains strong. In the last year, no incidents or new significant risks have been reported and marked improvements have occurred in some areas such as reductions in the intensity of greenhouse gas emissions. As set out below, the Group's health & safety record has continued to improve and stands well ahead of industry peers. The Board is please to have noted that, once again, certain parts of the Group have set new and outstanding records for safe working.

Further information on Corporate Responsibility is set out on **pages 37 to 43**

Health & safety

The Group has an overriding commitment to provide a safe and secure working environment which extends beyond employees to include all those who work with the Group and are affected by its activities such as customers, visitors and neighbours. The Group continues to show year-on-year improvement in its primary health, safety and environment performance measure, Lost Time Incident Frequency Rate ("LTIFR"). The LTIFR reduced by 35% over the year to 0.36, which compares favourably to published industry benchmarks.

As the Group's health & safety culture and performance continue to improve, the tangible benefits include that employees are safer, that the Group is more efficient in its operations and in realising commercial benefits, for example, lower insurance premiums.

Annual General Meeting

You will find enclosed a notice convening the Company's Annual General Meeting which will be held on 11 January 2018.

My Board colleagues and I enjoy taking this opportunity to meet shareholders and we hope that you will be able to attend.

Vanda Murray OBE
Chairman
15 November 2017

Chief Executive Officer's Review

Significantly improved results as the Group moves from recovery towards sustainable growth

Mark Abrahams
Chief Executive Officer

Dear Shareholder

The Group's results for 2017 show significant improvements over the previous year on all measures and, in particular, in terms of operating margin, operating cash flow, earnings and return on capital.

The improvements achieved illustrate the strength of the Group's responses to the difficult trading conditions faced by the Group in many of its principal markets over recent years and particularly reflect our continuing commitments to customer service, product development and operating efficiency. Whilst there were some improvements in the markets in which we operate, these were patchy and the earlier months of the year, in particular, saw some softness.

The Group's results are also a tribute to the dedication of its employees; this was well illustrated by their superb response to the effects of Hurricane Harvey at our Houston facilities.

The Group's results are summarised in the accompanying table. Alongside GAAP measures, the table presents underlying financial information in order to assist shareholders in understanding the performance of the Group and its businesses; figures for 2016 are presented on both "reported" and "constant currency" bases in order to illustrate the impact of exchange rate movements. The table also highlights Key Performance Indicators ("KPIs") which are the principal measures used by the Board to monitor the Group's performance.

Revenue for the year was £655.4m (2016: £572.5m), an increase of 14%.

There were significant increases in profit and earnings. Underlying profit before taxation was £45.3m (2016: £23.2m), an increase of 95%, and underlying earnings per share was 17.7p (2016: 8.4p), an increase of 111%. Profit before taxation was £38.1m (2016: £30.3m loss) and earnings per share was 17.6p (2016: 13.6p loss).

Both AEP and ECS produced significantly stronger results.

In AEP, revenue rose to £294.0m. After taking into account currency movements and businesses sold or closed, this represents an increase of 11%. AEP's KPIs showed large improvements: underlying operating profit was £43.9m (2016: £34.1m at constant currencies), an increase of 29%, and underlying operating margin was 14.9% (2016: 12.2% at constant currencies), an increase of 2.7 percentage points. Operating profit was £41.1m (2016: £14.9m).

All of AEP's product areas showed marked increases but I would particularly highlight the strong performance by its US oil & gas businesses, which have significantly increased market shares as a result of investment in new materials and the strength of their customer relationships, and by AEP's medical businesses, which have continued to grow and whose future prospects have further strengthened through customer and product development.

ECS achieved much higher profitability despite higher raw material prices and the mining supplies market showing few signs of sustained recovery. Underlying operating profit was £24.1m (2016: £16.5m at constant currencies), an increase of 46%, and underlying operating margin was 6.7% (2016: 4.5% at constant currencies), an increase of 2.2 percentage points. Operating profit was £22.7m (2016: £21.3m loss).

ECS's American business produced a much higher profit as its results benefitted from restructuring and its refocusing towards industrial markets. In Australia, revenue, profit and margin all improved, reflecting continued efficiency gains and the strength of our relationships with the mining majors; the final quarter of the year saw an encouraging trend with increased customer enquiries and a slowly improving order flow.

AEP's and ECS's operating results are discussed in greater detail in the Divisional Reviews on **pages 18 to 26**

Net debt was reduced by £48.5m to £101.5m, with the ratio of net debt to EBITDA reduced to 1.2 times (2016: 2.4 times). The Group's free cash flow was £69.0m, up from £38.8m in 2016, benefitting from the higher underlying operating profit and continued tight control of working capital.

The Group's financial performance is discussed in greater detail in the Group Finance Director's Review on **pages 27 to 30**

Group development

During the year, the Group acquired Revolution Drives, a supplier of power transmission and motion control solutions, which is being integrated into Precision Polymers US. The Group also acquired the non-controlling interests in Belle Banne Conveyor Services and Leading Edge Conveyor Services, both located in Australia, following the exercise of pre-existing put options by the non-controlling shareholders; this was the final stage of an acquisition that has been very successful. Total acquisition spend during the year was £16.4m.

Summary of results and performance

	2017	2016 as reported	2016 constant currency
Revenue (£m)			
AEP	**294.0**	250.7	279.5
ECS	**361.4**	321.8	369.3
Group	**655.4**	572.5	648.8
Underlying operating profit (£m)			
AEP	**43.9**	29.9	34.1
ECS	**24.1**	14.2	16.5
Corporate	**(8.9)**	(7.0)	(7.1)
Group	**59.1**	37.1	43.5
Underlying operating margin			
AEP	**14.9%**	11.9%	12.2%
ECS	**6.7%**	4.4%	4.5%
Group	**9.0%**	6.5%	6.7%
Operating profit/(loss) (£m)			
AEP	**41.1**	14.9	17.9
ECS	**22.7**	(21.3)	(23.7)
Corporate	**(10.4)**	(8.3)	(9.1)
Group	**53.4**	(14.7)	(14.9)
Underlying profit before taxation (£m)	**45.3**	23.2	28.0
Profit/(loss) before taxation (£m)	**38.1**	(30.3)	(32.3)
Free cash flow (£m)	**69.0**	38.8	46.0
Underlying earnings per share	**17.7p**	8.4p	10.1p
Earnings/(loss) per share	**17.6p**	(13.6)p	(14.6)p
Return on gross capital employed	**12.7%**	7.9%	8.3%

KPIs

ECS entered into a long-term supply agreement to develop sales opportunities in sub-Saharan Africa through its partner's well established branch and distribution network in the region.

In 2017, capital expenditure was £12.4m (2016: £16.1m), most of which was expended within AEP. The lower level of capital expenditure in the year generally reflected the completion during 2016 of the new specialist premises for Secant Group.

The Group will continue to undertake expenditure on acquisitions, capital expenditure and product development in order to deliver future growth. Further details of the development policies which the Group is pursuing can be found in Strategic Direction on pages 10 to 13.

During the year, the Group sold Xeridiem Medical Devices and CDI Norway.

Outlook

As we enter the new year, the outlook is strengthening. The Group's momentum is being maintained with each of our businesses seeing opportunities and encouraging developments.

In Advanced Sealing Technologies, the disruption from storms Harvey and Irma were taken in our stride due to careful planning, whilst the benefits of market share gains combined with improved market dynamics should lead to further advancement this year.

Solesis Medical has recently seen the benefit of product developments advancing from its pipeline towards commercialisation. This should support our progress over the next two years, accelerating our growth rate over that period.

Precision Polymers is growing steadily as it sees acceptance of new product developments as well as the benefits of integrating Revolution Drives.

In ECS, our customers have seen a steadier background to their markets. Whilst it will take a little time to feed through into demand for our products, the need for new mining developments is increasingly on the agenda, as is the requirement for innovative ways to reduce our customers' handling costs. Taken together, these factors lead us to believe that we are through the nadir of the cycle.

We believe the coming year will see further progress across the Group, notwithstanding the significant macro-economic uncertainties around the world. Overall, given the structural growth opportunities that the Group has created, the Board anticipates that the outcome will be above its previous expectations.

Mark Abrahams
Chief Executive Officer
15 November 2017

Strategic Direction

There are six key elements of our approach to generating value for shareholders

Our approach

The Board believes that each business within the Group has the potential to outperform its competitors and to deliver growth.

The Group's resources will continue to be targeted towards those Fenner businesses which have the greatest potential for growth and for the creation of shareholder value, in particular the Group's medical and oil & gas businesses.

This expenditure will take the form of capital expenditure, acquisitions and investment in product development and knowledge.

Investment in the remainder of the Group's activities will be made where there are specific low risk opportunities and consistent with achieving targeted levels of growth.

1. We target growth markets and market segments

We target those markets and those market segments which we believe will show superior and sustained growth.

We continue to focus the Group's investment on the medical and oil & gas industries and key sub-segments within these industries (such as regenerative medicine and unconventional means of oil & gas extraction).

In our more mature businesses, we will target regions and business areas where we believe growth will be well above industry averages; accordingly, Precision Polymers will extend its product range and make bolt-on acquisitions and ECS is investing in its market leading positions in Australia.

2. We seek to increase our market shares

Increasing our market shares signifies that we are providing customers with the goods and services that they need and that we are outperforming our competitors.

We have a strong record of increasing our shares of target markets.

We will develop and invest in our well-regarded, market leading brands.

We emphasise providing excellence in customer service and support.

Our approach also emphasises continuing investment in product development and expanding our product range. We continued to invest even when market conditions deteriorated significantly.

3. We invest in knowledge

Investment in knowledge enables us to develop new products and to enhance the capabilities of existing products, thereby giving us important advantages over our competitors.

It also allows us to carry out existing activities more efficiently.

Across the Group, we have accumulated large amounts of specialist knowledge and know-how that helps us to differentiate our businesses.

The Group is continuing to invest in materials technology, with particular emphasis on the development and application of new polymeric materials for medical applications and for our oil & gas businesses.

Our depth of know-how was important in enabling us to significantly reduce costs in ECS when the mining segment faced a severe downturn; this cost cutting was achieved without compromising product quality, customer service or the longer-term potential of the business.

4. We aim to maximise our operational efficiency

Maximising operational efficiency enables us to increase returns to shareholders whilst also improving our proposition to customers.

Businesses within the Group are expected to increase operational efficiency each year. Where meaningful data are available, we benchmark our businesses' performance against those of our competitors whom we seek to outperform.

Operational efficiency is assisted by the Group's network of well invested and strategically located facilities.

Our safety and environmental records continue to improve and are well ahead of many in our peer group; this indicates that we are doing things correctly and are becoming more efficient in our operations.

5. We are disciplined in our use of capital

We recognise that efficient use of capital will increase the returns that we generate for our shareholders.

The Group will continue to pursue acquisitions which will be focused on AEP, providing a combination of range extension, geographical coverage and technical know-how.

Expenditure will continue to be tested against strategic and financial benchmarks.

Businesses are evaluated to ensure that they can generate returns in excess of our cost of capital, otherwise they become candidates for disposal. Businesses can also be candidates for disposal where they would create more value for a different owner.

6. We monitor and respond to environmental issues

Governments, employees and other stakeholders will expect higher standards of environmental awareness and corporate responsibility.

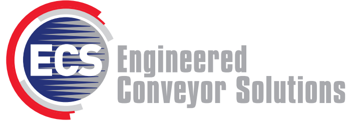
We recognise that new policies adopted by governments around the world which are intended to protect the environment will impact on certain markets we serve, in particular coal mining.

The future development of these markets will also reflect other dynamics, such as increasing demand for energy and the prices of alternate energy sources; we will manage our businesses accordingly.

The Group's record in corporate responsibility is strong and we will continue to seek further improvements.

These six key elements help to determine how we set objectives and manage our businesses in order to maximise growth and shareholders' returns

Objectives	What we are doing to achieve our objectives
Advanced Sealing Technologies	
Gaining further shares in the principal markets in which we operate and the newer markets which we are targeting.	• Effective geographic and product range expansion across Advanced Sealing Technologies • Taking advantage where our competitors are struggling
Exploiting the significant opportunities arising from the changing technical landscape in the oil & gas industry with more demanding operating conditions.	• Continuing investment in materials technology to enable mission-critical and extreme applications for Fenner seals • Increasing focus on manufacturing responsiveness and more exacting quality assurance
Positioning Advanced Sealing Technologies businesses to respond to cyclicality and long-term growth dynamics in their principal markets.	• Investment in customer relationships through, for example, the implementation of Strategic Account Management • Maintaining our capabilities and business mandates through downturns
Solesis Medical	
Benefitting from key themes within the global healthcare industry.	• Growing a product pipeline which emphasises: - minimally invasive surgery - improved clinical outcomes - reducing cost of procedures
Pursuing the significant growth opportunities arising from the strategic convergence of established and new technology platforms.	• Developing the PGS Regenerez® biomaterial platform • Introducing innovative proprietary products • Secant and Charter working together as a speciality supplier to the emerging field of regenerative medicine
Expanding Secant's and Charter's core objectives to give rise to more growth opportunities and to make them more strategic to customers.	• Backwards integration by Secant into biomaterials • Forward integration by Secant into contract manufacturing and non-medical applications such as energy and space • Charter expanding its capabilities across bioprocessing and cell therapy
Precision Polymers	
Identifying and developing value adding/problem solving products for our customers.	• Precision Polymers is using: - our knowledge of polymer technology - our industry know-how and trade secrets - our understanding of our customers' businesses
Increasing growth potential and business resilience whilst maintaining high margins and return on capital.	• Strengthening coverage across many end-user segments • Using multiple sales channels • Increasing geographic reach
Pursuing acquisitions to accelerate growth and increase shareholder returns.	• Identifying product areas where revenues can be scaled up using our sales channels • Moving production to our facilities to reduce overheads • Using acquisitions to provide an entry point into new market niches



Objectives	What we are doing to achieve our objectives
Repositioning ECS towards recovery and targeted growth following the prolonged downturn in certain key markets.	• Maintaining our network of well invested and strategically located manufacturing facilities • Making selective increases in manufacturing capacity, mainly through additional shifts and efficiency gains • Investing in product know-how and developing improved technology
Offering a full range of market leading heavyweight conveyor belts.	• Maintaining and enhancing the acknowledged quality of our belts • Providing customers with lowest lifecycle cost • Developing its mid-market belt offering
Adapting to a global economy which is likely to become less dependent on coal.	• Building ECS's industrial business in the Northern Hemisphere • Increasing ECS Australia's revenue from hard rock mining • Expanding into new mining regions and growing industrial economies
Tailoring a global strategic service offering to support customers' belt purchasing decisions.	• Providing maintenance, installation and other services to customers where the provision of services is connected to the belt purchase decision • Redefining the service offering to allow progressive withdrawal from the provision of low margin, non-strategic services
Maintaining and developing ECS's market leadership in Australia.	• Continuing to serve both coal and hard rock mining • Building upon ECS's local presence, high standards of customer service, ability to provide tailored solutions and operational efficiencies
Continuing to develop ECS's businesses in the Northern Hemisphere.	• Ongoing re-focusing of ECS Americas towards the industrial segment of the market, through strengthening ECS's distributor network and widening its product range • Positioning ECS's facilities in the Netherlands and the UK to benefit from recovery in export markets in Europe, Africa and elsewhere

Key Performance Indicators

During 2017, all Key Performance Indicators showed strong, positive movements, in line with or ahead of the Board's expectations

The Key Performance Indicators ("KPIs") adopted by the Board include financial and non-financial measures. The KPIs are intended to enable the Board to monitor the Group's performance against a range of criteria, which include but go beyond direct measures of shareholder value. As explained on page 133, underlying measures are used where they are considered to present a more meaningful measure of performance. The Board undertakes this monitoring over time and against other companies which may be considered as comparable.

The movements in the KPIs during the year confirm the appropriateness of policies pursued by Fenner management during the very challenging conditions which prevailed in many of the Group's principal markets, including the close control of costs and cash flows whilst maintaining investment in areas which will benefit the Group in the future.

The Board has noted with particular satisfaction the continuing improvement in the Group's safety performance which the Board believes places the Group well ahead of other companies in similar industries.

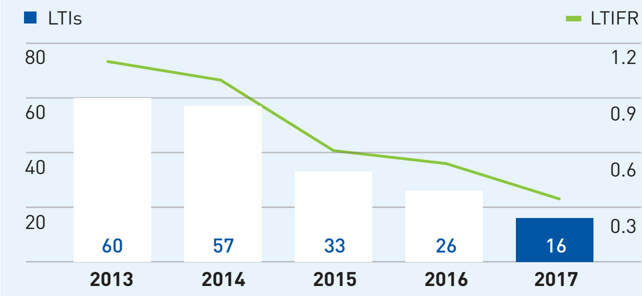
As the Group moves towards sustainable growth, the Board will amend upper or lower limits for individual KPIs or the target range, in order to reflect factors such as historic performance, changes in trading conditions and movements in exchange rates. The significant improvements achieved in 2017, together with the strength of the Group's business mandate, provide the Board with strong optimism that further improvements can be achieved in 2018.

Certain financial KPIs (being underlying operating profit, underlying earnings per share, return on gross capital employed and EBITDA interest cover) are taken into account in determining the remuneration of the executive directors.

Safety performance

Fenner believes strongly that safety is at the heart of the way it does business and looks for and promotes safety as a key element in the culture of each of its operations.

Safety is monitored at the business unit and divisional level using a variety of measures. For the Group as a whole, the Board has decided to monitor Lost Time Incident Frequency Rate ("LTIFR") as the principal indicator of Fenner's underlying safety record.



The Group has made further significant advances in safety. The number of lost time incidents fell to a new record low. LTIFR fell to 0.36 which compares with a benchmark across a variety of industries of 1.10, putting Fenner well ahead of its peer group.

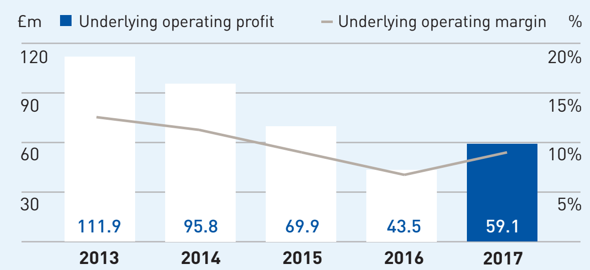
In addition, during the year, various businesses within the Group achieved significant safety milestones.

Definition: Lost Time Incidents ("LTIs"): the number of incidents connected with work which result in the injured person being away from work, not including the day of the incident. LTIFR: LTIs per 200,000 hours worked.

Underlying operating profit and underlying operating margin

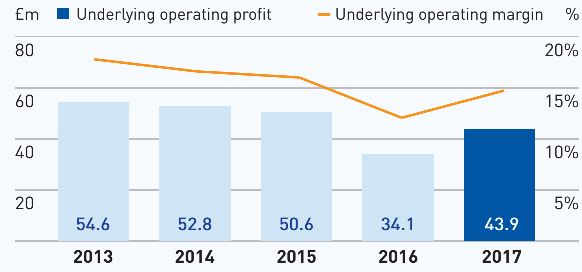
The Board considers underlying operating profit ("UOP") and underlying operating margin ("UOM") for the Group as a whole and for each division. These are considered to be appropriate measures of the total amount of profit which the Group is generating and of the rate at which it is converting revenue into profit. Operating profit is adjusted to UOP in order to present a more meaningful measure of the underlying performance of the Group and its two divisions.

Group



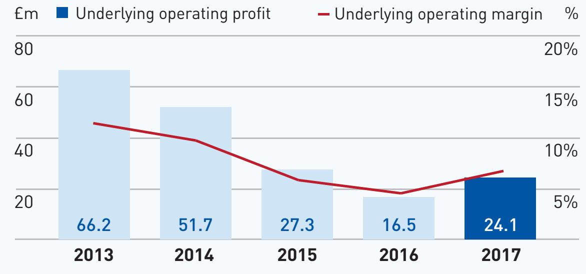
Movements in the Group's UOP and UOM reflected the improved performances of AEP and ECS.

Advanced Engineered Products



UOP increased primarily due to the progressive recovery in AEP's oil & gas businesses and further growth in Solesis Medical. Operational leverage and improved mix led to more pronounced increases in UOM.

Engineered Conveyor Solutions

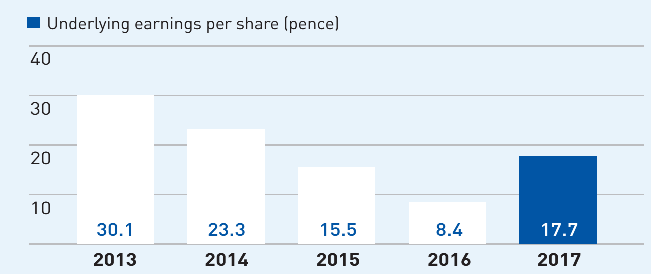


UOP increased following the restructuring of ECS's activities in North America, which resulted in considerable cost savings, and an improved performance in Australia. The more pronounced increase in UOM reflected that, for ECS as a whole, revenue was relatively unchanged.

Definition: Underlying operating profit is operating profit before amortisation of intangible assets acquired and exceptional items. Underlying operating margin is underlying operating profit as a percentage of attributable revenue. To reflect increased currency volatility, prior year figures have been restated at constant exchange rates.

Underlying earnings per share

The Board believes that underlying earnings per share is the best measure of profit generation for the Company's shareholders. This measures underlying profit per share after net interest, taxation and profit attributable to non-controlling interests.

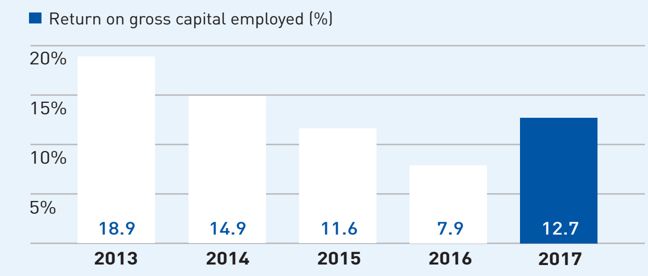


Underlying earnings per share more than doubled, mainly due to the increased underlying operating profit.

Definition: Profit for the year attributable to shareholders of Fenner PLC before amortisation of intangible assets acquired, exceptional items and notional interest, divided by the basic weighted average number of shares in issue and ranking for dividend.

Return on gross capital employed

Return on gross capital employed measures the profit earned by the Group in the year on the capital which it has invested. The Board considers the return on capital employed against the Group's weighted average cost of capital to determine the extent to which the Group is generating value for the Company's shareholders. The Board considers the value generated through the various economic, commodity and financial cycles which impact the Group and accepts that the measure will be lower when there are difficult trading conditions in the Group's key markets.



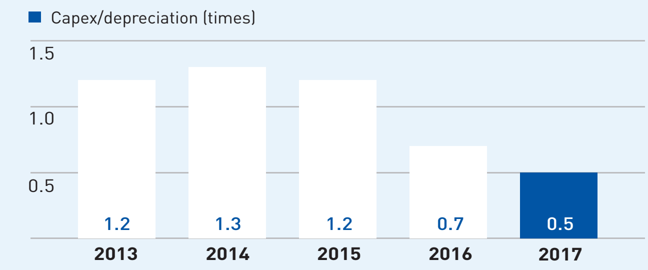
Return on gross capital increased as the Group's profitability improved. The Board is satisfied that the return generated exceeded the Group's weighted average cost of capital and therefore that the Group is generating economic value for its shareholders.

Definition: Underlying operating profit divided by gross capital employed, being the average of the opening and closing non-current assets (excluding deferred tax), inventories, trade and other receivables, assets held for sale, trade and other payables and liabilities held for sale.

Capital expenditure/depreciation

The Board considers the relationship between the Group's capital expenditure and depreciation within the context of the Group's strategic development.

The Board expects that AEP will be able to maintain growth whilst undertaking capital expenditure which, through the economic cycle, is broadly in line with its depreciation. ECS's capital expenditure is likely to remain below depreciation for some time reflecting past investment in its facilities. Alongside its capital expenditure, the Group will continue to undertake other development expenditure, such as investment in knowledge and product development.



As anticipated, capital expenditure across the Group was lower than in previous years and below the Group's depreciation charge. In AEP, capital expenditure on new facilities for Secant Group was much reduced as the project reached its conclusion. In ECS, capital expenditure continued to reflect the well invested and strategically-located network of manufacturing facilities.

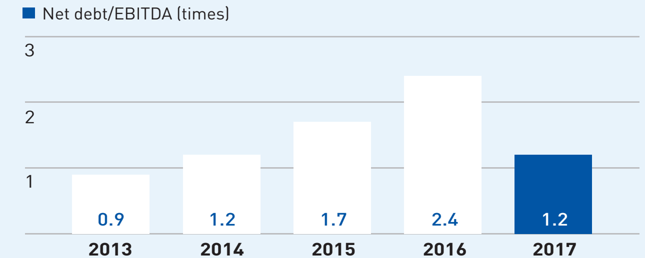
Definition: Capital expenditure (including finance leases) divided by depreciation and amortisation (excluding amortisation of intangible assets acquired).

Financial leverage

The Board considers the Group's financial leverage to determine whether the Group's balance sheet is efficient in its use of shareholder equity and also to ensure that it does not subject the Group to inappropriate levels of financial risk.

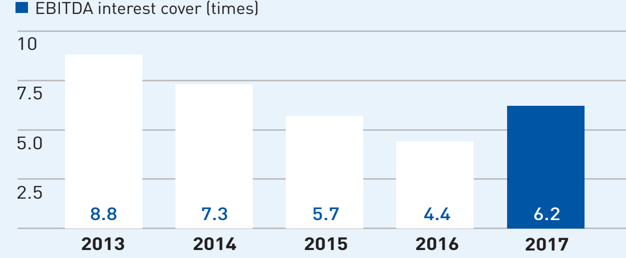
The principal measures which the Board uses are net debt/EBITDA and EBITDA interest cover.

The Board also monitors the Group's compliance with the financial covenants contained within the Group's borrowing and other financing facilities. As described in the Group Finance Director's Review and also in note 22 to the Group financial statements, the Group comfortably complied with all of its loan covenants throughout the year.



The significant reduction in net debt/EBITDA during the year reflects both the reduction in net debt and the increase in EBITDA.

The reduction achieved is significantly ahead of the Board's objective, which was to reduce the level to 2.0 times as at 31 August 2017; as such, net debt/EBITDA has returned to the level achieved in 2014, before the downturn in commodity prices which impacted Group profitability.



EBITDA interest cover rose to 6.2 times due to higher EBITDA. Net interest payable was little changed, with the benefit of lower borrowings being offset by the translation of interest charges denominated in US dollars at less favourable exchange rates.

Definitions: Net debt/EBITDA: net debt divided by operating profit before depreciation, amortisation, impairment charges and other exceptional items.

EBITDA interest cover: operating profit before depreciation, amortisation, impairment charges and other exceptional items divided by net interest payable (excluding notional interest).

AEP - Divisional Review

AEP is a group of related growth businesses that use advanced polymeric materials and technical expertise to provide high value-added solutions to its global business customers

Business mandate

- Performance-critical niche products
- Proprietary technology and manufacturing expertise
- Small relative purchase for customer
- Continuous product development
- High margin businesses

Businesses and products

Business	Principal products	Principal markets served	Principal facilities
Advanced Sealing Technologies			
CDI Energy Products	Custom seals	Oil & gas (conventional/ unconventional)	USA Singapore
EGC Critical Components	Seals and other components	Fluid handling (including oil & gas)	USA
Hallite	Seals for fluid power	Construction, mining and agriculture	USA Europe Asia
AIP Precision Machining	High-precision polymer components	Oil & gas, medical, construction and aerospace	USA
Precision Polymers			
Precision Polymers US	Elastomeric solutions, belts for power transmission and motion control	General industrial, automation and transportation	USA
Precision Polymers UK	Elastomeric solutions, specialist hoses, belts for motion control	Transportation, construction and automation	UK
mandals since 1775	Lay-flat hoses	Agriculture, general industrial and oil & gas	Norway
Solesis Medical			
secant group	Biomedical textile components and biomaterials	Medical	USA
CharterMedical	Custom single-use medical devices	Medical	USA

* Mandals transferred to Advanced Sealing Technologies with effect from 1 September 2017

Review of the year

	2017 £m	2016 £m	Increase %
Revenue			
Advanced Sealing Technologies	**129.0**	109.9	17%
Precision Polymers	**109.1**	101.8	7%
Solesis Medical	**55.0**	51.5	7%
AEP like-for-like total	**293.1**	263.2	11%
Businesses sold or closed	**0.9**	16.3	-
AEP total	**294.0**	279.5	5%
Underlying operating profit	**43.9**	34.1	29%
Underlying operating margin	**14.9%**	12.2%	2.7pcp
Operating profit	**41.1**	14.9*	176%
Operating cash flow	**50.9**	34.2*	49%

KPIs At constant currencies (*as reported)

In 2017, AEP generated sharply improved results in terms of revenue, profit and margin.

Revenue was £294.0m (2016: £279.5m at constant currencies). After adjusting for businesses sold or closed, revenue increased by 11%.

Of AEP's three product groups, Advanced Sealing Technologies generated 44% of AEP's revenue in 2017; Precision Polymers 37%; and Solesis Medical 19%.

Underlying operating profit was £43.9m (2016: £34.1m at constant currencies), an increase of 29%. Underlying operating margin was 14.9% (2016: 12.2% at constant currencies), an increase of 2.7 percentage points. Operating cash flow also significantly improved to £50.9m (2016: £34.2m), an increase of 49% and representing 116% of underlying operating profit. Operating profit was £41.1m (2016: £14.9m).

AEP's improved result for the year reflects, in particular, a progressive recovery by the upstream/midstream oil & gas businesses and further strong progress by Solesis Medical. There were also markedly higher results from certain AEP specialist industrial businesses.

Advanced Sealing Technologies

Advanced Sealing Technologies ("AST"), the largest product group within AEP, designs and manufactures performance-critical seals for use in oil & gas and fluid power applications and precision machined polymer components. In 2017, like-for-like revenue was £129.0m (2016: £109.9m at constant currencies), an increase of 17%.

CDI and EGC supply seals to the oil & gas industry and together accounted for approximately one-half of AST revenue.

CDI (custom seals for upstream oil & gas) is the Group's largest oil & gas business, with its principal operation in Texas, USA. CDI's revenue was significantly ahead of the previous year, with profit and margin showing even greater proportionate improvements.

In the USA, CDI has outperformed its competitors and increased its share of its target markets, as its continued investments in material sciences and product development enabled it to meet the more stringent demands of the US fracking industry where changes in technical specifications for sealing systems have arisen, in particular as a consequence of wells operating at higher temperatures and pressures.

As a result, CDI has significantly strengthened its relationships with its key customers, which include all principal US oilfield service companies and OEMs. CDI is therefore well positioned to benefit from further recovery and growth in the fracking industry in the USA and globally.

CDI's operations in the Far East, headquartered in Singapore, serve the oil & gas industry in the Middle East and Asia. General economic and political uncertainties and customer specific issues have dampened demand and, for the region as a whole, performance was flat compared with the previous year. In Europe, CDI completed the restructuring of its operations in February 2017 with the sale of the Norwegian business, a distributor of seals primarily to the North Sea oil & gas industry.

EGC (seals and other components for fluid handling in midstream/downstream oil & gas) continued to make progress in establishing a strong international customer base and technologically advanced products. Its end markets in downstream oil & gas have shown early signs of improvement with the US refining industry adjusting to lower oil & gas prices. Overall, EGC's revenue was slightly ahead of the previous year.

Towards the end of the financial year, both CDI and EGC encountered some disruption to their operations in Houston from Hurricane Harvey, although careful planning substantially mitigated the impact.

Hallite (seals for fluid power) achieved higher revenue and markedly higher profit, meaning that its margin was close to the average for AEP as a whole. Hallite successfully further broadened its product range and geographical coverage and increased penetration at targeted OEMs. Stronger sales to customers serving the construction industry more than offset weaknesses in sales to other sectors. The increase in margin was also assisted by further improvements in operating efficiencies and reduced costs within its supply chain.

AIP (precision machined polymer components) is the smallest business within AST. AIP recorded modest declines in revenue and profit as it continued to transition away from its traditional customer base in the energy industry to newer markets including medical, aerospace and specialist industrial.

Precision Polymers

Precision Polymers produces a range of specialist belts for motion control, hoses and other high value-added elastomeric solutions which are used across a range of industries and applications.

In 2017, revenue was £109.1m (2016: £101.8m at constant currencies), an increase of 7%. Profit was ahead of the previous year, although the improvement was held back by a lower result in Mandals. Precision Polymers US and Precision Polymers UK both generated higher margins and continued to achieve attractive returns on capital.

In 2017, Precision Polymers US achieved higher profit on revenue which was in line with the previous year. Financial performance improved as the year progressed, with the earlier months of the year being held back by lower sales of bespoke belts to certain key customers and general economic uncertainty in the USA ahead of the Presidential election. Subsequently, order intake improved with the strengthening of the US economy. As expected, there were gains in operating efficiencies arising from the combination of Fenner Drives and Fenner Precision which took place in 2016.

Revolution Drives was acquired in August 2017; it is a small specialist precision polymers business focused on power transmission and motion control solutions. The business is in the process of being integrated into Precision Polymers US.

Precision Polymers UK achieved improved revenue and profit, reflecting in particular a strong performance by the UK elastomeric solutions business, which has successfully increased its range of innovative problem-solving polymer products and grown its customer base amongst OEMs in the UK and Europe. Revenue from hoses for high-performance diesel engines was ahead of the previous year, reflecting stronger demand for commercial vehicles used in the construction industry in the UK and Europe; there was also an improved performance from the hose operation in China.

Mandals (lay-flat hoses) saw an increase in revenue which arose mainly from sales of hose for use in agricultural and industrial applications in Europe and the Americas. Sales of hose into the US unconventional oil & gas industry for use in fracking increased from the very low level of the previous year but remain challenging. Overall, the results remained subdued. With effect from the start of the new financial year, Mandals was transferred into AST; this is intended to help drive Mandals' sales in the US and Latin American fracking markets by leveraging AST's extensive global network in the oil & gas industry.

Solesis Medical

Solesis Medical comprises Secant Group and Charter Medical, both of which are located in the USA. The businesses build upon Fenner's expertise in polymers and textiles to design and manufacture components with an emphasis on implantable biomedical device technologies and single-use disposables; the components are generally used by OEMs in the life sciences industry.

In 2017, Solesis Medical recorded revenue of £55.0m (2016: £51.5m on a like-for-like basis at constant currencies), an increase of 7%. Profit and margin increased strongly during the year.

Secant Group (biomedical textile components and biomaterials) had a transformational year in which it completed its move to new, purpose-built and industry-leading premises which has assisted in reinforcing Secant Group's position as the leading independent supplier of implantable medical textiles. During the year, Secant Group has continued to expand its customer base which includes both a significant number of medical majors and also early stage start-up companies. Secant Group has strengthened its product development pipeline with particular emphasis on advanced biomaterials for use in regenerative medicine. Secant Technical Materials has been established to find opportunities for Secant Group's expertise in applications outside the medical industry, including space, energy and filtration.

Secant Group's financial performance was strongly ahead in the year with marked increases in profit and margin. Revenue growth was weighted towards the second half of the year as various new products approached the commercialisation stage. The higher profitability also reflected improved mix and operating efficiencies.

Charter Medical (single-use products for blood management, bio-processing and cell therapy) saw solid revenues from its blood management business and made significant progress in the development of its range of products for use in cell therapy applications and in enhancing key customer relationships. Revenue was in line with the previous year but with an improvement in the mix of business towards the growing and more profitable areas. Accordingly, profit was ahead, despite higher investment in product development.

Xeridiem Medical Devices was sold at the start of the financial year.

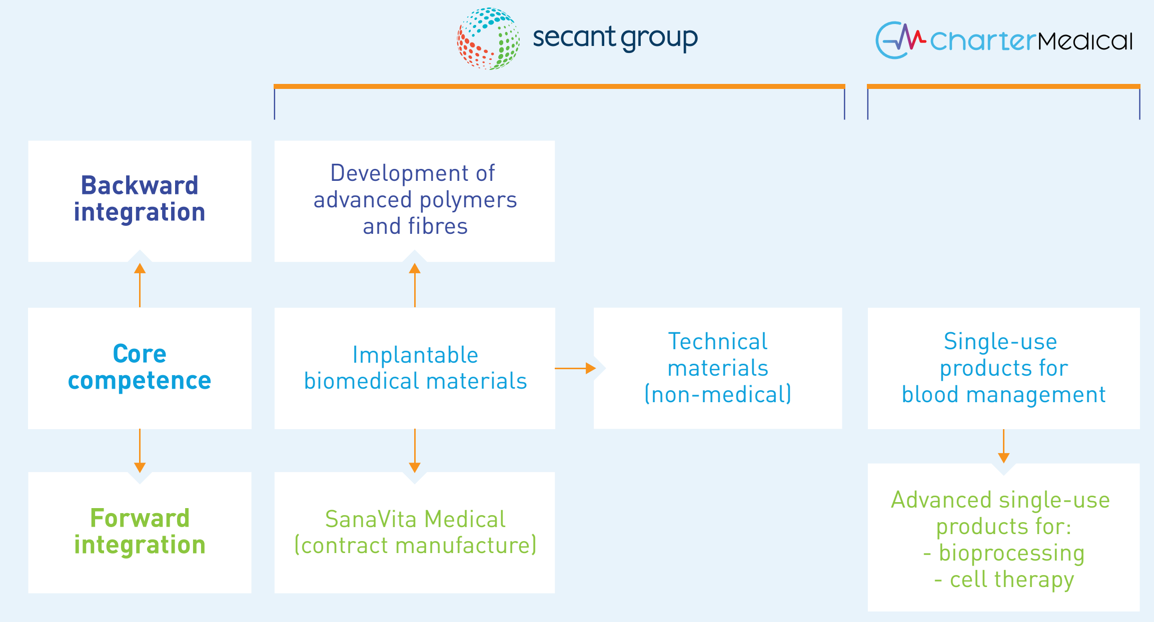
Case study: Solesis Medical – expanding technology platforms and revenue opportunities

Both Secant Group and Charter Medical are expanding the depth and range of their activities and expertise in order to become more important parts of their clients' supply chains and to enter new markets.

Secant Group is the leading independent company in the weaving, knitting and braiding of polymeric materials; these materials are used by its clients in the manufacture of biomedical structures which are implanted into the human body. For some time, Secant Group has been using its expertise to develop new polymers and engineered fibres with properties that support the regeneration of human tissue; this has resulted in several platform technologies including Regenerez®, a fully-synthetic, bioresorbable, surface-eroding polymer.

Secant Group is also examining how its expertise may be used to develop materials which might be used in other applications which demand very high levels of performance, often under extreme conditions. To date, particular opportunities have been identified in the energy, filtration and space industries. As a separate initiative, Secant Group has established a new subsidiary, SanaVita Medical, to develop and market its expertise in the manufacture of polymeric medical devices; this expertise will increasingly enable Secant Group to offer additional value-added services to its customers which range from medical majors to biomedical start-ups.

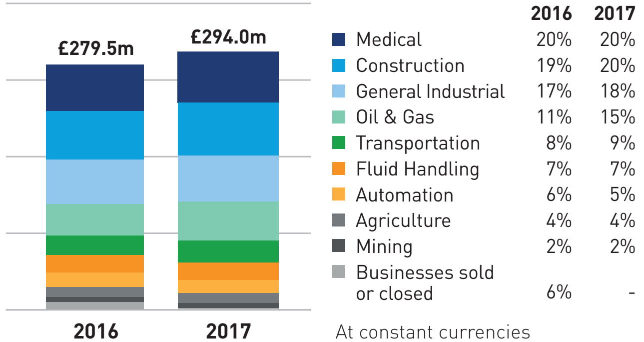
Charter Medical has well established expertise in the design and manufacture of single-use devices used in blood management. It is using this expertise to create custom-designed disposables for use in bioprocessing and cell therapy applications. Both these types of applications have demanding and specific requirements according to the type of treatment and offer very considerable market potential. By working with healthcare providers as new treatments are developed, Charter Medical is building strong relationships with its customers and positioning itself as a leader in these fast-growing sectors.



Additional divisional information

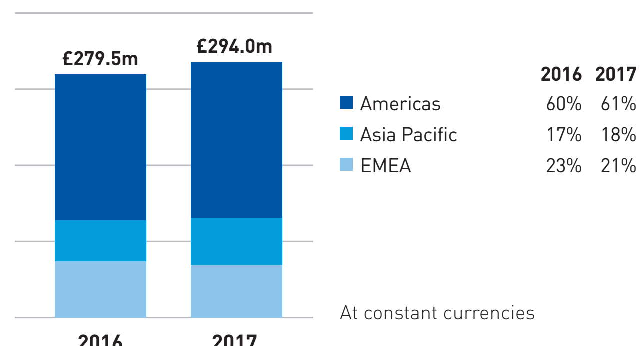
Revenue

By markets served



Medical remained the largest single end market within AEP, accounting for 20% of revenue. Oil & Gas revenues showed the greatest relative growth, increasing to 15% of divisional revenue, as AEP's oil & gas businesses increased market shares and as the oil & gas industry generally showed signs of recovery. Specialist industrial segments combined accounted for the remaining 65% of 2017 revenue; General Industrial sales include sales through third party distributors. Businesses sold or closed were Xeridiem Medical Devices and CDI Europe.

By region



The Americas, principally the USA, remains the largest market for AEP products, reflecting that a number of AEP businesses, including Solesis Medical, CDI, EGC and Precision Polymers US, have their principal operations there. AEP also has a strong presence in Europe, including Precision Polymers UK, Hallite and Mandals. Revenue from Asia Pacific is generated by AEP businesses in the region and by sales into the region from elsewhere, mainly the USA.

Operating cash flow

	2017 £m	2016 £m
Operating profit	**41.1**	14.9
Underlying operating profit	**43.9**	29.9
Depreciation	**11.8**	10.3
EBITDA	**55.7**	40.2
Net capital expenditure	**(7.5)**	(10.2)
Working capital	**2.7**	4.2
Operating cash flow	**50.9**	34.2

AEP generated an operating cash flow of £50.9m in 2017, up from £34.2m in 2016. The increase principally arose from the higher underlying operating profit, which increased to £43.9m from £29.9m in 2016. Net capital expenditure was £7.5m (2016: £10.2m), compared with depreciation of £11.8m (2016: £10.3m), reflecting the completion during 2016 of the new specialist premises for Secant Group and relatively low levels of capital expenditure in the oil & gas businesses as they recover from the downturn.

ECS - Divisional Review

ECS is an established global supplier of industry-leading heavyweight conveyor belting and related services to mining and industrial markets, with particular strengths in Australia, Europe and North America

Business mandate

- Conveyor belts which provide users with the lowest lifecycle cost for the reliable operation of conveyors
- Full range of heavyweight belting with strategic service offering
- Australia: clear market leader reflecting a local manufacturing base, technology and superior customer service; joint emphasis on coal (metallurgical and thermal) and hard rock (iron and other ores)
- Europe: broad industrial base in local and overseas markets
- North America: industrial business with growth opportunities and operating improvements; adapting to structural changes in coal mining
- Opportunities in emerging mining and industrial regions

Organisation and products

Region	Share of ECS revenue (2017)	Customers	Principal facilities
Northern Hemisphere	51%	• Predominantly industrial and non-coal mining • Relatively fragmented customer base • Multiple sales channels	North America (USA, Canada) Europe (Netherlands, UK) India
Southern Hemisphere	49%	• Predominantly mining • Relatively concentrated customer base • Direct sales	Australia China RSA

Principal products and services	Description	Applications
Ply belt	Layers of fabric made from woven polymers covered with compounded rubber	Wide variety of mining and industrial applications
Solid woven	Solid woven carcass and integral pvc/rubber covers provide tensile strength and fire resistance	Underground soft-rock mining (including coal)
Steel cord	Pre-tensioned steel cord encased in premium rubber compounds	Hard rock mining and on the world's longest, fastest and high capacity conveyor systems
Services	Monitoring, maintenance, supply and installation	Focused on those customers where the provision of services is strategic to the belt purchase decision

Review of the year

	2017 £m	2016 £m	Change %
Revenue			
Northern Hemisphere	**184.0**	190.2	-3%
Southern Hemisphere	**177.4**	176.8	0%
ECS like-for-like total	**361.4**	367.0	-2%
Businesses sold or closed	**-**	2.3	-
ECS total	**361.4**	369.3	-2%
Underlying operating profit	**24.1**	16.5	46%
Underlying operating margin	**6.7%**	4.5%	2.2pcp
Operating profit/(loss)	**22.7**	(21.3)*	n/a
Operating cash flow	**38.2**	34.9*	9%

KPIs At constant currencies (*as reported)

In 2017, ECS generated sharply higher underlying operating profit and operating margin, as it benefitted from its continuous improvement programmes and specific initiatives implemented in 2016. Higher prices for raw materials on world markets have been managed.

Underlying operating profit was £24.1m (2016: £16.5m at constant currencies), an increase of 46%. Underlying operating margin was 6.7% (2016: 4.5% at constant currencies), an increase of 2.2 percentage points. Operating profit was £22.7m (2016: £21.3m loss).

Revenue for the year was £361.4m (2016: £367.0m on a like-for-like basis at constant currencies), split approximately equally between the Northern and Southern Hemispheres. Despite higher sales to the industrial segment, total revenue fell slightly as the mining industry remained focused on cost such that improvements in miners' sentiment have not yet been reflected in purchases of belt.

Cash flow was again strong. Operating cash flow increased to £38.2m (2016: £34.9m), representing 159% of underlying operating profit, due to the higher underlying operating profit and continuing disciplined use of capital.

As it enters the new financial year, ECS will benefit further from its ongoing programmes of efficiency and product development; there are indications that market conditions are improving with continued growth in industrial production and, within the mining industry, belt destocking having come to an end together with signs that expenditure on new mining developments is being more actively considered.

Northern Hemisphere

Revenue was £184.0m (2016: £190.2m on a like-for-like basis at constant currencies), a decrease of 3%. For the year, the Northern Hemisphere accounted for 51% of ECS's revenue.

Profit rose significantly compared to the previous year due to the recovery in profits in North America.

Americas

ECS Americas continued to benefit from the refocusing and restructuring of the business, announced in January 2016. Profit was much ahead of the previous year, reflecting the increased efficiency of operations, despite revenue being slightly lower.

The business continues to place high emphasis on growing its sales to the industrial segments of the belting market which includes customers engaged in construction, building materials and agriculture; revenue from these segments increased over the period, partly offset by lower sales to non-coal mining customers.

ECS has continued to enlarge its product range for industrial users and to enhance its distributor network through which these end-users are generally accessed. In July 2017, ECS launched its "Patriot X" range of belts, which provide ECS's US customers with domestically manufactured belts for light to medium industrial applications. The new range of belting offers higher performance in terms of rip, tear and impact resistance than is available from other suppliers in that market segment.

During the year, the US coal mining industry experienced a recovery from the very low levels of the previous year, with both coal prices and extraction volumes increasing. With their improved cash flows and prospects, coal mining groups were generally more able to replace worn-out belts which led to a pick-up in ECS's order intake; however, the business remains cautious over the likelihood of further coal mining market recovery in the future.

Improved efficiencies led to significant reductions in costs compared with 2016; these were in addition to the annualisation of the benefit of headcount reductions and other savings arising from the 2016 restructuring. The ongoing programme to increase cost effectiveness is expected to yield further benefits going forward.

As it enters the new financial year, there are indications that ECS Americas is on a sustainable path to return to historic margins on revenue that will grow more steadily from the current reduced level.

Europe

ECS's principal European operation, based at Drachten in the Netherlands, saw ongoing subdued levels of demand from its customer base across Europe, North Africa and the Middle East with amounts of new project work remaining, by historic standards, at relatively low levels. ECS's Drachten facility continues to be one of the most productive plants in ECS and, in the prevailing market conditions, the result achieved was satisfactory and compares well with other European belt manufacturers.

The UK business produced revenues in line with the previous year, despite the difficult conditions in a number of the export markets which it serves.

Southern Hemisphere

In 2017, revenue was virtually unchanged at £177.4m (2016: £176.8m at constant currencies), which represented 49% of ECS's revenue. Profit and margin were ahead of the previous year.

Australia

ECS's business in Australia is by far the largest part of ECS Southern Hemisphere in terms of revenue and profit; the business is focused on the metallurgical and thermal coal and iron ore mining industries.

During the year, ECS Australia increased revenue, profit and margin. Sentiment in the Australian mining industry improved as commodity prices rose sharply over the year and extraction volumes remained on upward growth trajectories, albeit at reduced rates compared with earlier years. However, mining groups generally remained highly focused on costs and cash flows, with the principal upward pressure on belt volumes coming from the progressive ending of de-stocking.

Revenue arising from new mining projects remained at relatively low levels although, by the end of the year, customer enquiries were increasing.

As in recent years, competitive pressure on belt supply and service contracts remained strong; however, ECS Australia successfully maintained its clear market leadership, assisted by its local manufacturing presence, high standards of customer service and ongoing measures to increase operational efficiencies. Relationships with mining customers were strengthened by the business's ability to respond flexibly to shortened order lead times and various periods of intense weather.

During the year, the Group acquired the outstanding non-controlling interests in Belle Banne Conveyor Services and Leading Edge Conveyor Services, both conveyor service businesses located in Australia, for a combined consideration of £14.4m.

As the year ended, continued strength in the seaborne markets for Australian iron ore and coal (in particular metallurgical coal) were being increasingly reflected in the level of enquiries received, including in relation to new mining developments.

RSA

ECS's business in RSA achieved results ahead of the previous year due to a recovery in the domestic mining industry; however, the return generated was held back by nationwide labour disruption across the mining industry in RSA and by higher raw material costs.

In July 2017, the business signed a long-term supply agreement under which Fenner conveyor belt will be distributed in RSA and other sub-Saharan countries by a partner which has a well-established branch and distributor network throughout the region. Under this agreement, Fenner will transfer its sales branches and service operations in the region to its partner. The agreement presently remains conditional on the approval of competition authorities.

China

With the coal industry in China going through a significant restructuring, ECS recorded volumes and revenues which were below the previous year. In response, the business has implemented programmes to effect significant cost reductions.

Case study: Fenner Dunlop - Patriot X range of belt for industrial applications

In January 2016, ECS announced a significant refocusing and restructuring of its North American business in order to provide increased focus on industrial markets, which include bulk materials and non-coal extractive industries.

As part of this process, ECS allocated additional resources to apply its expertise in heavyweight conveyor belting to the development of new belting products specifically aimed at the industrial markets.

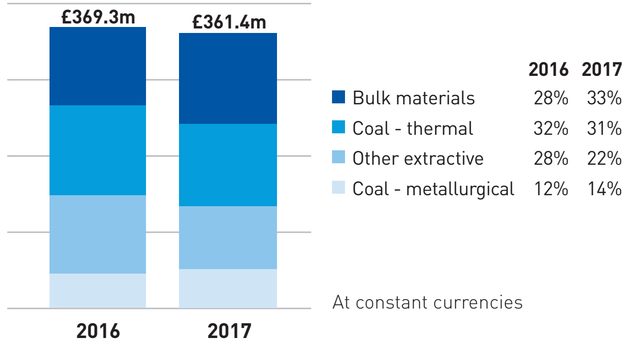
In July 2017, Fenner Dunlop launched its Patriot X range of belting. Patriot X is intended for use in light to medium industrial applications, such as the movement of sand, cement, gravel, paper & pulp and aggregates. Fenner Dunlop has adapted the design specifications used in its heavyweight belting products to produce a belt with better characteristics in terms of rip, tear and impact resistance than other belts in the same market segment.

The belt is being manufactured in ECS's factories in the USA. Patriot X belts are being sold directly to end-users by Fenner Dunlop's own sales force and through Fenner Dunlop's network of distributors.

Additional divisional information

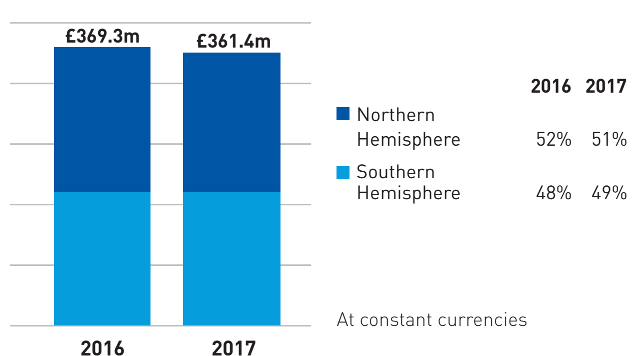
Revenue

By markets served



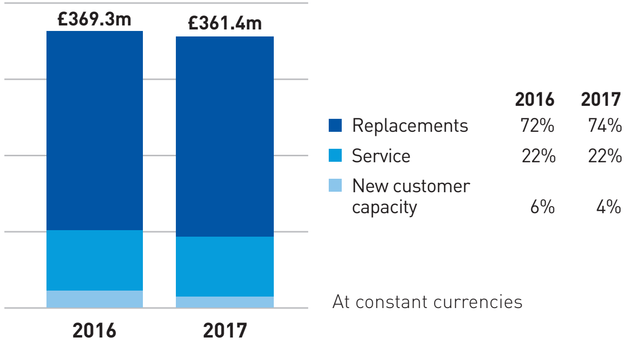
The share of ECS's revenue from bulk materials increased to 33% (2016: 28%), which reflected the re-positioning of the North American business away from coal mining towards industrial customers. Coal mining maintained its overall share of revenue due to a strong performance by ECS Australia.

By region



ECS is managed as two regional business groupings, ECS Northern Hemisphere (which includes the Americas, Europe and India) and ECS Southern Hemisphere (comprising ECS Australia and smaller operations in RSA and China). The groupings have consistently been a broadly similar size, with the small relative increase which took place in 2017 reflecting the strong performance by ECS Australia and slight reduction in revenue in the Northern Hemisphere.

By revenue type



ECS is predominantly a consumables and service business; in 2017, replacements and services accounted for 96% of ECS revenues. New capacity installed by customers, for example in relation to the development of new faces or mines, accounted for only 4% of ECS revenues which reflected weak capital expenditure by mining groups. As noted elsewhere, towards the end of 2017, ECS started to see indications that expenditure on new mining developments is being more actively considered.

Operating cash flow

	2017 £m	2016 £m
Operating profit/(loss)	**22.7**	(21.3)
Underlying operating profit	**24.1**	14.2
Depreciation	**14.6**	13.8
EBITDA	**38.7**	28.0
Net capital expenditure	**(4.0)**	(4.0)
Working capital	**3.5**	10.9
Operating cash flow	**38.2**	34.9

ECS generated an operating cash flow of £38.2m in 2017, up from £34.9m in 2016. This increase reflected the higher underlying operating profit, which was partly offset by a lower release of cash from working capital. Net capital expenditure was unchanged at £4.0m, compared with depreciation of £14.6m (2016: £13.8m); ECS's capital expenditure is likely to remain below depreciation for some time, reflecting past investment in its facilities.

Group Finance Director's Review

Improving profits, strong cash flow and reduced debt

John Pratt
Group Finance Director

Revenue and operating profit

I am delighted to report a much improved operating performance across the Group. Growth in the AEP division has been encouraging and the margin improvement in the ECS division, notwithstanding generally lacklustre market conditions, has exceeded our initial expectations.

Group revenue increased by 14% to £655.4m (2016: £572.5m). The favourable translation impact from movements in foreign exchange rates, which includes the effect of the devaluation of sterling following the UK's vote to leave the European Union, was £76.3m. Revenue on a like-for-like basis, excluding businesses which have been sold or closed, and measured at constant currencies, increased by 4%.

In the AEP division, revenue was £294.0m (2016: £279.5m at constant currencies). After adjusting for businesses sold or closed (the former CDI operations in the UK and Norway and Xeridiem Medical Devices), revenue grew by 11%. The results from our Advanced Sealing Technologies business improved significantly, benefiting from the recovery in oil & gas markets, market share gains and some re-stocking in the supply chain. Other notable growth was achieved by Solesis Medical, where a stronger second half benefitted from the timing of project demand for biomedical textiles.

In the ECS division, revenue was £361.4m (2016: £369.3m at constant currencies). Revenue reduced, despite gains in bulk material handling markets in North America and some improvement in the trading environment in Australia, due to lower demand from the Chinese coal industry, which continues to restructure, and from Africa, where non-coal mining project work remained scarce.

The Group's underlying operating profit increased by 59% to £59.1m (2016: £37.1m) or by 36% at constant currencies.

The AEP division's underlying operating profit increased by 29% to £43.9m (2016: £34.1m at constant currencies), benefitting from operational gearing on the incremental revenue and from management actions taken in the previous year. In the ECS division, underlying operating profit increased by 46% to £24.1m (2016: £16.5m at constant currencies) largely as a result of self-help measures implemented in the prior year.

Amortisation of intangible assets acquired fell to £8.3m (2016: £11.0m) due to impairments made in the previous financial year, principally in ECS Conveyor Services (Americas). The exceptional credit amounted to £2.6m (2016: £40.8m charge), comprising a profit on disposal of businesses of £4.1m less employment costs relating to the former Chief Executive Officer of £1.5m. Further details of exceptional items are provided in note 7 to the Group financial statements.

The resultant operating profit was £41.1m (2016: £14.9m) in the AEP division, £22.7m (2016: £21.3m loss) in the ECS division and £53.4m (2016: £14.7m loss) for the Group.

Cash flow and net debt

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

	2017 £m	2016 £m
Underlying operating profit	**59.1**	37.1
Depreciation	**26.5**	24.2
EBITDA	**85.6**	61.3
Capital expenditure	**(12.4)**	(16.1)
Capital disposals	**1.2**	1.9
Working capital	**7.5**	15.1
Operating cash flow	**81.9**	62.2
Taxation	**4.1**	(6.2)
Interest	**(14.7)**	(13.2)
Other movements	**(2.3)**	(4.0)
Free cash flow	**69.0**	38.8
Restructuring costs	**(2.2)**	(10.4)
Acquisition of businesses	**(15.2)**	(5.6)
Disposal of businesses	**5.8**	-
Dividends - Fenner shareholders	**(5.8)**	(23.3)
Dividends - non-controlling interests	**(1.0)**	(1.3)
Movement in net debt before currency	**50.6**	(1.8)
Settlement of derivatives	**-**	10.5
Currency movements	**(2.1)**	(20.7)
Movement in net debt	**48.5**	(12.0)
Net debt at start of year	**(150.0)**	(138.0)
Net debt at end of year	**(101.5)**	(150.0)

Free cash flow was exceptionally strong, increasing by 78% to £69.0m. The main contributory factors within operating cash flow were the significant increase in underlying operating profit combined with modest levels of capital expenditure (which was weighted towards the AEP division given the well invested ECS division) and the careful control of working capital. The inflow from taxation includes a one-off repayment in the USA of £7.8m from the carry back of prior year losses which arose principally from restructuring activities; excluding this amount, there was a tax outflow of £3.7m.

Restructuring costs incurred in the year relate to the payment of exceptional amounts provided in the previous year. Acquisition payments predominantly relate to acquiring the remaining non-controlling interests in Belle Banne Conveyor Services and Leading Edge Conveyor Services ("BBCS and LECS") plus a small amount for the initial payment for Revolution Drives. Disposal of businesses relates to Xeridiem Medical Devices and CDI Energy Products in Norway.

Overall, net debt reduced markedly during the year, closing at £101.5m, resulting in a much reduced net debt to EBITDA of 1.2 times (2016: 2.4 times).

Net finance costs

Finance costs, net of finance income, decreased by £0.3m to £15.3m (2016: £15.6m).

	2017 £m	2016 £m
Fixed rate debt	**11.6**	10.9
Floating rate debt	**2.0**	2.7
Loan and commitment fees	**0.8**	0.8
Less: Interest receivable	**(0.6)**	(0.5)
Net interest payable	**13.8**	13.9
Notional interest	**1.5**	1.7
Net finance costs	**15.3**	15.6

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

Whilst the underlying interest cost fell year on year, principally as a result of the repayment of $90m of private placement borrowings in June 2017, the part year impact is masked by less favourable exchange rate movements.

Notional interest comprises the net interest cost of defined benefit post-retirement schemes of £0.8m (2016: £0.8m) and, in relation to BBCS and LECS, the unwinding of the discount on deferred payments on acquiring the remaining non-controlling interests of £0.2m (2016: £0.8m) and a finance charge relating to the redemption liability of £0.5m (2016: £0.1m).

Taxation

The total tax charge for the Group is £3.8m (2016: £5.0m credit) on a profit before taxation of £38.1m (2016: £30.3m loss).

The net tax charge is split into:

- an underlying tax charge of £10.7m on underlying profit before taxation of £45.3m;
- a tax credit of £3.1m on exceptional items, amortisation of intangible assets acquired and notional interest; and
- an exceptional tax credit of £3.8m relating to current tax relief on prior year restructuring costs.

The underlying tax rate for the Group was 24% (2016: 25%). The underlying rate is a combination of the varying tax rates applicable in the countries in which the Group operates and, in any year, will depend on the mix of profits made in different countries. Whilst a large proportion of the Group's profits are generated in the USA, where the federal tax rate is currently 35%, the underlying rate is lower than this because tax losses not previously recognised have been utilised or recognised in the year. Moving forward, the Group's underlying tax rate is likely to increase towards 30%.

Earnings per share

Underlying basic earnings per share was 17.7p (2016: 8.4p) and basic earnings per share was 17.6p (2016: 13.6p loss). Further details are given in note 12 to the Group financial statements.

Return on gross capital employed

The return on gross capital employed has increased to 12.7% (2016: 7.9%) due to a much improved underlying operating profit in both the AEP and ECS divisions.

Dividends

The interim dividend of 1.4p per share (2016: 1.0p) was paid on 7 September 2017. The Board is recommending a final dividend of 2.8p per share (2016: 2.0p) to make a total dividend for the year of 4.2p per share (2016: 3.0p). Dividend cover, defined as the ratio of underlying earnings per share to dividend per share, was 4.2 times (2016: 2.8 times). If approved by shareholders, the final dividend will be paid on 8 March 2018 to shareholders on the register on 26 January 2018.

The Board intends to continue to pursue a progressive dividend policy, reflective of the Group's earnings, prospects and financial strength.

When declaring or recommending future dividends, the Board will pay particular attention to maintaining appropriate levels of dividend cover based on the Group's earnings and cash flow. Other factors that will be taken into account include: the Group's indebtedness, cash reserves and available financing facilities; future cash commitments and investment plans; the principal risks and uncertainties facing the Group; and the level of distributable reserves in the parent company.

Acquisitions and disposals

In November 2016, the remaining non-controlling interests in BBCS and LECS, both based in Australia, were acquired for £14.4m. In August 2017, Revolution Drives, a small precision polymers business based in the USA, was acquired for £2.0m, comprising an initial payment of £0.8m and deferred payments of £1.2m.

The momentum gained in transforming the Group's profitability and cash conversion will assist the Group in pursuing further growth initiatives. Future acquisitions are more likely to be focused towards the AEP division although opportunities will be evaluated on their respective merits, financial returns and strategic fit.

In September 2016, Xeridiem Medical Devices, located in Arizona, USA, which manufactures minimally invasive catheter and other single-use medical devices, was sold. The sale enables greater focus on the growth opportunities in the

Secant Group and Charter Medical businesses. In February 2017, CDI Energy Products, a Norwegian distributor of seals to the North Sea oil & gas industry, was sold.

Further details of acquisitions and disposals are disclosed in notes 35 and 36 respectively to the Group financial statements.

Financing

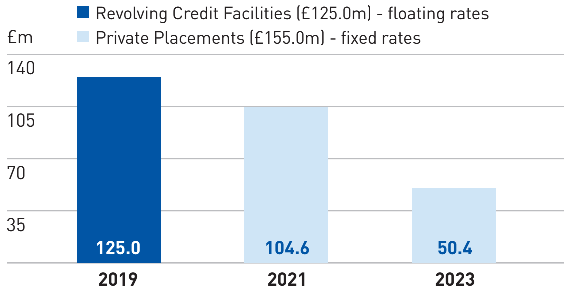
The Group is financed by a mix of equity, retained earnings, US dollar private placement loan notes and committed and uncommitted bank facilities. The principal loan facilities are raised centrally; operating companies supplement this funding with local overdraft and working capital facilities.

The Group's principal committed loan facilities consist of US dollar private placement loan notes and bank facilities. The US dollar private placement loan notes total $200.0m (£155.0m). These mature between 2021 and 2023 and bear fixed interest rates averaging 5.26%. As scheduled, on 1 June 2017, $90.0m of US dollar private placements were repaid, principally from existing cash balances.

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

The Group's total committed loan facilities at 31 August 2017 were £280.3m (2016: £346.7m). At 31 August 2017, £112.8m (2016: £111.5m) of these facilities were not drawn down. In addition, the Group has uncommitted facilities of £43.2m (2016: £36.5m). The private placement loan notes are fully drawn down and used to fund or hedge Group operations.

The maturity profile of the principal committed loan facilities is shown in the graph below.



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

Throughout the year under review, the Group complied with all of its loan covenants, with significant headroom available. At 31 August 2017, the reported net debt to EBITDA was 1.2 times (2016: 2.4 times). Reported EBITDA interest cover was 6.2 times (2016: 4.4 times). For the purpose of testing the Group's compliance with its loan covenants, reported EBITDA is adjusted for, inter alia, acquisitions and exceptional and certain non-cash items. In addition, for covenant purposes, net debt may also be translated at average exchange rates for the financial year rather than at year end exchange rates. Translating net debt at average exchange rates, the net debt to EBITDA ratio at 31 August 2017 is unchanged at 1.2 times (2016: 2.2 times).

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

The Group remains well placed to fund and support its operations, including further investment, with a diversified range of committed loan facilities with a medium-term maturity profile, 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 borrowings, derivatives and credit management procedures. The use of derivatives is undertaken only where the underlying interest or foreign exchange risk arises from the Group's operations or sources of finance. No speculative trading in derivatives is permitted. Further information on foreign exchange risk management is given below and on financial risk management in note 21 to the Group financial statements.

Foreign exchange translation risk

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

The Group is exposed to translation risk in respect of its income statement. Principal average exchange rates applied on translation of the income statement for 2017 and 2016 were as follows:

	2017	2016
US dollar	**1.27**	1.44
Australian dollar	**1.67**	1.97
Euro	**1.15**	1.29

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

The Group continues to manage its exposure to the translation of debt denominated in foreign currencies in order to align the net debt to EBITDA for all currencies, particularly the US dollar, with the Group ratio. The effect is that exchange rate movements, whilst changing the value of net debt, will not materially affect the Group net debt to EBITDA ratio.

Foreign exchange transaction risk

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

Material transaction exposures are hedged, principally with forward foreign currency contracts, once cash flows can be identified with sufficient certainty. Where derivatives are used to hedge transaction exposures, the Group does not hedge account for such transactions under the requirements of IAS 39 '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 retranslated at the closing rate, with changes in value charged or credited to the income statement.

Post-retirement benefits

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

During the year, the fair value of assets of the schemes increased to £224.2m (2016: £219.7m), principally generated by gains in the UK scheme's investments and additional Group contributions paid to reduce the deficit. The present value of obligations decreased to £251.7m (2016: £268.7m) largely due to an increase in corporate bond yields used to determine the discount rate and the updating of mortality assumptions to the latest data available for the UK scheme.

The total defined benefit post-retirement deficit, as calculated by the schemes' actuaries and recorded on the balance sheet at 31 August 2017, decreased to £27.5m (2016: £49.0m).

Further details of post-retirement benefits are disclosed in note 27 to the Group financial statements.

Long-term viability statement

The Board has assessed the viability of the Group over a three year period to 31 August 2020, taking account of the Group's position at 31 August 2017 and the potential impacts of the principal risks over the review period. Based on this assessment, the directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due during the period to 31 August 2020.

In making this statement, the Board has considered the resilience of the Group, taking account of its current position, the principal risks facing the business in severe but reasonable scenarios and the effectiveness of any mitigating actions. This assessment has considered the potential impacts of these risks on the business model, future performance, solvency and liquidity over the period. The stress testing of the financial model has also taken into account the Principal Risks and Uncertainties outlined on pages 31 to 36.

The Board has determined that the three year period to 31 August 2020 is an appropriate period over which to provide its viability statement since this represents the period over which financial forecasts are prepared each year. This period also gives the Board a reasonable degree of visibility with regard to the Group's business cycle. The financial forecasts were prepared by individual business units and were subject to a robust review during the annual budget approval process.

In making its assessment of long-term viability, the Board has taken account of the Group's balance sheet strength, the maturity profile of its current debt funding and its ability to raise new finance in most market conditions.

Going concern review

After making enquiries, the Board has formed a judgement that there is a reasonable expectation the Group has adequate resources to continue in operational existence for the foreseeable future and for a period of at least 12 months from the date of this report. Accordingly, the Board has assessed that the going concern basis of accounting is appropriate in preparing the financial statements. In forming this view, the Board has reviewed the Group's budget and cash flow forecasts against availability of financing, including an assessment of sensitivities to changes in market conditions in conjunction with its long-term viability assessment.

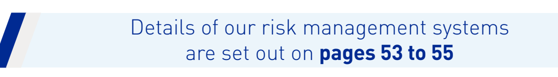
John Pratt
Group Finance Director
15 November 2017

Principal Risks and Uncertainties

The overall risk profile of the business is broadly unchanged, although there is an element of increased uncertainty in some of our risks

Fenner's principal risk areas remain unchanged during the year, with the 12 principal risks listed below being taken from our Schedule of Principal Risks. They are deemed "principal" due to their overall risk ranking and their specific relevance to the Group's business, strategy and operations. Additional risks and uncertainties not presently known to Fenner, or that Fenner currently considers immaterial, may also have an adverse effect on its business.

Fenner's global operations are exposed to a number of risks which could, either on their own, or in combination with others, have an adverse effect on the Group's results, strategy, business performance and reputation which, in turn, could impact upon shareholder returns.


Details of our risk management systems are set out on **pages 53 to 55**

Trend key:		
	Increasing	Decreasing
	Flat	Variable

Risk 1: Key markets
Owner: Chief Executive Officer and Executive Committee

Trend: 2017 Decreasing **2016** Flat

Description:
Fenner's business model has operations in global markets and in a range of market sectors, with particular emphasis on commodities, energy, industrial and medical products. These markets can be subject to cycles, structural changes and other external factors. The current Brexit negotiations pose an element of uncertainty to future trading relationships and costs.

Impact:
A substantial downturn in one or more key markets could have a material adverse impact on the Group's profitability, cash flow and the carrying value of its assets.

Controls and mitigation:
- The Group's sector diversity and international presence provide some protection against downturns in particular sectors or territories.
- The markets in which the Group operates are continually monitored and assessed.
- Fenner continues to identify and develop opportunities outside its traditional areas of operation where its expertise can be put to use.
- The potential impacts of Brexit on our business have been considered in detail by all of our business units using an "exposures checklist" and contingency plans are prepared and maintained where appropriate.

Developments in the year:
Market dynamics and conditions are generally improved, although there continue to be some indications of structural changes in customer behaviours to which Fenner is responding with new products, new price structures and changes in product mix. Increasing sector diversity, including growth in Medical, has reduced reliance in some sectors, particularly mining.

There continues to be some global uncertainty from Brexit and from the current US political and trade policies, but with the latter possibly giving some short-term benefit. We have issued detailed guidance to our business units for the consideration of all potential impacts from Brexit. Brexit has also been the subject of strategic consideration by the Board. However, our global trading footprint and relatively low trade flows between the UK and rest of the EU provide substantial mitigation to the possible risks of Brexit.

Risk 2: Competitor activity

Owner: Executive Committee and operational management

Trend: **2017** 2016

Description:
Due to the products and services offered, Fenner faces a complex and dynamic competitor landscape.

Impact:
Commercial activity by competitors, or changes in their products or technology, could impact upon Fenner's market share and profitability.

Controls and mitigation:

- The Group has a diverse product range which provides natural protection and helps to reduce fluctuations in earnings.
- AEP has a business model which emphasises products that are performance-critical and which generally represent only a small proportion of the cost of a customer's finished item.
- ECS has developed a strong brand and industry-leading technology, with a comprehensive range of heavyweight conveyor belting products.
- The Group uses market intelligence and competitor analysis to support its market activities and which informs investment decisions.
- Across the Group, there is an emphasis on research & development and improving the technical content of products. See Risk on "Technology and intellectual property".
- Our ability to refocus, restructure and reduce costs helps to maintain our competitive position, as demonstrated over the past 2 to 3 years.

Developments in the year:
Within AEP, the AST business saw gains in market share exploiting weaker competitor offerings. Elsewhere in AEP, there has been limited change in competitor activity.

As regards ECS, conditions in the mining suppliers market for the past 2 to 3 years may have led to some permanent shift in our customers' focus on short-term costs and cash flow over quality and life time value, which favours the Group's low cost competitors. New product and manufacturing initiatives are helping to offset these effects, which include an economic belt and new product formulations.

Competitor consolidation has continued in some sectors and for ECS some competitors have been forced to reduce capacity or exit the market due to mining sector fall-out, both of which help our business.

Risk 3: Climate change

Owner: Chief Executive Officer and Executive Committee

Trend: **2017** 2016

Description:
Fenner has operations in most energy markets, in particular coal, oil and gas, all of which can be subject to increased regulation in response to environmental concerns.

Impact:
The market for the Group's products and services could be reduced by regulatory actions in response to climate change concerns, as could Fenner's ability to source some of its raw materials.

Controls and mitigation:

- ECS continues to diversify its business away from its traditional exposure to coal mining towards hard rock mining and industrial markets.
- The Group monitors government initiatives and public opinion.
- The Group is active in alternative energy markets, including wind power.
- The Group continues to diversify further into non-carbon markets when appropriate opportunities arise, including medical.

Developments in the year:
There have been no significant new policy initiatives in the year, since the Paris Agreement was signed and came into force in October 2016. This was the first universal, legally binding global climate deal, adopted by 195 countries. The global attitude to climate change continues to harden, including China and India taking a more cooperative approach. Uncertainty continues, however, with the probable withdrawal of the USA from the Paris Agreement, a growing anti-diesel lobby and increased take-up of electric and hybrid cars. Notwithstanding the above, the world's energy demand will continue to increase and there will still be a need for coal and other carbon fuels in the long term. The risk relating to climate change is still increasing albeit at a slower pace.

Risk 4: Raw materials
Owner: Operational management

Trend: 2017 2016

Description:
Fenner purchases a variety of raw materials which can be subject to price fluctuations. Many of Fenner's raw material requirements are freely available on world markets and are manufactured by a variety of producers; however, for some raw materials, the number of suppliers is much more restricted.

Impact:
In periods of high demand, supplier difficulties, or supplier loss, availability of raw materials may become constrained which could increase the susceptibility to uncontrollable and rapid movements in price which could have implications for the cost and the overall profitability of Fenner's business. In certain circumstances, the loss of a supplier, or supplier quality failing, could lead to an inability to produce our goods in a timely or efficient manner or may necessitate product re-engineering and/or product re-validation if alternative raw materials are required.

Controls and mitigation:
- The wide geographical spread of Fenner's businesses, devolved purchasing and supply chain functions allow Fenner to utilise a wide range of techniques including long-term purchase contracts and dual sourcing.
- Our businesses have generally been able to pass on increases in raw material prices to customers, either through price escalation clauses or through negotiation.
- Conversion know-how is retained in-house and in specific situations base materials are purchased.
- Fenner is continually revising its production techniques, formulations and equipment to build in raw material resilience and to allow own manufacture of certain materials and components, which now includes some of its own medical yarns.

Developments in the year:
The Group continues to monitor, assess and develop its contingency plans to use alternative materials and/or suppliers. Overall global supply still exceeds demand for the Group's raw materials and we continue to seek opportunities for internal supply where it is beneficial to do so. The downward risk trend is believed to be flattening following a period of several years of proactive and successful risk mitigation strategies in this area which have reduced the overall residual risk to the Group, with the possibility of an inflationary element reappearing at some time in the near future.

Risk 5: Liquidity and foreign exchange
Owner: Group Finance Director

Trend: 2017 2016

Description:
Operating across a number of territories adds complexity to managing liquidity and exposes the Group's income statement and balance sheet to currency variations. Liquidity can be adversely affected by significant market down-turns and the consequent impacts on profitability and debt levels.

Impact:
Longer-term issues arise from a cost base in one currency and markets supplied in another. High foreign exchange volatility increases hedging costs. Liquidity constraints could lead to reduced funds for further investment or working capital requirements.

Controls and mitigation:
- Fenner has secured medium-term debt finance which is supported by long-term banking relationships.
- Group treasury policy covers, inter alia, the use of currency contracts, investment hedging policy and regular reporting of trading exposures.
- The Group's liquidity has been improved by making working capital management a key priority and through the tight control of costs.

Developments in the year:
The weakening of sterling since the Brexit vote has had a positive impact on our reported earnings in sterling, due to our high level of non-UK sales by destination, but is also having an adverse effect on the Group's net debt which is predominantly denominated in US dollars.

Repayment of $90m of private placement debt from cash and existing facilities demonstrated the strength of the Group's liquidity. Our hedging strategy and mitigations mean we do not expect currency movements to adversely impact the degree to which the Group complies with its financial covenants.

Tight control of cash and working capital continues, as does firm credit management of our customers.

See pages 29 to 30 and note 21 to the Group financial statements.

Risk 6: Major projects and acquisitions
Owner: Chief Executive Officer, Group Finance Director and Executive Committee

Trend: 2017 2016

Description:
The Group's strategy, investment programmes and reorganisations require selection of the optimum opportunities for organic investment and acquisition.

Impact:
Issues can exist around designing and building new facilities, identifying, executing and integrating acquired businesses and implementing closure, relocation and consolidation plans.

Controls and mitigation:
- Group control, authority levels and approval processes are supplemented by the use of experienced project managers.
- Group acquisition procedures include due diligence, the use of professional advisors, appropriate and enforceable representations and warranties and detailed integration planning.

Developments in the year:
We are continually evaluating potential acquisition and joint venture opportunities and have adequate resource, experience and capabilities within our team to manage our project and acquisition programmes.

In July this year, we announced a long-term distribution agreement between our South African belting operation and Bearing Man Group, which involved the sale of our ECS service operations and related assets in South Africa.

The Group successfully disposed of its investment in CDI Norway and Xeridiem Medical Devices during the year.

Risk 7: Technology and intellectual property
Owner: Operational management

Trend: 2017 2016

Description:
Fenner's products, materials and processes have high levels of technical content and know-how necessary for our performance-critical applications and which help to underpin our strong brands and recognised trademarks.

Impact:
These technologies and intellectual property rights need to be kept current through continuous improvement and research & development and are susceptible to theft, infringement, loss and replication by competitors. This could lead to loss of competitive advantage, loss of brand premium and loss of business. Our pipeline of new products and opportunities also requires successful commercialisation and allocation of resources.

Controls and mitigation:
- The Group's products, materials and processes are continually developed and enhanced through research & development and technical activities across all our businesses.
- Fenner actively registers, manages and enforces intellectual property rights.
- Competitor activity is monitored both directly and by use of specialist services.
- Appropriate steps are taken to recruit, retain and incentivise key people in technical roles.
- Designs, formulae, specifications and techniques are physically safeguarded and the Group uses non-disclosure and non-compete agreements.
- Stage gate processes are used to help in the commercialisation of new products and opportunities.

Developments in the year:
The Group has invested in new testing equipment and capabilities in AEP and there has been an increase in the degree of best practice sharing across our ECS manufacturing sites. New products have been developed with unique proprietary features. Our product portfolios are being re-invigorated to replace maturing products. Recent developments in the USA with regard to "prior art" are being monitored to ensure that we continue to protect our intellectual property to the fullest extent possible.

Risk 8: Key personnel
Owner: Chief Executive Officer and Executive Committee

Trend: 2017 2016

Description:
The future success of Fenner is dependent on the continued services of key personnel. Certain of Fenner's processes require specialist skills which are not routinely available and succession is a constant consideration given some of our key global positions at all levels including business unit, division and Group.

Impact:
A lack of new talent, inability to retain and develop existing talent, or replace retiring senior management could hinder our operations and our growth strategy. A loss of key personnel, with associated intellectual property and know-how, could also disrupt production or even strategy.

Controls and mitigation:
- The corporate culture and management style of Fenner is augmented by bespoke terms and conditions of employment for key personnel where appropriate.
- The Group has attractive incentive schemes including bonuses, pensions and long-term incentive plans.
- Established recruitment and development programmes operate globally.
- Succession plans have been developed for relevant key positions.

Developments in the year:
We are successful in the retention of key personnel, however, recruitment of new talent is increasingly challenging for many Western manufacturing employers. Young people have much to offer the business and we are continually seeking ways to make our business attractive to this next generation workforce.

The Board has also undergone changes in the year and continues the search for a successor to the Chief Executive Officer. This issue is owned by the Board, as explained on page 46.

Risk 9: Employee benefit schemes
Owner: Chief Executive Officer and Group Finance Director

Trend: 2017 2016

Description:
Fenner has a number of employee benefit schemes including defined benefit post-retirement and US healthcare schemes.

Impact:
Risks can arise from exposure to changes in legislation, interest rates, investment returns, dividends and life expectancy which can increase costs.

Controls and mitigation:
- Group-wide scheme structures including assumptions, investments, benefits and management are under continual review using professional advisors.
- All options, including insurance, are considered.
- Liability Driven Investments form a key element of the UK scheme investment strategy.

Developments in the year:
Although the Group's accounting deficit has reduced in the year, the results of the triennial valuation of the Group's defined benefit scheme show a broadly stable position despite increased funding into the scheme over the past three years. As for most UK defined benefit schemes, the reductions in gilts yields over the past few years has off-set the increased funding. The Group continues to contribute significant funds to match liabilities and to ensure that the full value of the Employer's Covenant is recognised and investments continue to be managed successfully to reduce deficit volatility.

Risk 10: Health & safety
Owner: Chief Executive Officer and operational management

Trend: 2017 2016

Description:
With over 4,000 employees across 19 territories, working in a variety of roles and dealing with complex equipment, frequently on third party sites, the Group is exposed to risks from accidents and incidents.

Impact:
Injuries, perhaps serious, result in lost time, reduced employee morale and possibly changes in working practices. Serious incidents can also affect Fenner's reputation, with some large customers requiring a minimum health & safety ("H&S") performance standard.

Controls and mitigation:
- Fenner has a deeply embedded culture of H&S, codified in our Health, Safety and Environmental Management System Framework document.
- The Group operates global training and seminars and has operational management with responsibility for H&S.
- H&S performance indicators are monitored regularly by the Group.

Developments in the year:
The Group is seeing the benefits of its Four Point Improvement Plan, launched in March 2016, aimed at reinforcing the importance of health, safety and environment ("HSE") across the Group. With the strong HSE culture that already existed, the Plan contributed to the long period of improving HSE statistics including the long-term trend of LTIs and LTIFR improvement. The Group recently completed a detailed HSE survey, is analysing the results and producing next year's improvement plans.

See pages 37 to 39.

Risk 11: Adequacy of operations

Owner: Chief Executive Officer and operational management

Trend: **2017** 2016

Description:
Fenner's business model for the supply of products and services to performance-critical applications requires total assurance in quality and reliability across all our operating locations and their products. Operations for Fenner include not only our manufacturing capabilities, but also our supporting IT platforms.

Impact:
A loss of production or systems capability at a facility, or quality failings in products or procedures, could affect reputation and accreditations, lead to an inability to supply customers, reduce volumes and/or increase claims made against the businesses under guarantees and warranties.

Controls and mitigation:

- Fenner's global network of facilities provides backup capacity for several of our key products.
- The Group continues to invest significantly in the development of its businesses which have established strong quality standards and methodologies.
- There are robust procedures and policies for reviewing, negotiating and accepting terms and conditions of trade. The Group uses third party advisors where appropriate.
- For Cyber security, penetration testing is carried out by external consultants and our devolved IT systems across our business units provide some natural resilience against this threat to the Group as a whole. We have well established, documented and well communicated IT policies, including the requirement for current and up to date software in all our global locations and for the mandatory use of current anti-virus and anti-malware software.

Developments in the year:
The Group has a network of facilities which continue to benefit from the significant investments made in recent years. These investments, combined with capital expenditure of £12.4m in the year, helps ensure that the Group's facilities and equipment continue to produce market leading products and services. Our Business Continuity Plans continue to be reviewed, enhanced and tested.

Due to effective planning, Hurricanes Harvey and Irma did only trivial damage to our AEP facilities in Houston and Daytona Beach; however, those businesses lost production which resulted in delayed or lost sales. Long-term customer relationships remain sound.

The risk from cyber security has been reviewed, reported upon to the Audit Committee and our cyber security controls have been enhanced where appropriate. The business was not affected in any way by the recent and well publicised global malware attacks.

Risk 12: Regulatory requirement, litigation and ethics

Owner: Chief Executive Officer and Executive Committee

Trend: **2017** 2016

Description:
Operating across very different markets and territories requires compliance with a wide variety of regulations, which continue to grow. Maintaining ethical standards across cultures can also present challenges.

Impact:
Failure to comply with all relevant regulatory and ethical requirements could affect the Group's reputation and/or its ability to operate in certain markets or territories. As well as the cost of compliance, changing regulations could affect the Group's ability to manufacture certain products or the demand for those products.

Controls and mitigation:

- Fenner has strict procedures and processes for inappropriate behaviours, including written policies, a "blame free" culture, internal audit and training.
- Group and operational management continually monitor and assess relevant regulatory requirements.
- Fenner monitors all regulatory changes closely to ensure compliance with the terms of all relevant regulations, including tax. Professional advice is always taken where appropriate. Fenner's operational and legal structure is transparent, which reduces potential risks from tax compliance exposures.
- We have dedicated in-house teams for legal and tax compliance matters.

Developments in the year:
We continue to monitor the rapidly changing legislative framework, including the increased scrutiny of the tax behaviours and structures of multinational corporations. The OECD BEPS initiative (on taxation Base Erosion and Profit Shifting) continues to progress and, in many cases, is being implemented into local laws. Other regulatory developments in the year, and for which we are preparing, include: Gender Pay Gap Reporting; UK Criminal Financing Act; General Data Protection Regulation; EU Conflict Mineral Regulation (Fenner already complies with US regulation where required); as well as uncertainties arising from Brexit driven changes to legislation and other requirements. We continue to seek external advice where appropriate to ensure that Fenner is in full compliance with the continually changing legislative environment in which we operate. See Risk on "Key markets" for comments on Brexit.

Strategic Report sign off

The Strategic Report comprising pages 1 to 36 has been approved by the Board of Directors in accordance with the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.

Vanda Murray OBE
Chairman
15 November 2017

Corporate Responsibility

Mark Abrahams
Chief Executive Officer

Why corporate responsibility is important to Fenner

Fenner recognises it is accountable to shareholders, employees and wider stakeholders for the manner in which it conducts its operations. By acting in a responsible and sustainable manner, including minimising our environmental impact, supporting the local communities in which we work and prioritising a safe working environment, we enhance our ability to deliver long-term business success. The embedding of corporate responsibility values into our processes allows us to meet stakeholder expectations, while simultaneously mitigating risks to the business.

How we manage corporate responsibility

The Board sets the strategy and has overall responsibility for the development and monitoring of the Group's policies relating to corporate responsibility. All policies and associated management systems are reviewed at least annually and at any time when significant changes in the business, legislation or industry standards demand. The task of ensuring that policies are communicated at a divisional and operational level is delegated to the Chief Executive Officer. Each operating unit is responsible for ensuring that, as a minimum, it meets local statutory requirements and is encouraged to operate in accordance with identified best practice within the Group.

Fenner focuses on five key areas which form the foundation of our approach to corporate responsibility:

- Health and safety ("H&S");
- People;
- Environment;
- Community; and
- Business behaviours.

The risks associated with these five areas are managed within the Group's risk management framework and are continuously monitored and assessed, with appropriate controls put in place as necessary to reduce any potential impact.

Health and safety

Why it matters to Fenner

We believe that anyone who works for Fenner should expect to return home in the same fit and healthy state in which they came to work. In addition, all Fenner employees, regardless of location, are responsible for the safety of both themselves and their colleagues. This individual and collective responsibility helps to ensure a safe working environment for ourselves, our colleagues, our customers and all those with whom we work.

What policies and practices are in place?

Fenner promotes a strong H&S culture at each of its operations. The Health, Safety and Environmental Management System Framework ("The Framework") provides a consistent Group-wide structure and guidance to support and ensure continuous improvement. Within this guidance, variations are allowed to accommodate the cultural and legislative diversity across our global locations. Furthermore, The Framework provides individuals, operating units and new acquisitions with a clear understanding of what is required of them. As the accountability for H&S performance is delegated to the senior manager at each location, The Framework allows them the freedom to develop bespoke local systems to satisfy the needs of the business, whilst at the same time encouraging sharing of good practice across the Group. The principle of continuous improvement is fundamental to The Framework, generating an unceasing challenge to always do better.

To ensure local interpretation of The Framework meets the Board's expectations, a robust assurance programme is in place. Key aspects of this programme include:

- a Group-wide review programme delivering an annual safety management plan for each operating unit;
- a global programme delivered through visits by external, independent H&S consultants;
- regular communication and conversations regarding H&S at Board level; and
- a network of senior H&S professionals across the Group whose remit includes sharing of best practice, support and challenge to the local operating units.

The Group Health and Safety Policy can be viewed at **www.fenner.com**

What are we doing?

At the core of The Framework is the concept of continuous improvement. The Framework requires each operating unit to conduct an annual assessment of its practices and procedures with regard to The Framework's "Expectations". The output of this review is a Safety Management Plan which describes the medium to long-term activities for the local business. This approach is also utilised for acquisitions as part of an overall

integration plan. The annual assessments are consolidated and summarised for communication to the Board at the annual health, safety and environment ("HSE") assurance presentation. A senior partner of the H&S consultants is also present to provide an independent view of the state of the Group's safety management system and is available for cross examination by the Board.

In order to deliver effective and appropriate management of H&S across the Group, it is essential that a strong and independent assurance programme is in place. For the past 10 years, The Framework has been the key control document for the assurance programme. The programme is delivered through visits by third party H&S experts who review documentation, interact with staff at all levels and assess the local H&S culture and behaviours. The programme also delivers additional benefits as it facilitates the sharing of good practice and provides guidance on the interpretation and prioritisation of The Framework's Expectations from a Group perspective.

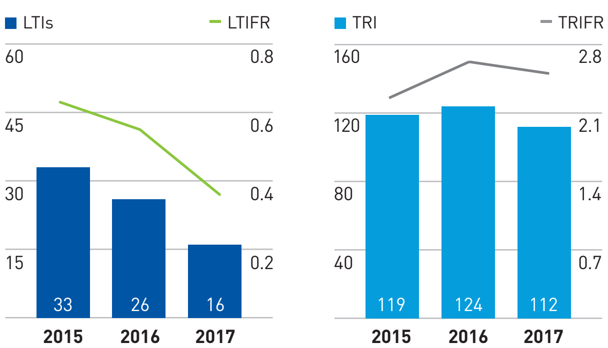
Over the past decade, we have demonstrated significant improvement in our H&S performance as shown by a 80% reduction in the absolute number of lost time incidents ("LTIs") resulting in a 85% reduction in the lost time injury frequency rate ("LTIFR"). This reduction resulted in many of our businesses reporting no LTIs during the year. To provide a meaningful measure of H&S performance, the focus of day-to-day management is migrating from LTIs to the broader metric of total recordable incidents ("TRIs") which includes LTIs together with medical treatment incidents and incidents resulting in restricted working or light duties. This year, for the first time, we are publishing the LTI and TRI data.

We strongly believe that H&S is at the heart of the way we do business. Everyone is accountable for delivering good H&S performance in their area of influence. Embedded HSE professionals within the operations provide support to management and drive improvements in the local safety management system. Every business engages regularly with its employees on matters of H&S and all our operations have safety committees which meet frequently to review and discuss potential improvements in the safety management system. We also recognise our H&S performance is a differentiator and a source of value in many of our markets.

Across the globe, H&S regulators are increasing their level of activity, ramping up penalties and extending their interest across businesses with common ownership. The approach we take through The Framework and our Group-wide processes not only ensures our performance improves, but also addresses this increased regulatory scrutiny.

Highlights from the year

This year we achieved another record annual reduction in LTIFR to 0.36. This was a reduction of 35% on the previous year, and reflects a record lowest number of LTIs of 16 for the year. An LTIFR of 0.36 compares favourably with industry norms; OSHA public data across various industry sectors indicates a benchmark LTIFR of 1.1. For over a decade, we have been able to demonstrate year-on-year improvements to our H&S performance and each year the challenge to improve increases. The businesses recognise this and all are actively embracing the challenge both through local initiatives and engagement with global programmes. This year we are also publishing our Total Recordable Incidents Frequency Rate ("TRIFR") data for the first time. Consistent with the LTIFR calculation, TRIFR is the number of Total Recordable Incidents per 200,000 hours worked. TRIs are defined as: LTIs; incidents that result in an employee not being fit enough to undertake their normal tasks and have been transferred to light duties; and medical treatment incidents where an employee is treated by a medical professional (as defined by OSHA). The TRIFR for this year is 2.51.



It is also pleasing to report that four new businesses have achieved the significant milestones of working for one million hours without a lost time injury. They are Precision Polymers in Lincoln, UK; Hallite in Wixom, USA; EGC in Houston, USA; and BBCS in Australia. It is especially pleasing to welcome BBCS into the Group's premier HSE award, the Millionaires Club, as it is the first ECS business to achieve this goal.

In the latter part of 2016, a major communication campaign was instigated across the Group. The purpose of the six month campaign was to reinforce the message of personal accountability that everyone has for the safety of themselves and those they work with. The communication campaign comprised a safety video, improvements to the annual HSE reporting process (to include an assessment of the local technical capability available to each business) and a global HSE survey. Delivery of the campaign was successful with high levels of engagement from both management and shop floor employees.

Over 75% of all employees participated in the global HSE survey, giving valuable insights into local and divisional attitudes, perceptions and behaviours. The level of granularity that the survey produced has provided local and divisional managers with a rich source of data and understanding to reinforce programmes around the Group looking to address and improve the behavioural aspects of our safety culture.

Fenner Group H&S Improvement Award

As the Group HSE performance continues to improve, it becomes ever harder for operating units to gain recognition for making outstanding progress in delivering the HSE agenda. The 2017 Fenner Group H&S Improvement Award had five very strong contenders. They were the ECS operations at Kwinana, Australia and Marfleet, UK; and the AEP operations at AIP in Daytona, USA and Precision Polymers operations at

Wilmington, USA and Shanghai, China. These operations all received commendations for the improvements they have made over recent years.

The 2017 Fenner Group H&S Improvement Award has been awarded to the Precision Polymers operation in Wilmington, USA. A number of years ago, this business was the worst performing business in terms of HSE performance across the Group. They have now gone over five years without an LTI or TRI, equating to over 360,000 hours worked. This change in performance can be attributed to a fundamental change in culture at the site. H&S is ingrained in everything they do and everyone is engaged proactively in managing H&S. The safety committee is absolutely key to this; its members are responsible for developing toolbox talks that are very specific to the individual work cells. Training programmes ensure that all employees understand their personal accountability for working safely and how they share safe working practices with all their colleagues.

People

Why it matters to Fenner

The success of the Group is primarily dependent on the knowledge, commitment and skill of the people that work for it. Their dedication, professionalism and innovation allows Fenner to consistently deliver superior, reliable solutions to our customers.

What policies and practices are in place?

Fenner is committed to attracting, retaining and developing the best people to ensure the continued success of the Group. Our employment policies are non-discriminatory and we aim to provide an inclusive work environment, where individuals are valued for their diversity. We comply with all current legislation to engender equal opportunity, irrespective of gender, race, age, caste, origin, religion, disability, sexual orientation or any other status protected by law. Harassment, discrimination and bullying in any form are not tolerated. Fenner supports the principles of the Universal Declaration of Human Rights.

Recruitment practices are designed at a local level, as we believe each operating unit is best placed to determine the appropriate policies for their organisation, bearing in mind local conditions and requirements. All employees are actively encouraged to apply for roles, including cross-divisional opportunities where applicable; an internal website allows job vacancies to be shared across the Group, helping to improve the retention of skilled staff across professional and managerial roles.

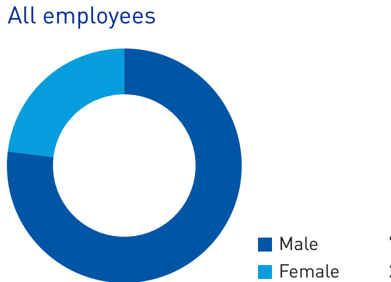
Following several years of challenging markets, in which reductions to the workforce were regrettably necessary, the Group headcount has stabilised. As at 31 August 2017, Fenner employed approximately 4,330 employees, in 19 territories across the world. Employee data is collected and analysed on a monthly basis and includes information relating to headcount, turnover, gender and job vacancies.

What are we doing?

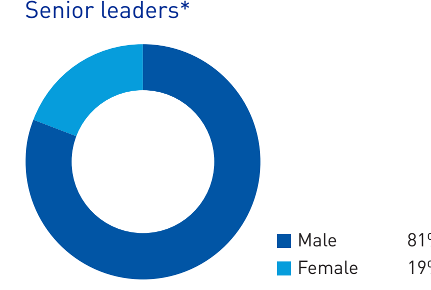
Fenner recognises that regular communication with our employees is a vital business function, which helps to ensure they both understand the contribution they make to the success of the business and engage with their organisation's goals and values. At a Group level, the "Fenner Focus" magazine is issued regularly throughout the year to keep employees up-to-date with matters of Group and operational significance and also provides an opportunity for operations to highlight their community, H&S, environmental and long service achievements. Other publications are issued at a local level. Communication is seen as a bilateral obligation and employees are encouraged to communicate with management through a variety of mediums, including consultative committees, toolbox talks, management briefings, social events and one-on-one meetings.

Fenner invests in the training and development of employees at a local and Group level. As part of the induction process, all employees receive training on key issues, including H&S and Group policies and procedures. Further training is provided, as appropriate, to help employee development and ensure employees operate effectively and safely. A number of our businesses have established training needs analyses. Annual appraisals for employees are routinely conducted. A variety of succession planning processes are in place at Board, divisional and local level.

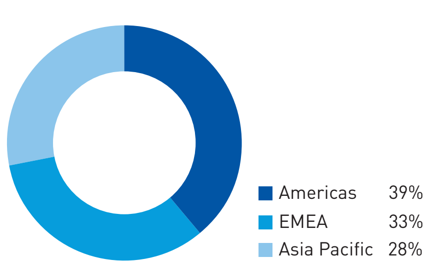
All employees



Senior leaders*



Fenner Group headcount by region at 31 August 2017



* Senior leaders comprise directors, members of the Executive Committee and their direct reports in a management role

Highlights from the year

As our most important asset, Fenner attaches a great deal of importance to the health and welfare of its employees, both at work and home. Accordingly, most businesses offer some form of employee wellbeing initiative, with a few examples detailed below.

- ECS in Lavonia, USA instigated a Health & Wellness Fair that included education on a variety of health topics and which was championed by a health & wellness sub-committee. Employees were provided with free flu vaccinations and voluntary "stretch & flex" exercise programmes are provided to all shifts ahead of the shift commencing.
- AIP in Daytona, USA provide health and wellbeing tips with paychecks, as well as displaying them on video screens throughout the facility.
- Hallite in Hamburg, Germany offers free medical assessments to employees on an annual basis. A doctor is also invited to attend regular work committee meetings across the year, during which health-related incidents are discussed. The doctor also advises on ergonomics.

In summer 2017, following Hurricane Harvey, a fund was created to help those employees from CDI Energy Products and EGC Critical Components in Houston, USA that were significantly impacted by the hurricane. Several employees lost their homes, with a number of others also badly affected. The fund that was put in place aimed to help affected employees immediately, as insurance policy payouts and other aid would not be available to those employees in the short term; within seven days of the flooding, employees received monies from the fund to help them mitigate the devastating impact that the hurricane had taken on them and their families. A total of 29 employees received assistance from the fund. An article on the impact of the hurricane and information on the steps the Company was taking to help affected colleagues was published in the Fenner Focus magazine, meaning that employees across the Group were also able to contribute to the fund. In addition, a number of local colleagues donated furniture to help employees worst affected by the flooding, with the Company renting a storage facility to house the furniture until those employees were in a position to take what they needed.

Environmental Responsibility

Why it matters to Fenner

At Fenner, we take pride in delivering the highest standards of environmental performance and care. We recognise the importance of building environmentally sound businesses as we move towards a sustainable future.

Our general approach to environmental responsibility is based upon the simple premise that minimising waste, in all its guises, is commercially and environmentally the right thing to do. The Group is committed to identifying and mitigating our environmental footprint through activities such as waste management and energy efficiency. We recognise both the general public's heightened awareness of environmental issues and those concerns of our own employees. We want to be seen as "good neighbours" wherever we operate; this is embodied in a "think globally, act locally" approach, whereby the Group manages and mitigates a number of corporate environmental risks collectively covered as "licence to operate issues" (including noise, smell, traffic, emissions and dust) that can impact on our local reputation as a good neighbour. The impact the climate change debate has on our customers and hence our markets is addressed in the Strategic Report on pages 7 and 11.

What policies and practices are in place?

At the Board level, the Chief Executive Officer has specific responsibility for the development of environmental policy and management systems. This responsibility is delegated, via divisional management, to local site management. We believe that, due to the large variation in environmental regulation and approach across different countries, the best approach is to ensure that each operation is fully aware of and supported with respect to its local and international regulatory obligations. We ensure that each local business has access to, and is supported by, in-house or third party expertise. For more than five years, no new significant environmental risks or incidents have been reported to the Board.

As a Group, we have a dual approach to environmental management across the globe. At the strategic level, we seek to ensure that all businesses have access to the necessary expertise and resources to enable them to operate in accordance with investment criteria based on Best Available Technology Not Entailing Excessive Cost. Operationally, the minimum requirement is that individual businesses comply with local environmental regulations; however, most of our sites go beyond this minimum level, to ensure that environmental licence to operate issues do not arise in the foreseeable future. A number of operations either re-use waste materials or purchase recycled materials for use in their manufacturing processes where it is appropriate to do so. In addition, there are many examples of recycling schemes for both operational and general waste such as paper, glass, and metal cans. This reflects not only the business desire to promote and manage in an environmentally sound way, but also the desire of our employees to reflect the approach they take in their personal lives.

The Group Environmental Policy can be viewed at
www.fenner.com

What are we doing?

Some examples of significant environmental projects that have been delivered over the past 12 months are detailed below.

- ECS in Lavonia, USA: Changes to raw materials have not only allowed a significant plant reconfiguration, but also reduced the range and volume of chemicals processed. This in turn has led to significant natural gas and electricity savings. In addition, the plant reconfiguration has also meant lower emissions to treat and less equipment to clean on a regular basis, resulting in a reduction in both clean water usage and the amount of waste water that must be transported off site for specialist disposal.

- Secant Group in Perkasie, USA: By enhancing the control system of air conditioning compressors for the factory buildings, major savings have been achieved on electrical usage.

Examples of current projects include:

- ECS in West Footscray, Australia are implementing a temperature control upgrade on one of the continuous presses, which will result in energy savings due to efficient heater element control; and
- Precision Polymers in Lincoln, UK are replacing an antiquated and oversized coal-fired boiler for raising process steam with a modern natural gas fired boiler, rated for the correct amount of steam; this will directly reduce scope 1 greenhouse gas emissions and energy costs.

Highlights from the year

The Group greenhouse gas ("GHG") emissions are reported below in compliance with the carbon reporting requirements under The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.

The table below shows the Group's GHG data in tonnes for the year ended 31 August 2017 from over 60 locations in 12 countries.

Total annual GHG emissions and emissions intensity by scope

Total annual GHG emissions [1] (tCO2e)

	2017	2016[4]
Scope 1 [2]	**34,947**	30,342
Scope 2 [3]	**55,318**	61,659
Total	**90,265**	92,001

Emissions intensity [5] (tCO2e per £m revenue)

	2017	2016[4]
Scope 1 [2]	**53.32**	46.77
Scope 2 [3]	**84.40**	95.03
Total	**137.72**	141.80

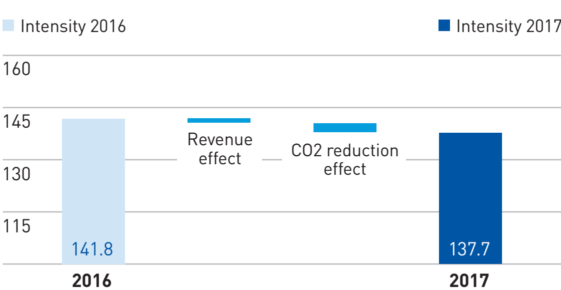
Notes:

1. The calculation methodology is based on the Greenhouse Gas Protocol developed jointly by the World Resources Institute and the World Business Council for Sustainable Development.
2. Scope 1 emissions are from those direct sources that are owned by the Group (e.g. from direct combustion of natural gas within our facilities' boilers and heaters); fugitive gases are not included.
3. Scope 2 emissions comprise those emissions for which the Group is indirectly responsible, excluding transmission and distribution losses (e.g. from the electricity we purchase to operate machinery or equipment).
4. The current year's data always includes an estimated contribution for some locations where quarterly charged utility bills have not been received. This estimate is reversed out for the previous year's comparison figures which have been restated with actual consumption figures.
5. Due to the diverse range of products and services offered by the Group, it is extremely difficult to identify any universal production-based intensity measure that is meaningful across the Group; consequently, a fiscal intensity measure has been used in line with UK government guidance. The previous financial year's figures have been restated on a constant currency basis.

We are able report a 1.9% reduction in absolute carbon emissions and a commensurate drop in the emissions intensity of 2.9%. The two competing factors affecting these reductions are increased levels of utilisation and better energy efficiency. The utilisation impact would normally be expected to increase the overall emissions, however, the combined effect of operating equipment nearer their optimum energy efficiency, plus energy saving "self-help" efforts to reduce production costs wherever possible, means that we have been able to return an overall reduction in emissions.

The chart below indicates the various elements impacting the emissions intensity over the financial year. It clearly demonstrates the reductions in emissions intensity, resulting from our increased utilisation (as measured by the revenue effect) and our energy efficiency "self-help" gains (as measured by the CO2 reduction effect). Looking in further detail, the 15.2% increase in scope 1 emissions can be traced back to an increase in natural gas usage across the Group, primarily used in boilers for process heating, as utilisation increases. The 10.3% reduction in scope 2 emissions, primarily electricity, reflects the efforts put in place to reduce consumption such as installing variable speed motors on compressors, replacement of old lights with modern LED variants and a general awareness across the businesses to turn equipment and lighting off when not in use.

Emissions intensity (tCO2e per £m revenue)



The Group uses a variety of energy sources. The main contributors to our GHG emissions are electricity consumption, which accounts for 61% of our emissions, and fuels (mainly gas) burnt on our premises which, combined, account for the remainder of the Group's emissions.

Community

Why it matters to Fenner

Fenner is a global business, operating in many diverse locations. We recognise that fostering good relations with those communities is in the long-term interests of the Group. Providing employment opportunities, paying taxes and engaging in charitable initiatives help to ensure we make a positive impact in local communities. As part of the Group's decision making processes, we always consider the potential social and environmental consequences that our business activities may have on local communities.

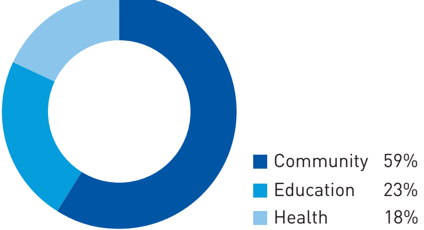
What policies and practices are in place?

Our support for the communities in which we operate is driven at a local rather than Group level, as we believe that the people who live and work within local communities are best placed to understand and represent the interests of those communities. Operations support and enhance employee efforts through application of Group resources.

What are we doing?

Over the year, operating units have typically focused on local community needs. During the year, total charitable donations of £75,000 (2016: £76,000) were made.

Donations by type



- Community 59%
- Education 23%
- Health 18%

Highlights from the year

Employees and operating units have given their time and helped raise funds for a variety of charities and projects over the past year. A few examples are detailed below.

- ECS in Marfleet, UK granted a 125 year lease to the local primary school, providing the school with land for use as a sports field free of charge. It is also participating in a national project within the plastics industry, with a member of its technical staff having trained as a "Polymer Ambassador" and now providing polymer science based sessions for older primary school children, to foster interest in science.
- ECS in Lavonia, USA sponsors a number of employee and community-based sports teams.
- Precision Polymers US in Manheim, USA ran a student internship programme with Manheim School District, employing students with disabilities, and took part in a panel discussion on this topic at Penn State University.
- Precision Polymers UK in Lincoln, UK took part in the Lincoln "Spark Engineering Festival", an exhibition showing the public how the local engineering community has developed through history to the present day and how it continues to flourish.

Business behaviours

Why it matters to Fenner

By acting with transparency and integrity in our business dealings, we ensure that our customers, shareholders, employees and wider stakeholders have the confidence to trust us as a partner, which enhances our reputation and helps drives sustainability.

What policies and practices are in place?

Fenner is committed to act with honesty and integrity at all times. The behaviours we expect of our employees and the principles by which we run our business at all times are enshrined in the Group Code of Business Conduct (the "Code"). The Code governs the way we interact with customers, business partners, investors, employees, suppliers and with the wider communities in which we operate.

The Code is an overarching policy, which is supplemented by ancillary policies, procedures and governance requirements, both at a Group and operational level. These supporting policies provide additional guidance on matters including: anti-bribery; competition (anti-trust); gifts and hospitality; whistleblowing; and email and internet use. Any employee found to be in breach of the Code or its supporting policies will be subject to disciplinary action, up to and including termination of employment.

The Board is ultimately responsible for developing Group's policies and ensuring that they remain appropriate. Policies are reviewed at least annually, with additional reviews as necessary in light of any changes to the regulatory or business landscape. The Board is also responsible for ensuring that policies are properly communicated to employees. Responsibility for ethical and behavioural standards in each division is cascaded via divisional management to the senior manager at each operating unit. All employees are personally responsible for adhering to and applying these policies.

As a Company, Fenner not only stresses the importance of complying with the Code, but also encourages employees to raise any concerns that they may have regarding potentially unethical workplace behaviour. In addition to internal reporting processes, a confidential and independent third party whistleblowing helpline is available to all employees. Helpline details are widely publicised at all operating units; calls to the helpline are free and the helpline operates 24 hours a day, seven days a week. Reports can be made in a wide range of languages. All reports are thoroughly

investigated in accordance with the Group Whistleblowing Policy and reported to the Audit Committee. Remedial action is taken as appropriate. No individual will ever be penalised or disadvantaged for reporting a legitimate concern.

What are we doing?

Our customers and suppliers play a critical role in our continued success. Operations undertake rigorous customer satisfaction assessments, face-to-face meetings and regular customer surveys (conducted both internally and by third parties). Performance and the timing and handling of any complaints are routinely discussed at management meetings and are used as a key measurement in determining the success of the operating unit. Complaints are recorded and used to help operations improve the service that they provide.

Fenner's standard terms and conditions of business require both suppliers and customers to comply with all laws relating to anti-corruption as well as our related policies, reflecting our expectation that business partners should hold themselves to the high level of corporate behaviour we require of ourselves. Similarly, we expect strategic partners and service customers to have H&S management systems that are aligned with those of the Group.

Fenner recognises that gifts and hospitality can potentially create improper influence and conflicts of interest, or the perception of a conflict of interest. A UK Corporate Gifts & Hospitality Policy is communicated to all operating units, with a number of overseas operations having their own locally-developed gifts and hospitality policies. An online gifts and hospitality register is in place for all UK operations (including Head Office) and is also used by operations in other jurisdictions. The register is subject to regular review. In accordance with our Code of Business Conduct, the Group does not make political donations.

Highlights from the year

The Company continues to operate e-training programmes on issues such as bribery, business behaviours and competition (anti-trust), with training provided, as appropriate, to employees across the Group, including senior management teams and sales and procurement staff. Training is available in a number of languages to reflect the global nature of the Company's workforce. At a local level, employees receive training, as appropriate, on a variety of business behaviours through seminars, meetings and poster campaigns. Training is provided both internally and by third parties. Training on business behaviours is also provided to new hires as part of the induction process, including the provision of the Group Code of Business Conduct and supporting policies.

During the year, we published our first slavery and human trafficking statement, outlining the Group's approach to the prevention of slavery and human trafficking in our business and supply chains. The Company has amended its standard terms and conditions of business and Group Code of Business Conduct to specifically address slavery and human trafficking, and we are conducting risk assessments and raising the awareness of employees with regards to this issue.

The independent whistleblowing helpline received six calls (2016: 13) over the year from employees who wished to raise concerns alleging unethical workplace behaviour. Following thorough investigation, no action was required in five of the cases, with the remaining case being appropriately addressed through training at a local level. All whistleblowing incidents were reported to the Audit Committee.

Mark Abrahams
Chief Executive Officer
15 November 2017

The Board

Vanda Murray OBE (56)
Non-Executive Chairman
since 20 December 2016

Appointment to the Board
Vanda joined the Board in January 2012. Vanda became acting Non-Executive Chairman on 8 June 2016 and Non-Executive Chairman on 20 December 2016.

Committee membership
Audit Committee, Remuneration Committee, Nomination Committee (Chairman).

External appointments
She is also a non-executive director of Bunzl plc, Redrow plc and Manchester Airports Holdings Limited.

Previous experience
Vanda was formerly Chief Executive Officer of Blick plc.

Mark Abrahams (62)
Chief Executive Officer

Appointment to the Board
Mark became Group Finance Director in October 1990, Chief Executive Officer in May 1994 and Non-Executive Chairman in March 2011. Mark stepped back into the role of Chief Executive Officer on 8 June 2016.

Committee membership
Nomination Committee, Executive Committee.

External appointments
He is also non-executive Chairman of Inspiration Healthcare Group PLC.

Previous experience
Mark was formerly non-executive Chairman of the Darby Group plc and Vice Chairman of The Leeds Teaching Hospitals NHS Trust. He is also a member of the Economics Advisory Committee of the CBI.

John Pratt (54)
Group Finance Director

Appointment to the Board
John became Group Finance Director in January 2015 after being with the Group for over 23 years.

Committee membership
Executive Committee.

Previous experience
John has held a number of senior positions within the Group including Group Financial Controller and, prior to being appointed Group Finance Director, was a Divisional Managing Director of ECS with responsibility for activities in the United Kingdom, South Africa and Asia. He is a Chartered Accountant.

Geraint Anderson (58)
Non-executive director

Appointment to the Board
Geraint joined the Board in January 2016.

Committee membership
Audit Committee, Remuneration Committee (Chairman), Nomination Committee.

Previous experience
Geraint was Group Chief Executive of TT Electronics plc from August 2008 until July 2014. Prior to that he was the Vice President and General Manager of the Worldwide Service Provider Organisation for Linksys, a division of Cisco Systems, Inc. He was a non-executive director of Volex plc from November 2013 until November 2015 and also acted as interim Chief Executive Officer from September 2015 until November 2015. Geraint was also a non-executive director of Premier Farnell plc from November 2015 until October 2016.

Chris Surch (56)
Senior Independent Director

Appointment to the Board
Chris joined the Board in May 2016.

Committee membership
Audit Committee (Chairman), Remuneration Committee, Nomination Committee.

Previous experience
Chris was the Group Finance Director of FirstGroup Plc from 2012 to his retirement in January 2016. Prior to that he had been Group Finance Director and acting Chief Executive Officer at Shanks Group plc and has held senior finance roles at Smiths Group plc and TI Group plc.

Michael Ducey (69)
Non-executive director

Appointment to the Board
Mike joined the Board in January 2017.

Committee membership
Audit Committee, Remuneration Committee, Nomination Committee.

External appointments
He is a non-executive director of Ciner Resources Corporation and Apollo Global Management LLC.

Previous experience
Mike was formerly a non-executive director of Halo Source, Inc., Verso Paper Holdings., TPC Group, Inc. and Smurfit-Stone Container Corp.

Debra Bradbury (52)
Group Company Secretary

Debra joined the Company in April 2001 as Assistant Company Secretary and was appointed Group Company Secretary in July 2002.

Corporate Governance

Vanda Murray OBE
Chairman

The Board believes that strong and well-managed governance processes can provide real value in helping to drive Board effectiveness and underpin the sustainable success of the Group. The Board recognises its responsibility for shaping the culture of the Group, seeking to ensure that Group values and ethics are successfully embedded into business behaviours across the world. Our cultural principles are supported by the Group Code of Business Conduct, which sets out the values and behavioural standards that we expect of all employees. This policy is supplemented by additional policies and appropriate employee training, thereby facilitating a consistent approach to governance from the Board level down. A strong and coherent approach to governance helps ensure that the Group is managed in the best interests of its shareholders and wider stakeholders.

Changes to the Board

A rigorous process involving external executive search advisors and the interviewing of a number of external candidates culminated with my appointment as Non-Executive Chairman on 20 December 2016 (having been the acting Non-Executive Chairman since 8 June 2016). As I was one of the potential candidates, the process was conducted by Chris Surch on behalf of the Nomination Committee.

In keeping with the UK Corporate Governance Code requirements, upon formally becoming Chairman, I stepped down as Senior Independent Director and Chairman of the Remuneration Committee. Chris Surch has assumed the role of Senior Independent Director, with Geraint Anderson becoming the Chairman of the Remuneration Committee.

Following constructive discussions with a number of shareholders, Michael Ducey was appointed as a non-executive director on 11 January 2017. He is a member of the Audit, Remuneration and Nomination Committees. Michael has experience and understanding of North American markets (specifically in mining), a key territory for the Group. The Board intends to strengthen its skills and knowledge further, with the appointment of an additional non-executive director in due course.

As previously indicated to shareholders and wider stakeholders, the process to appoint a new Chief Executive Officer has proven challenging and is ongoing. Bearing in mind the complexity of the Group, the focus continues to be on identifying the correct candidate, rather than on making a swift appointment. The Nomination Committee has appointed new executive search advisors to help drive the process and a number of candidates have been interviewed. In the interim period, the Board remains comfortable with the extensive knowledge, understanding, experience and performance that Mark Abrahams brings to the role of Chief Executive Officer. Mark remains committed to providing assistance during the transition to a new Chief Executive Officer.

Further information on Board appointments is available in the Nomination Committee Report on **pages 57 to 59**

Board visits

The Board conducts site visits to business units at least annually. These visits help to ensure that the Board continues to remain in touch with the businesses, products and management teams of the Fenner operations. The visits are especially valuable in helping non-executive directors increase their knowledge and understanding of the Group. During the year, the Board visited Hallite in Hampton, UK, the CDI and EGC facilities in Houston, USA, Precision Polymers in Manheim, USA and Secant Medical in Telford, USA.

The UK Corporate Governance Code

The Financial Reporting Council ("FRC") publishes the UK Corporate Governance Code ("the Code"), which sets out standards of good corporate governance practice in relation to matters such as board composition and effectiveness, the role of board committees, remuneration, risk management and relations with shareholders. Paper and downloadable versions of the current 2016 Code can be obtained from the FRC via its website, frc.org.uk. As a listed company, we are required to report on our compliance with the Code and provide an explanation of any instances of non-compliance. I can confirm that the Company has complied with the provisions and spirit of the Code throughout the year, with the following exceptions.

Provision D.2.1 of the Code stipulates that Remuneration Committees should not be chaired by the Chairman of the company. Whilst I was acting Non-Executive Chairman of the Company, I continued to chair the Remuneration Committee; other non-executive directors were recent appointments to the Board and it was agreed that in the interests of continuity, it was appropriate for me to remain as Chairman of the

Committee. Additionally, it is implicit within the Code that the Chairman of the company and Senior Independent Director are separate individuals. During my time as acting Chairman, I retained the position of Senior Independent Director. As detailed above, upon being formally appointed as Chairman of the Company, I stood down as Chairman of the Remuneration Committee and Senior Independent Director, thereby resolving the deviations from the Code.

Further explanation as to how the Company has applied the principles and complied with the provisions of the Code are provided, as detailed below.

Further information required under Rule 7 of the Disclosure and Transparency Rules of the Financial Conduct Authority is included in the Other Statutory Information report on pages 65 to 67. Disclosures regarding the long-term viability of the Company and the directors' assessment of the business as a going concern are addressed in the Group Finance Director's Review on page 30. Details of the Board's robust assessment of the principal risks facing the Company (including those that would threaten its business model, future performance, solvency or liquidity) are covered on pages 31 to 36 and pages 53 to 55.

This Corporate Governance report should be read in conjunction with the following sections of the Annual Report, which provide more detail about the Company and its governance arrangements.

Strategic Report on **pages 1 to 36**

Other Statutory Information on **pages 65 to 67**

The Board believes that this Annual Report is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy; an explanation of the process we have used to make this determination is set out in the Statement of Directors' Responsibilities on page 68.

Initiatives and activities

As noted above, the Board conducted a rigorous process to appoint a new Chairman, which involved the consideration of a number of candidates identified by an executive search firm.

The Board took part in a strategy away day with the Executive Committee in March 2017. In working towards its strategy over the year, the Board:

- approved and oversaw the disposal of Xeridiem Medical Devices in order to focus on the significant growth opportunities in its other medical operations;
- approved and oversaw the disposal of CDI Norway, as part of the restructuring of the Advanced Sealing Technologies group of businesses to reposition its European operations;
- approved and oversaw the acquisition of the assets and business of Revolution Drives, a specialist Precision Polymers business, located in the USA; and
- entered into a long-term agreement with Bearing Man Group ("BMG") for BMG to distribute conveyor belting products in specified territories in Sub-Saharan Africa. As part of the arrangement, the Board approved the disposal of the Group's service operations and related assets in South Africa to BMG.

The Board had significant contact with major shareholders over the year, with a shareholder requisition resulting in Michael Ducey joining the Board in January 2017, as noted earlier in this Report. It also oversaw a consultation exercise with major shareholders and proxy voting agencies regarding changes to the Remuneration Policy over the summer of 2017.

In addition to the above, the Board also:

- received the annual health, safety and environment ("HSE") report from the Group HSE Coordinator as well as an assurance review of the HSE systems and practices and considered the results of the first Global health & safety survey conducted by the Group;
- reviewed divisional strategic and operational performance;
- reviewed and approved, where appropriate, major capital expenditure items (including post-project reviews of major investment projects) and considered how they helped towards achieving the strategic goals of the Group;
- reviewed a number of potential acquisitions;
- reviewed and approved changes to senior management, including recruitment and succession planning considerations;
- considered Group financial performance against budget, forecast and market expectations;

- approved interim and proposed final dividends;
- appointed new corporate brokers;
- monitored external indicators to gauge customer opinions and market dynamics;
- reviewed cyber security; and
- reviewed and approved Board policies and terms of reference.

Matters considered by the Board as a matter of course during the year included:

- strategy;
- financial reports;
- Chief Executive Officer reports;
- updates from Group operations;
- risk management;
- dividend policy;
- investor relations;
- governance and compliance;
- Board evaluation; and
- HSE reports.

Leadership

Our approach to corporate governance

The Fenner culture is one of devolved autonomy, with an emphasis on ethical behaviour and accountability. The Board believes that the empowerment of local management teams helps drive performance, thereby promoting the long-term success of the Group. With a focus on operational autonomy, the Board recognises the importance of ensuring that robust standards of governance are implemented throughout the organisation. Group policies, developed and sanctioned by the Board, provide guidance on the behaviours, values and standards of governance that all Fenner operations should demonstrate regardless of the type of business or geographical location in which they operate. An appropriate framework of controls is in place to help ensure corporate governance expectations are met.

The Board receives regular reports on the performance of global operations. In addition to reports, the Board meets divisional and operational management teams across the year in both formal and informal settings. The Board acts as a conduit between shareholders and operations, to ensure that their interests are aligned.

Board composition

The Board currently comprises the Non-Executive Chairman, three independent non-executive directors, the Chief Executive Officer and Group Finance Director and is supported by the Group Company Secretary. The Board comprises five male directors and one female director. The Group Company Secretary is also female. The biographies of the directors are set out on pages 44 to 45.

The Board focuses on ensuring that both it and its Committees have the appropriate range of skills, knowledge, experience and independence to ensure it can discharge its duties and responsibilities effectively. The Board's overall skills and experience are reviewed regularly by both the Board and Nomination Committee. The composition of the Board is also regularly reviewed, with a formal, rigorous and transparent procedure in place for the appointment of new directors. In fulfilling its duties, the Nomination Committee is advised by external executive search firms. Although it has been agreed that an additional non-executive director will join the Board in due course, both the Nomination Committee and wider Board are comfortable that the Board's current size and composition continues to allow it to be effective and take decisions in the long-term interests of the Group, its shareholders and wider stakeholders.

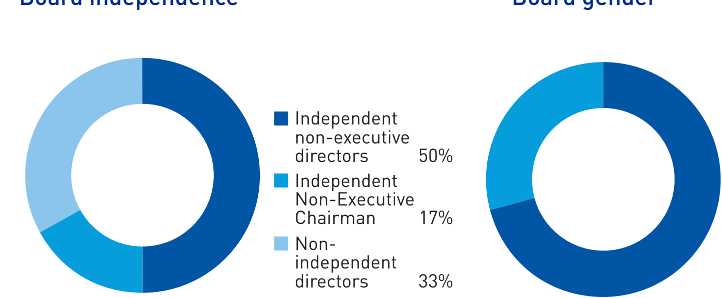
All non-executive directors are considered independent under the Code and are appointed for an initial term of three years. Upon completion of this term, the appointment is reviewed and, if appropriate, extended.

In line with the Code, all directors submit themselves for election or re-election at each AGM.

Role and responsibilities of the Board

The Board is committed to the creation of long-term value for its shareholders, whilst remaining mindful of its responsibilities to wider stakeholders. It sets the strategic

Board independence



Board gender

Male 71%
Female* 29%

*Including the Group Company Secretary

Length of tenure of independent non-executive directors

0-3 years 100%**

**Excluding the independent Non-Executive Chairman

aims of the Group, ensures that appropriate resources are in place to achieve those objectives and provides leadership and guidance to senior management within a framework of prudent and effective controls.

Executive directors have delegated responsibility for the day-to-day management and oversight of the Group, albeit the Board retains appropriate oversight of all key aspects of the Group via regular meetings, reports, periodic site visits and contact with the wider management team. The Chairman and non-executive directors have access to the executive directors and the Group Company Secretary and meet with the members of the Executive Committee and various senior management teams throughout the year.

Certain matters remain reserved for the Board; these matters are reviewed on an annual basis and include:

- trading performance and business strategy;
- significant capital expenditure including acquisitions, disposals and financing agreements;
- Group financial reporting and controls;
- ensuring a sound system of internal control and risk management;
- managing relations and communication with shareholders;
- Board and senior management appointments;
- corporate governance matters; and
- Group policies.

Other specific Board level matters are delegated to sub-committees of the Board. Details of the composition and purpose of these delegated Committees are set out on pages 51, 52, 58 and 60.

Board responsibilities

The roles of Chairman and Chief Executive Officer are separate, with each having clearly defined responsibilities, which are set out in writing and are approved by the Board. Duties and responsibilities are subject to periodic review.

Each director brings different skills, extensive experience and knowledge to the Company. The non-executive directors bring additional independent thought and judgement to the Board.

The key responsibilities of the Board members and Group Company Secretary are detailed below.

Chairman of the Board

- Provides leadership and governance of the Board.
- Promotes effective Board relationships, encouraging an atmosphere of openness and ensuring robust and constructive debate.
- Fosters the vision, values, governance standards and ethical behaviour of the Company.
- Sets the Board's agenda, style and tone of Board discussions, ensuring that sufficient time is available for proper discussion of agenda items.
- Oversees Board composition, including succession planning.
- Facilitates the contribution of non-executive directors and holds meetings solely with the non-executive directors, as appropriate, but at least annually.
- Oversees Board evaluations.
- Ensures effective communication with shareholders and wider stakeholders.

Chief Executive Officer

- Oversees the day-to-day management of the Company.
- Implements the decisions of the Board and its Committees.
- Plans and executes effective delivery of Board strategy and objectives.
- Maintains a close working relationship with the Chairman, ensuring effective communication with shareholders.
- Provides leadership to the Group and communicates the vision of the Board in relation to the Company's culture, values and behaviours.
- Promotes a strong health and safety ethos.

Senior Independent Director

- Collaborates closely with the Chairman and serves as an intermediary for the other directors if necessary.
- Is available to meet shareholders if discussions through normal channels have failed to resolve their concerns or it would be inappropriate to liaise with their usual contacts.
- Attends meetings with the corporate governance heads of major shareholders alongside the Chairman.
- Leads the annual review of the performance of the Chairman.

Non-executive directors

- Provide constructive challenge to executive management.
- Help develop Company strategy.
- Scrutinise the performance of the Company and the integrity of financial information.
- Ensure financial controls and risk management processes are robust and defensible.
- Mitigate the risk that an individual, or group of individuals, can dominate decision making or Board direction.
- Provide advice to senior management.
- Determine the appropriate levels of remuneration for executive directors.
- Take part in succession planning and the recruitment of new directors.
- Are available to meet shareholders.

Group Company Secretary

- Secretary to the Board and Committees.
- Facilitates the flow of information between the Board and its Committees and between non-executive directors and senior management.
- Updates the Board on governance, regulatory and statutory requirements as appropriate.
- Facilitates the Board evaluation process.
- Ensures compliance with Board procedures.
- Facilitates Board induction programmes.

Effectiveness

As previously noted, the Board and its Committees have the necessary skills, experience and knowledge to be effective in fulfilling their responsibilities. The Board is supplied with appropriate information in a timely manner to enable it to effectively discharge its duties.

The Board is sufficiently balanced to ensure that no individual or group of individuals can dominate the decision-making process, with non-executive directors providing appropriate challenge to executive management. All non-executive directors, including the Non-Executive Chairman, are considered independent.

Appointments to the Board

Information relating to appointments to the Board can be found in the Nomination Committee Report on **pages 57 to 59**

Commitment

The Chairman and non-executive directors each have an appointment letter setting out the terms of their directorship, including the anticipated time commitment required for the role. All directors are expected to attend all scheduled Board meetings and Committee meetings as appropriate and have sufficient time available to prepare for such meetings. Non-executive directors are not permitted to take on any additional commitment which might affect the time they can devote to Company matters without the prior permission of the Chairman. Executive directors cannot hold more than one non-executive directorship in a FTSE 100 company; currently, neither of the executive directors holds a FTSE 100 role.

Development, information and support

A tailored induction programme is provided to directors, bearing in mind the requirements of the individual appointee. The core of the programme covers issues including business strategy, Group overview, corporate governance, health and safety, investor relations, business risk and finance. Inductees are provided with one-to-one meetings with various members of senior management and key corporate staff. Business familiarisation is a key component of induction, with new directors undertaking site visits to develop knowledge and understanding of the Group and meet local management teams.

The induction programme that Michael Ducey undertook upon appointment as non-executive director included:

- an induction day at the head office, meeting the Group Company Secretary and key corporate staff;
- a plant tour of one of the Company's UK sites;
- a training session at the Company's corporate lawyers;
- a briefing on Group policies and procedures; and
- a plant tour of one of the ECS businesses in the USA with the Chief Executive Officer.

Meetings of the Board

The attendance of each director at Board, Audit Committee, Remuneration Committee and Nomination Committee meetings is set out below.

	Board	Audit Committee	Remuneration Committee	Nomination Committee
Number of meetings during the year	11	3	6	5
Chairman				
V Murray	11/11	3/3	6/6	5/5
Executive directors				
M S Abrahams	11/11	3*	6*	5/5
W J Pratt	11/11	3*	6*	5*
Non-executive directors				
G Anderson	11/11	3/3	6/6	5/5
C Surch	11/11	3/3	6/6	5/5
M Ducey [1]	4/4	2/2	3/3	2/2

*By invitation
[1] Michael Ducey was appointed to the Board part way through the year, on 11 January 2017

In addition to the formal Board and Committee meetings, the Chairman meets with the non-executive directors without the executive directors present at least annually; similarly, led by the Senior Independent Director, the non-executive directors meet without the Chairman present at least annually to appraise the Chairman's performance.

The Chairman, via the Group Company Secretary, ensures that accurate and clear information is submitted to the Board and its Committees in a timely manner. The Board and its Committees are provided with sufficient resources to properly fulfil their duties. All directors have access to the Group Company Secretary, who is responsible for advising the Board on governance matters, regulations, developments and best practice. The Board allows all directors to seek independent professional advice as appropriate, at the Company's expense.

Conflicts

Under the Companies Act 2006, directors must avoid any situation in which they have an interest that conflicts or may possibly conflict with the interests of the Company. The Company has a formal procedure in place to manage the disclosure, consideration and, if appropriate, the authorisation of any such possible conflict. Each director is aware of the requirement to notify the Board of any potential conflict and at the outset of each meeting, the Chairman checks whether any new conflicts have arisen. No conflicts have arisen during the year.

None of the non-executive directors (including the Non-Executive Chairman) has any material business or other relationship with the Company or its management and there are no known circumstances which are likely to affect, or could appear to affect, their independence or judgement.

Evaluation of the Board and its Committees

An evaluation of the performance of the Board and its Committees is carried out annually. This year, an internal evaluation exercise was conducted through questionnaires and canvassing comments from directors. The evaluation focused on those areas deemed critical to the Board's effectiveness, including:

- leadership;
- succession planning;
- Board and Committee efficacy;
- Board administration;
- corporate strategy;
- risk and internal controls;
- roles and responsibilities;
- decision making; and
- Board challenge.

The findings of the evaluation were very positive, with Board dynamics and effectiveness being highlighted as particular strengths. As part of its continual drive to improve its performance, the Board has identified two areas for focus over the forthcoming year: the devotion of more time to strategy; and reviewing internal controls.

Actions taken over the year in response to the external evaluation undertaken in 2016 included the organisation of a strategy away day with the Board and Executive Committee and increased site visits to enhance business familiarisation.

The Chairman evaluated the performance of individual directors through informal discussions and observations during the year.

Further details on the Audit Committee evaluation are set out on page 64 of the Audit Committee Report.

Further details on the Nomination Committee evaluation are set out on pages 58 to 59 of the Nomination Committee Report.

Further details on the Remuneration Committee evaluation are set out on page 84 of the Board Remuneration Report.

The role of the Committees

Remuneration Committee

Responsibilities

The Committee determines and agrees with the Board the broad framework and policies for Board and executive level remuneration and reviews the ongoing appropriateness of those policies. The Committee also reviews legislation and guidance and considers shareholders' opinions relating to remuneration practices and reporting requirements on behalf of the Board. It approves and administers the Performance Share Plan and also reviews the granting of an executive cash long-term incentive plan to certain employees below executive level. The Committee consults with the Group Company Secretary and external advisors as appropriate.

Governance

Terms of reference set out the Committee's role and duties. The Remuneration Committee exclusively comprises all independent non-executive directors. The Committee has the power to request the attendance at meetings of any director or Group employee as considered appropriate. The executive directors, if invited to attend, do not participate in any decision in relation to their own remuneration.

Activities

Details of the Committee's work is set out in the Board Remuneration Report on **pages 69 to 84**

Audit Committee

The work, responsibilities and governance of the Audit Committee are set out on **pages 60 to 64**

Nomination Committee

The work, responsibilities and governance of the Nomination Committee are set out on **pages 57 to 59**

Terms of reference of the Committees of the Board

The terms of reference of the Audit, Remuneration and Nomination Committees set out the role and duties for each Committee and are reviewed at least annually. The terms of reference are available to view on the Group's website at www.fenner.com and upon request to the Group Company Secretary.

Role of the Executive Committee

The Executive Committee is chaired by the Chief Executive Officer and comprises the two executive directors, the Group Company Secretary, the Group Corporate Development Director and five members of the Group's senior managing directors of operations. Other senior management may be called on to attend meetings, as appropriate. The Executive Committee monitors and manages business performance, reviews progress against strategic objectives and oversees daily management of the Group through powers delegated to it by the Board. The Executive Committee meets at least six times a year.

The Committee is responsible for:

- helping to develop and execute strategy;
- overseeing and managing the operational, financial and safety performance of the Group;
- identifying and managing risk;
- assuming a key role in identifying and managing acquisitions in conjunction with local management teams; and
- supporting the Group's leadership development programmes by identifying future leaders of the business and assuming a mentoring and support role in employee development.

How we are structured to ensure good, strong governance

Committee	Main responsibilities	Membership	Others who are invited to attend from time to time
Audit Committee	• the oversight of the Company's financial reporting, internal controls and risk management; • managing the relationship with fraud detection and reporting and whistleblowing reporting; and • monitoring the effectiveness of the external auditors.	Committee Chairman Chris Surch Non-executive directors Vanda Murray Geraint Anderson Michael Ducey	External auditors Chief Executive Officer Group Finance Director Group Company Secretary Group Financial Controller Group Treasurer and Head of Tax Group Business Risk Manager Senior Internal Auditor
Remuneration Committee	• determining the remuneration packages of the executive directors and other senior executives and approving the Chief Executive Officer's proposals for senior executives; • reviewing the appropriateness of the Remuneration Policy; and • administering the Performance Share Plan.	Committee Chairman Vanda Murray (to 20 December 2016) Geraint Anderson (from 20 December 2016) Non-executive directors Vanda Murray Chris Surch Michael Ducey	Chief Executive Officer Group Finance Director Group Company Secretary Independent external advisors
Nomination Committee	• reviewing the structure, size and composition of the Board; • identifying and nominating candidates to fill Board vacancies; and • considering succession planning for all Board positions and senior executives.	Committee Chairman Vanda Murray Non-executive directors Geraint Anderson Chris Surch Michael Ducey Executive director Mark Abrahams	Group Finance Director Group Company Secretary External advisors as required
Executive Committee	• the day-to-day management of the Group and operational matters.	Committee Chairman Mark Abrahams Executive director John Pratt Other members Group Company Secretary: Debra Bradbury Group Corporate Development Director: Claire Binyon Managing directors of operations: Leonard Casey Jack Krecek Edwin Have David Landgren Karen West	Director of Strategic Planning & Investor Relations Group Business Risk Manager Group HSE Coordinator External advisors as required

Internal control

The following statements have been made in accordance with the requirements of the Code and the recommendations of the FRC's "Guidance on Risk Management, Internal Control and Related Financial and Business Reporting" (September 2014). Based on: the Board's monitoring of the Company's risk management and internal control systems; its review of the effectiveness of those systems; and a robust assessment of the principal risks facing the Company, the Board can confirm that it has not identified any significant changes to the principal risks, control failings or weaknesses that resulted in unforeseen material losses. While the Board is responsible for the Group's systems of internal control and risk management and for reviewing their effectiveness, like any such systems, they can only provide reasonable and not absolute assurance against material misstatement or loss.

Key procedures within the internal control structure, which have been in operation for the full financial year and up to the date of approval of this Annual Report, are:

- the continuing identification of major business and insurance risks faced by the Group's operations, by both the Board and senior management, and the determination of the most appropriate course of action to deal with those risks;
- the central review and approval procedures in respect of major areas of risk such as acquisitions and disposals, reorganisations, litigation, treasury management, taxation and environmental issues;
- a clear management structure, with well-defined lines of responsibility and the appropriate levels of delegation;
- regular review of the Group's operating units by operational and executive management and monthly reports from the senior managing directors;
- a structured process for appraising and authorising capital projects, which includes clearly-defined authorisation levels. Projects are subject to post-investment appraisals;
- well established consolidation and reporting systems for both the statutory and monthly management accounts. Monthly, half yearly and annual financial results prepared by the consolidation team and reviewed by management, with financial reports distributed to all Board members;
- comprehensive budgeting systems, with an annual budget approved by the Board. Monthly results are reported against budget and revised forecasts for the year, which are prepared regularly;
- use of non-financial KPIs across the Group;
- monitoring of key external indictors;
- an internal programme of monitoring visits by the internal audit team, as agreed with the Audit Committee, which reviews the compliance of each operating unit with the Group's standard internal financial control procedures;
- competition compliance programmes in several jurisdictions;
- compliance policies, including a Code of Business Conduct, an Anti-bribery & Corruption Policy and a Whistleblowing Policy;
- Policies and procedures to address modern slavery and gender pay gap reporting;
- Group-wide online training on issues including business behaviours, anti-bribery and competition to support Group policies; and
- a programme of business risk reviews with operational management, focusing on non-financial controls and risk management.

The key processes used in reviewing the effectiveness of the Group's system of internal control and risk management include:

- three meetings a year of the Audit Committee, with risk and internal control considered at all meetings and one of those meetings being dedicated to the reporting and consideration of risk management and internal control;
- detailed and regular reporting to the Audit Committee of the principal risks of the business and their mitigating factors;
- risk and internal audit reports submitted to the Audit Committee;
- the use of external advisors to carry out assurance reviews; and
- the Board and Audit Committee have full access to senior managers within the risk and internal audit teams and to external advisors, who regularly attend Board meetings to present and discuss the findings of their work.

The review processes and procedures explained above have been used to support the directors' assessment of, and statement on, the long-term viability of the Group which is included on page 30 of the Strategic Report.

Risk management

Culture and policy

Fenner's Risk Management System ("RMS") continues to evolve, improve and become embedded within the culture of the business in all of its global operations. The RMS policies and methodologies are well documented and form part of Fenner's Group Control Manual. The Board defines business risk as "an event or situation which is potentially damaging to the achievement of Fenner's strategic objectives".

The business model and strategy of the Group requires it to operate globally in what can be challenging conditions and territories. Fenner is prepared to accept those risks which it believes will ultimately increase shareholder value, but only to the extent that it can identify the relevant risks, gain a thorough understanding and evaluation of those risks and have the

capacity and capability to be able to manage the risks adequately and appropriately by using a range of risk mitigation strategies. Risk appetite, risk tolerance and risk capacity, together with the associated assurance and controls, are therefore regularly discussed and considered by the Board to ensure that the parameters of acceptable and unacceptable risks are understood and agreed. The position of the Board is to maintain a practical level of flexibility regarding its risk appetite, with a receptive risk appetite at one end of the spectrum in its key strategic areas and a zero-tolerance approach at the other end in the core risk areas of people, quality, capability and brand. This allows the Group to maximise opportunities, whilst also restricting inappropriate activities and minimising exposures.

The Board and Audit Committee have responsibility for setting the overall approach to risk management and for monitoring its effectiveness. The Executive Committee, divisional management teams and business unit management have responsibility for day-to-day risk management and monitoring. The Group has a dedicated risk management team, under the direction of the Group Business Risk Manager, which is also supported by external consultants and advisors. The Group Business Risk Manager develops and implements the risk policies and methodologies and is responsible for the continual monitoring of risks and the programme of business unit Risk Workshops.

Risk approach, identification and management

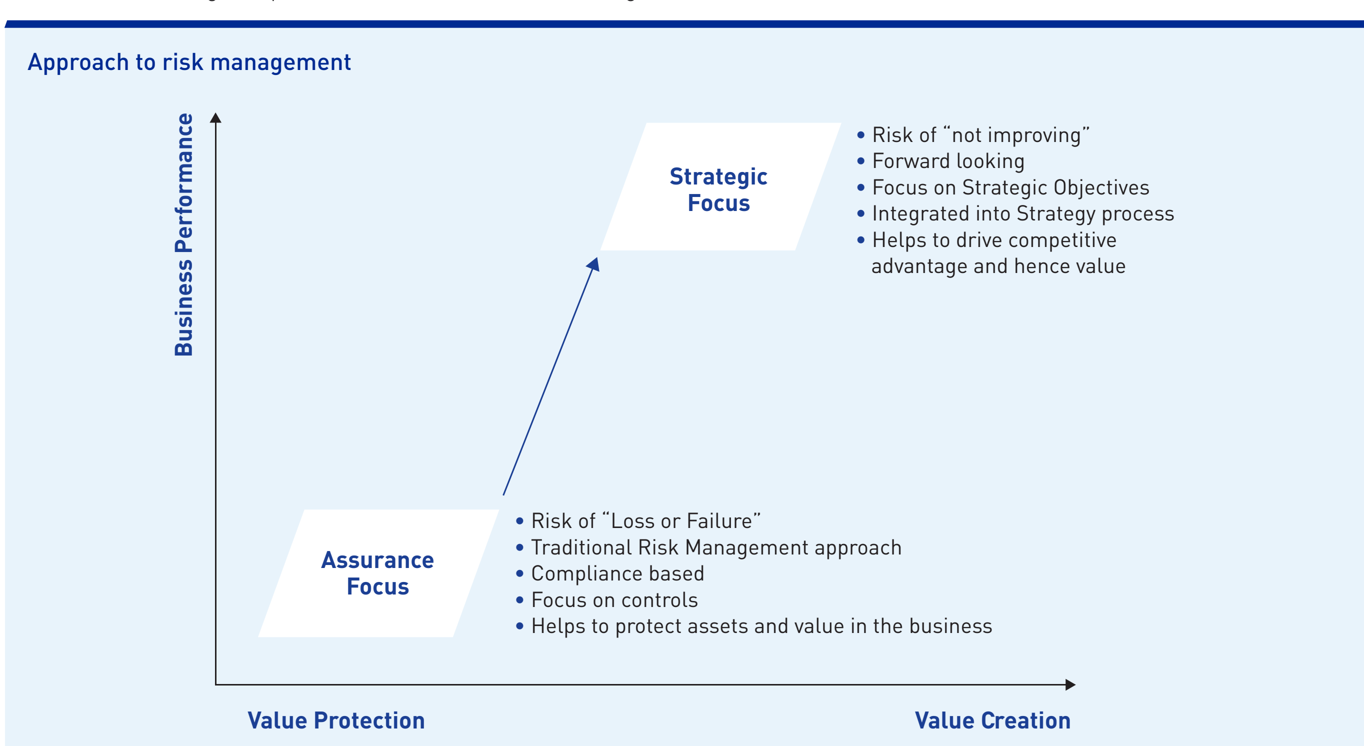
Our approach to risk is based on the joint themes of assurance and strategy. Our assurance focus is based around protecting the business, having adequate lines of defence and ensuring the effectiveness of the controls to mitigate risks. Our strategic focus is based around improving business performance by linking risk to strategy, ensuring adequate horizon scanning at the business units for emerging risks and ensuring that we seek a strategic response to the risks facing our business. This approach is detailed in the chart below.

The key features of Fenner's RMS are designed to ensure that the risks are properly identified, evaluated, controlled, mitigated, managed and monitored. Risks are identified from a structured, two-level, programme of externally facilitated global business unit Risk Workshops. There is regular risk reporting by the business units and divisional management to the Group Business Risk Manager and regular reporting to, and consideration by, the Executive Committee and Audit Committee. Emerging or topical risks are discussed when appropriate at a strategic level by the Board.

The Group records all its risks in a central repository known as the Risk Universe. This assesses the Inherent and Residual level risks across 11 categories which reflect the nature of the Group and its operations. Risk themes and emerging issues are reported to the Board and the Audit Committee by way of a "Schedule of Principal Risks and Mitigating Actions".

Other elements of Fenner's system of internal controls also form part of the Group's RMS, including: Quality systems; IT systems; Cyber-security; HSE (The Framework); Internal Audit; and Financial Controls.

The Group's Principal Risks and Uncertainties are set out on **pages 31 to 36**



Key features of Fenner's Risk Management System, focusing on both strategic risk and assurance

- A schedule of Principal Risks which is reported regularly to the Board.
- A Group Risk Universe repository of all Group risks.
- A set of business unit risk sheets and heat maps.
- A business continuity plan for all significant business units.
- Assurance maps to identify the lines of defence and help coordinate and direct risk controls and activities.
- A consideration of risk interactions.
- A web based risk portal to control the recording and monitoring of risks.
- A consideration of future risks to allow regular horizon scanning.
- A two-level program of Risk Workshops to validate the Risk Universe.
- A system of controls to reduce risks to an acceptable residual level.
- A system of continual monitoring, review and update of the risks.
- Quarterly risk returns to allow regular monitoring of the business units by Group.
- A system of controls assessment.
- Business unit self-assessments of risks and controls.
- Formal Audit Committee reporting procedures.

Communication with shareholders

The Board recognises that establishing and maintaining good relationships with all of the Company's shareholders are important elements of its responsibilities. The Board is committed to engaging with shareholders in an open and clear manner. The Company has an investor relations programme in place to ensure constructive dialogue with major shareholders. It uses the AGM as an opportunity to meet with private investors.

The majority of shareholder meetings are led by the Chief Executive Officer and Group Finance Director. Such meetings allow the Board to discuss recent developments and strategic issues with institutional shareholders and the executive directors report shareholder views back to the main Board. The Board receives copies of broking analyst reports. All Board members understand that they have responsibility for engendering and maintaining good relations and communications with shareholders.

In addition to executive director meetings with shareholders, there are also separate meetings between shareholders and the Chairman and Senior Independent Director. These meetings are typically more governance-focused and help to foster the relationship between the Company and its shareholders, providing the Company with an enhanced understanding of the thoughts of its major shareholders. The Chairman and Senior Independent Director attended a number of meetings throughout the year to discuss issues including revisions to the Remuneration Policy and Board composition. During the year, the Chairman of the Remuneration Committee also consulted directly with shareholders regarding the Remuneration Policy.

The Board recognises the importance of the internet as a means of quick, cost-effective and easily accessible communication with shareholders. The Group's website facilitates communication with shareholders and, alongside Annual and Half Year Reports, it also contains information on corporate governance, analyst presentations, the current share price, regulatory announcements, financial performance information, shareholder information and investor relations contact details. In addition, the site provides information on Group operations worldwide and its markets.

Constructive use of the AGM

The Board is committed to the constructive use of the AGM as a forum to meet with shareholders, answer their questions and to listen to their opinions on the Group. As part of the meeting, the Chief Executive Officer and the Group Finance Director provide a presentation to the attending shareholders; shareholders are encouraged to ask questions following the presentation. At the conclusion of the formal business of the AGM, all members of the Board, including the Chairmen of the Audit, Remuneration and Nomination Committees, make themselves available to answer questions.

In relation to the AGM:

- separate resolutions are proposed for each substantially separate issue including the receipt of the Annual Report;
- proxy forms allow shareholders to direct their proxy vote either for or against the resolution or to withhold their vote;
- the proxy count is reported at the AGM in respect of each resolution after it has been dealt with on a show of hands; and
- the Notice of Meeting, the Annual Report and any other related papers are generally made available to shareholders more than one month before the meeting.

Where any AGM resolution is opposed by a significant proportion of shareholders, the Company endeavours to explain as soon as reasonably practicable following the meeting the actions it intends to take to understand and address shareholder concern. While there is no guidance on what is meant by "significant" in relation to votes being cast against a resolution at General Meetings of the Company, the Board believes 20% is a sensible base level.

At the 2017 AGM, 26% of shareholders voted against the Annual Remuneration Report. In light of this, the Chairman of the Remuneration Committee promptly liaised with a number of the major shareholders to understand their concerns with the Remuneration Policy. Subsequently, the Remuneration Committee appointed external consultants to help benchmark the Company's Remuneration Policy. As a result of the exercise, various revisions to the Policy were proposed, and further talks were held with shareholders during the summer of 2017, to ensure their concerns had been addressed. This matter is discussed in more detail in the Chairman of the Remuneration Committee's Statement in the Board Remuneration Report on page 69.

Signed on behalf of the Board of Directors

Vanda Murray OBE
Chairman
15 November 2017

Nomination Committee Report

Vanda Murray OBE
Chairman

Introduction by the Chairman of the Nomination Committee

I am pleased to present the report on the work of the Nomination Committee during the year ended 31 August 2017.

The Board had started its search for a new Non-Executive Chairman in January 2016 when Mark Abrahams became Executive Chairman and subsequently resumed the role of Chief Executive Officer in June 2016. I became the acting Non-Executive Chairman in June 2016, thereby ensuring that the roles of Chief Executive Officer and Chairman were separate and defined. The search for a Non-Executive Chairman continued and the Company also started a search for a new Chief Executive Officer in June 2016.

I was delighted to be considered for the role of Non-Executive Chairman alongside other external high calibre candidates. I accepted the position on 20 December 2016 following a formal and rigorous process involving external executive search advisors and being benchmarked against external candidates and I am very proud to be the first woman to chair the Company.

A shareholder requisition resulted in Michael Ducey joining the Board in January 2017 with the support of the Board and following a series of constructive discussions with Teleios Capital Partners LLC who requisitioned the request to appoint Michael.

The Committee is also continuing to search for an additional non-executive director to complement the existing Board composition, experience and skill set.

Activities during the year

The Committee formally met five times during the year under review. The main work of the Committee during the year is set out in this Report.

Non-Executive Chairman succession

I initially spearheaded the search for a permanent Chairman in the year under review but Chris Surch took over the lead in the search at the point that I confirmed I was interested in being considered for the role. As acting Non-Executive Chairman, I was not involved in reviewing or interviewing potential candidates for the Chairman role from that point and I did not take part in any Committee discussions about candidates.

The search process was thorough, with long lists of candidates being put forward for review before short lists were compiled. Potential candidates were interviewed by both the executive search advisor and Chris Surch and recommendations made to the Committee. I was subsequently elected to the role because the Committee felt that I had the skills, experience and, crucially, knowledge and continuity with the Company which was deemed to be invaluable given the prospective change to the Chief Executive Officer position which would require a very careful and well thought through transition.

Chief Executive Officer succession

Mark Abrahams resumed the role of Chief Executive Officer on 8 June 2016 whereupon the Committee started the process to identify and recommend a permanent successor to Mark. That search has been continuing via international executive search advisors but there was a hiatus in December 2016 due to the shareholder requisition. The search resumed in January 2017. An additional executive search advisor has been appointed to help with the process and lead the external candidate search. They were given a candidate profile by the Committee to ensure that the eventual short list of candidates has the right experience, knowledge, skills and international exposure for the role. Several candidates have been interviewed but to date, no firm offer has been issued or accepted. The Committee continues to make the Chief Executive Officer search its main priority.

Non-executive director search

The Board announced on 20 December 2016 that it was looking for an additional independent non-executive director to be a complementary fit to the existing Board, with a background in Fenner's growth sectors and a strong track record as a non-executive director. This non-executive director is to be in addition to Michael Ducey.

External executive search advisors are being used to conduct the search and produce a long list of candidates. During the year, several candidates have been interviewed but as with the Chief Executive Officer search, no appointments have yet been made although the Committee is working hard on the search and selection process.

Responsibilities

The Nomination Committee operates under a formal set of Terms of Reference which specify the Committee's role and duties. The overarching aim of the Committee is to maintain a Board with the right balance of skills and experience to help govern and lead the Company. The key responsibilities are to regularly review the structure, size and composition (including the skills, knowledge, experience and diversity) required of the Board, give full consideration to succession planning for directors and other senior executives with reference to the challenges and opportunities facing the Group and make recommendations for succession plans for key Board roles, in particular for the roles of Chairman and Chief Executive Officer.

Appointments to the Board

The Nomination Committee manages Board appointments and agrees the candidate specification, which sets out the type of skills, experience, qualifications and knowledge a preferred candidate should ideally have; this is agreed and discussed with external independent recruitment consultants.

Governance

The members of the Committee are set out on page 52. The Terms of Reference dictate that the Committee meets at least twice a year and has the power to request the attendance at meetings of any director or Group employee as considered appropriate. The Committee held five meetings during the year under review, with all Committee members in full attendance at all meetings; as Micheal Ducey joined the Board part way through the year, he attended the two meetings that took place subsequent to his appointment.

Succession planning

Succession planning is important for all boards and getting it right is critical for the long-term success of the companies involved. The Committee is fully cognisant of this and is instrumental in leading the process for the evaluation and selection of candidates for Board appointments. It has adopted the principle of doing it right and finding the best candidates for the long term, over doing it quickly. The necessary balance of skills, knowledge, experience, leadership and cultural fit required by the Board and the wider Group is constantly kept under review. Whilst diversity is an important factor in the candidate searches, the final candidates for both Chief Executive Officer and non-executive director roles will of course be selected purely on merit irrespective of gender, ethnicity or religious beliefs.

The Committee also considers the internal talent pool when looking at Board appointments and appointments to the Executive Committee. The senior managing directors are tasked with identifying talent in their operations with a view to being able to attract, retrain and developing the next generation of talent for the business.

Diversity

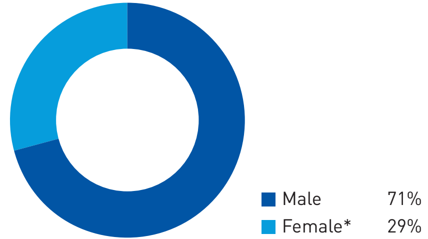
The Committee takes diversity, including gender, very seriously and is keen to ensure the right candidates are put forward to help increase diversity and representation on the Board. Notwithstanding that, the principal concern of the Nomination Committee is to ensure all candidates have the right balance of experience, qualifications and ability for the role and that they would be a good cultural fit regardless of gender, ethnicity or religious beliefs. All candidates are chosen on merit, against the objective criteria set in the candidate specification and the Committee adheres to the Board Diversity Statement when making appointments. The Board does not intend to set specific diversity targets because it could fetter the ability to appoint the best candidate based on merit alone which would be against Board and Group philosophy. External executive search advisors have been specifically asked to ensure that they put forward a diverse list of candidates, including a good gender split, to the Committee.

The Committee will be considering the Government-commissioned report on diversity in the 2018 financial year, in particular the Hampton Alexander Review on improving gender balance in FTSE leadership. It will also review the McGregor-Smith Review on race in the work place.

The Committee will also review the Board Diversity Statement with a view to ensuring it remains current.

Diversity statistics are gathered and monitored around the Group. The graphic below sets out the current gender diversity split for the Board appointments; similar data for senior managers and the Group as a whole is set out on page 39.

Board gender diversity split



*Including the Group Company Secretary

Performance evaluation

The performance of the Committee is evaluated as part of the Board evaluation process. The Committee evaluation considers the qualification and experience of the Committee Chairman and whether the Committee has sufficient understanding and knowledge to enable it to evaluate the balance of skills, experience, knowledge and diversity on the Board. It also looked at the ability of the Committee to assess potential candidates to fill vacancies against the requirements of the Board in relation to the criteria of experience, knowledge and diversity.

The evaluation concluded that the Committee was properly constituted, that it performed its duties well and had the necessary understanding and knowledge. It was also confirmed that the Committee Chairman was appropriately qualified and experienced. No changes were considered necessary to the Committee's composition and no changes were made to the Committee's Terms of Reference as they continued to reflect best practice.

External advisors

The Committee used Korn Ferry and Lygon Group for its executive searches. Neither Korn Ferry nor Lygon Group has any other connection with the Company and provide no other services to the Group.

Signed on behalf of the Board of Directors

Vanda Murray OBE
Chairman
15 November 2017

Audit Committee Report

Chris Surch
Chairman of the Audit Committee

Foreword by the Chairman of the Audit Committee

On behalf of the Board, I am pleased to present my Report for the year ended 31 August 2017.

This Report gives an insight into the work the Committee has undertaken in the year to ensure that it has performed its responsibilities in reviewing financial reporting, internal controls and risk management. New auditors were appointed and approved at the AGM in January 2017 and the Committee helped to ensure that the transition to the new auditors has been smooth and well ordered. This report also covers the composition of the Audit Committee.

The Committee receives reports from the Company's external and internal auditors, the Group Business Risk Manager and management. The Committee meets separately with both external and internal auditors and carries out reviews of auditor independence and effectiveness. Risk management is discussed at all Committee meetings but, in addition, the Committee devotes one of its meetings each year to primarily discuss risk management and assurance and review the principal risks with the Group Business Risk Manager and third party consultants.

The work carried out by the Audit Committee in the year under review is set out in the following Report.

Composition and governance

The Audit Committee is made up of the independent non-executive directors. The four members are Vanda Murray, Geraint Anderson, Michael Ducey and myself.

As Chairman of the Committee, I meet the requirement of having had recent and relevant financial experience, being a Chartered Accountant by profession and having been Group Finance Director of First Group Plc from 2012 until I retired on 8 January 2016 and, prior to that, being the Group Finance Director of Shanks Group Plc from May 2009 to August 2012. With regard to the other Committee members, they all have extensive business backgrounds across a variety of sectors, geographies and industries relevant to the Group and bring a wide range and depth of financial and commercial experience. All members of the Committee have experience in both executive and non-executive roles. The executive directors are not members of the Committee although they can and do attend by invitation. The Group Company Secretary acts as secretary to the Committee, which also has access to the services of the Group Finance Director, Senior Internal Auditor, Group Business Risk Manager and external professional advisors. The Committee can request the attendance at meetings of any director or Group employee as considered appropriate or the external auditors. The Committee meets with the external auditors without the presence of management at two of its three meetings during the year.

The Audit Committee operates under formal written Terms of Reference which govern its role and responsibilities. The Terms of Reference are available to view on the Group's website at www.fenner.com and upon request to the Group Company Secretary.

Committee activities and how we discharged our responsibilities during the year

The Audit Committee met three times in the year under review and its work covered the following:

Financial reporting

- monitoring the integrity of the Company's financial reporting including the Annual Report, Full Year Results and Half Yearly Financial Report and reporting to the Board on any significant financial reporting issues;
- reviewing the long-term viability and going concern status of the Company, including stress tests of the assumptions;
- examining, questioning and satisfying themselves on the key accounting matters and significant areas of judgement as reported by management and the external auditors; and
- reviewing management's draft half year and full year results presentations for analysts and shareholders.

Internal control, risk management and internal audit

- review of the internal financial controls and the internal control management systems;
- reviewing the internal audit team resource;
- receiving reports on cyber security risk and the testing of IT systems around the Group to see if they would withstand a cyber threat and a review of the potential preventative measures;
- monitoring and reviewing the effectiveness and performance of the internal audit function, including the approval of the internal control programme and review visits;

- reviewing the risk management systems and reports which are outlined in more detail in the Corporate Governance report on pages 53 to 55; and
- reviewing the summary of Group insurance policies and levels of deductibles.

External audit

- making recommendations to the Board in relation to the appointment or reappointment and remuneration of the external auditors and their terms of engagement, letter of representation and approval of the audit plan;
- ensuring that the external auditors are independent, objective and effective;
- reviewing the policy on non-audit work carried out by the external auditors; this policy takes into account external guidance relating to the provision of non-audit services and complies with the Financial Reporting Council ("FRC") Ethical Standard for Auditors that was implemented on 17 June 2016; and
- reviewing non-audit fees of the external auditors.

Other matters for review

- receiving reports on and reviewing the procedures for detecting fraud;
- reviewing the anti-bribery policies and reports;
- reviewing the Whistleblowing Policy and reports; and
- reviewing the Terms of Reference for the Audit Committee for recommendation to the Board.

Risk management, internal control and internal audit

The risk reporting has been updated in the year following discussions with the Group Business Risk Manager and the Committee Chairman so that the reporting identified those risks required by the UK Corporate Governance Code ("the Code") and those that the Company chose to report in line with best practice over and above the Code requirements. Risks are reported to the Audit Committee twice a year by the Group Business Risk Manager and an independent consultant, Sentio Insight LLP, which supports the Group Risk Workshop programme in conjunction with the Group Business Risk Manager. The risk process for identifying, evaluating and managing risk is continuous, evolving and well established and the process itself is subject to regular review and refinement, most recently increasing the assurance elements of the process. This work enhances both the Committee's and management's understanding of risk in a broad as well as specific sense in relation to the Group and its operations.

A detailed review of Internal Control and Risk Management is set out on **pages 53 to 55**

A detailed review of Principal Risks and Uncertainties is set out on **pages 31 to 36**

Internal audit

The Committee meets with, and receives a report from, the Senior Internal Auditor at least twice a year. The results of audits undertaken by the internal audit team are reviewed, as are the adequacy of management's response to any matters raised, including the implementation of any recommendations made. The Committee considered and approved the 2017/18 internal audit programme.

The Audit Committee reviews the effectiveness of the Group's systems of internal audit and control and commissioned and updated a more in depth report that was generated by the Company Secretarial department and therefore independent of Internal Audit or Group Finance. The report was based on an extensive questionnaire that was issued to the finance directors or financial managers at all the Group business units. The questionnaire focussed on five areas:

- Communication;
- Audit coverage;
- Recommendations & reporting;
- Professionalism of internal audit; and
- Quality, objectivity, proficiency and resourcing of internal audit.

The Group's business units overwhelmingly agreed that the Group internal audit process remained effective and that they derived value from the internal audit process, particularly in relation to the provision of guidance on Group policies and procedures and facilitating the development and maintenance of internal control procedures to help mitigate operational risks.

The Committee receives a financial internal control report at least twice a year from the Senior Internal Auditor. Based upon the internal control and risk reports, the Board determines the nature and extent of the significant risks it is willing to take in achieving strategic objectives. The Board believes that it maintains a sound risk management and internal control systems.

Whistleblowing

The well-established independent third party operated hotline continues to be effective. It is a Group-wide, multi-lingual facility and was put in place to support the Group Whistleblowing Policy. The hotline facilitates arrangements whereby employees can make confidential disclosures (on an anonymous basis if preferred) about suspected impropriety and wrongdoing. Any matters so reported are investigated and escalated to the Audit Committee as appropriate. A report summarising all disclosures made during the period is submitted to the Audit Committee twice a year.

Financial reporting - key accounting matters and significant areas of judgement

The Audit Committee reviewed a wide range of financial reporting and related matters in respect of the Group's half year and full year results statements and its Annual Report prior to their consideration by the Board.

Reports highlighting key accounting matters and significant judgements were received from management and the external auditors, Deloitte LLP ("Deloitte"), in respect of the full year statements and discussed by the Committee.

In particular, this included the following areas of focus:

Significant issues and judgements	How the Audit Committee addressed those issues
Valuation of goodwill and intangible assets acquired	Carrying amounts are reviewed at least annually by conducting an impairment review which is based on the net present value of projected cash flows for each cash-generating unit ("CGU"). Details of assumptions used and sensitivities are provided in note 14 to the Group financial statements on pages 104 to 106. The most significant judgements are in setting the assumptions for the calculation of the value in use of the CGUs, in particular the achievability of long-term financial forecasts and macro-economic projections. Following the reviews during the year, no impairment charge was recorded. Two CGUs were identified as potentially sensitive to a reasonably possible change in a key assumption. The Committee challenged both management and Deloitte whether the assumptions underlying the cash flow projections are appropriate and also considered the appropriateness of the discount rates used. Following discussion on headroom and sensitivity, the Committee was satisfied that the carrying amount of goodwill and intangible assets acquired was appropriate.
Valuation of defined benefit post-retirement scheme liabilities	The valuation of the Group's defined benefit post-retirement scheme obligations requires demographic and financial assumptions to be made which are set out in note 27 to the Group financial statements on pages 113 to 118. These assumptions have been chosen based on advice from the Group's external actuaries. The principal assumptions relate to the discount rate, inflation and mortality. The Committee challenged management on the appropriateness of these assumptions and discussed with Deloitte whether the assumptions were consistent with externally derived data.
Taxation	The Committee assessed the appropriateness of the calculation of the tax charge, including the exceptional tax credit noted below, and recognition of deferred tax assets, including receiving reports from management and discussions with Deloitte.
Exceptional items	Certain items can be classified as exceptional due to their nature or size. These can be presented separately on the face of the income statement or elsewhere within the Annual Report in order to provide a better understanding of the Group's financial performance. The Group has recorded exceptional items amounting to a net credit to operating profit of £2.6m, comprising a £4.1m profit on the disposal of businesses and £1.5m of employment costs. In addition, an exceptional tax credit amounting to £3.8m has been recorded within taxation which relates to the utilisation of US tax losses arising from a prior year business closure. The Committee reviewed these amounts and challenged whether it was appropriate to exclude them from the underlying performance of the Group as proposed by management.

The Committee was satisfied that the key accounting matters and significant judgements made were justified and that the financial reporting disclosures were appropriate. This conclusion was reached following consideration of the matters presented to it and discussion with both management and Deloitte.

External auditors and audit tender exercise

In April 2014, the European Union published its revised Audit Directive making periodic rotation of external audit firms mandatory for premium listed companies such as Fenner. In the UK, premium listed companies are also required to put the audit out to tender at least every 10 years and rotate the auditors at least every 20 years. Fenner conducted an audit tender in 2016 and selected Deloitte LLP to be the new auditors. The appointment was approved by shareholders at the AGM on 11 January 2017 and Deloitte were appointed as the new auditors for the financial year ending 31 August 2017 and PricewaterhouseCoopers LLP ("PwC") tended their resignation and stepped down as auditors.

Simon Manning is the new audit engagement partner and had been part of the audit team that tendered for the audit work in 2016.

Independence

The independence and objectivity of the external auditors is normally reviewed annually as part of the Committee's duties; it monitors the external auditors' compliance with applicable ethical guidance and guidelines. The exercise has not been formally conducted this year because Deloitte are new into the role and their independence and compliance with ethical guidance and guidelines had been reviewed as part of the audit tender exercise. The formal annual review will take place in the financial year ending 31 August 2018.

The Committee received and reviewed written confirmation from the external auditors on all relationships that, in their judgement, may bear on their independence. The external auditors also confirmed that they considered themselves to be independent within the meaning of UK regulatory and professional requirements.

The Committee periodically reviews the Group's policy on non-audit services and those services which can be provided by the external auditors under the policy are set out below.

During the year, no non-audit services were performed.

Policy on non-audit services by the external auditors

The policy was changed in the current financial year to comply with the FRC Ethical Standard for Auditors which was issued in June 2016 and applicable to the financial year ended 31 August 2017. Permitted and prohibited non-audit services are as follows:

Prohibited non-audit services

- tax services relating to: preparation of tax forms; payroll tax; customs duties; identification of public subsidies and tax; support regarding tax inspections by tax authorities; calculation of direct and indirect tax and deferred tax; and provision of tax advice;
- services that involve playing any part in the management or decision making of the audited entity;
- bookkeeping and preparing accounting records and financial statements;
- payroll services;
- designing and implementing internal control or risk management procedures related to the preparation and/or control of financial information or designing and implementing financial information technology systems;
- valuation services, including valuations performed in connection with actuarial services or litigation support services;
- legal services, with respect to: the provision of general counsel; negotiating on behalf of the audited entity; and acting in an advocacy role in the resolution of litigation;
- services related to the audited entity's internal audit function;
- services linked to the financing, capital structure and allocation and investment strategy of the audited entity, except providing assurance services in relation to the financial statements, such as the issuing of comfort letters in connection with prospectuses issued by the audited entity;
- promoting, dealing in or underwriting shares in the audited entity; and
- human resources services, with respect to: (1) management in a position to exert significant influence over the preparation of the accounting records or financial statements which are the subject of the statutory audit, where such services involve: (i) searching for or seeking out candidates for such position; or (ii) undertaking reference checks of candidates for such positions; (2) structuring the organisation design; and (3) cost control.

Permitted non-audit services, subject to approval by the Committee

- those services required by law or regulation;
- half year review procedures; and
- in certain circumstances, financial due diligence on significant transactions, including acquisitions, disposals and assurance services through a reporting accountant engagement.

The prohibited non-audit services comprise all services on the "blacklist" within the new standard.

In compliance with the new rules, non-audit service fees, excluding those required by law or regulation, will be capped at 70% of the average of the audit fees for the preceding three year period, commencing from the fourth year in order to establish three years of history.

Effectiveness and reappointment

The Committee took the decision that because of the rotation of auditors in the year and in view of the fact that the incoming auditor, Deloitte, had not been through a full audit cycle with the Company, the formal evaluation of the performance of the external auditors and a report on the effectiveness of the external audit function would be postponed. Irrespective of that, the Committee and management can confirm that the senior

finance staff around the Group felt that the external auditors performed well overall and that the transition to the new audit team had been well conducted. Against this background, the Committee is comfortable concluding that the performance of the external auditors remains satisfactory and, as stated, the performance of the external auditors will now be reviewed annually.

Deloitte will be recommended for reappointment at the AGM on 11 January 2018.

Evaluation of the Audit Committee's performance

The performance of the Committee is evaluated as part of the internal Board evaluation process. The Committee evaluation considers: the qualification and experience of the Committee Chairman; whether the Committee has sufficient understanding and knowledge to enable it to monitor and review the integrity of the financial statements, reports, control processes and functions put to it; and whether it is qualified and experienced in monitoring the effectiveness of both the external and internal audit functions as well as the risk management function.

The evaluation concluded that the Committee was properly constituted, that it performed its duties well and had the necessary understanding and knowledge. It was also confirmed that the Committee Chairman was appropriately qualified, experienced and understood the issues presented to him and that he made a positive contribution to the role. No changes were considered necessary to the Committee's composition and no changes were made to the Committee's Terms of Reference as they continued to reflect best practice.

Signed on behalf of the Board of Directors

Chris Surch
Chairman of the Audit Committee
15 November 2017

Other Statutory Information

Debra Bradbury
Group Company Secretary

The directors submit their Annual Report and the audited Group financial statements for the financial year ended 31 August 2017.

Results and dividends

	2017 £m	2016 £m
Profit/(loss) for the year	**34.3**	(25.3)
Dividends:		
Interim 1.4p per share		
(2016: 1.0p) – payable	**2.7**	1.9
Final 2.8p per share		
(2016: 2.0p) – proposed	**5.4**	3.9
Total dividend	**8.1**	5.8

Political donations

It is the Group's policy that no donations are made to political parties.

Directors and their interests

The names of the directors in office during the year and up to the date of signing the financial statements and their brief biographies and other details, including their other significant commitments, are as shown on pages 44 to 45.

Details of the directors' beneficial interests in the ordinary shares of the Company and in the Performance Share Plan are given in the Board Remuneration Report on pages 69 to 84.

Save as disclosed in the Board Remuneration report:

- no director has any interest (beneficial or non-beneficial) in any share or loan capital of the Company or any of its subsidiaries;
- no change in the interests of directors has occurred between the end of the financial year and 15 November 2017; and
- there were no contracts of significance subsisting during or at the end of the financial year in which a director of the Company was materially interested.

All of the directors will offer themselves for re-election at the 2018 AGM in accordance with the UK Corporate Governance Code. The performance of each of the directors continues to be effective and they continue to demonstrate commitment to the role and the Company.

Directors' indemnities and insurance cover

A qualifying third party indemnity ("QTPI"), as permitted by the Company's Articles of Association and the Companies Act 2006, has been granted by the Company to each of the directors. Under the provisions of the QTPI, the Company undertakes to indemnify each director against claims from third parties in respect of certain liabilities (excluding criminal and regulatory penalties) arising out of, or in connection with, the execution of their powers, duties and responsibilities as directors of the Company or any of its subsidiaries. The Group also holds appropriate Directors and Officers Liability Insurance. These policies were in force during the financial year ended 31 August 2017 and remain in place at 15 November 2017.

Substantial shareholdings

During the year ended 31 August 2017, the Company was notified of the following holdings of voting rights in its shares under Rule 5 of the Disclosure Rules and Transparency Rules of the Financial Conduct Authority:

Interested Party	Nature of Interest	% Voting Rights
Standard Life Aberdeen plc	Indirect	6.60
Teleios Capital Partners LLC	Indirect	5.95
JP Morgan Asset Management Holdings, Inc.	Indirect	5.38
BlackRock, Inc.	Indirect	5.35
Heronbridge Investment Management LLP	Indirect	4.99
Setanta Asset Management Limited	Indirect	3.84
RWC Asset Management LLP	Indirect	3.61
Norges Bank	Direct	3.00

Between 1 September 2017 and 15 November 2017, the Company had been advised of the following changes to the interests notified above:

Interested Party	Nature of Interest	% Voting Rights
BlackRock, Inc.	Indirect	6.40
Setanta Asset Management Limited	Indirect	2.92

Employment policy

The Group operates worldwide and its employment policies and practices are designed to be appropriate to their market sector and country of operation to meet local conditions and regulations and are established on the basis of the best practices in each country as well as supporting the principles of the Universal Declaration of Human Rights. Wherever the Group operates, it ensures it recruits and retains a competent and diverse workforce. For Fenner, equal opportunities means employing the best people for the business from the widest pool of candidates regardless of gender, race, age, caste, origin, religion, disability, sexual orientation or any other status protected by law. These principles and practices are also applied when undertaking rationalisations and reorganisations.

Fenner strives to provide an inclusive and diverse workplace environment in which all employees are treated with dignity and respect at all times. The Group does not discriminate on the grounds of disability and continues to recognise its social and statutory duties to disabled persons and does all that is practicable to meet this responsibility. Full and fair consideration is given to the recruitment, training, career development and promotion of disabled persons. If an employee becomes disabled whilst employed by the Group, wherever possible, he or she will continue to be employed in the same job. If this action is not practicable or possible then every effort will be made to find suitable alternative employment. In these circumstances, retraining would be made available using Group resources as well as by contact with local disabilities employment advisors.

The Group's employment policy is to secure good relations between management and all employees, to promote a better understanding of all the issues, both internal and external, that influence the Group's business performance and to improve performance and productivity. We align employee remuneration with performance objectives through appropriate incentive plans aligned with Group strategy.

Formal and informal meetings are used to consult employees and to keep them informed about the performance of the Group. The practices of consultation and involvement vary from country to country according to local customs, legal considerations and the size of the operation. The regular issue of the Group-wide magazine, Fenner Focus, assists internal communication, including extensive coverage of the Group's half year and full year results, as do briefing meetings, information bulletins and meetings with employee representatives.

A detailed review of the Group's employment policy is set out in the Corporate Responsibility Report on **pages 39 to 40**

Financial risk management

Details of the Group's financial risk management policies are given in the Strategic Report on pages 29 to 30 and note 21 to the Group financial statements on pages 108 to 110.

Statutory information

Set out below is a summary of certain provisions of the Company's current Articles of Association (the "Articles") and the Companies Act 2006 ("Companies Act"). If further information is required, the relevant provisions of the Articles and the Companies Act should be consulted.

Share capital

Details of the Company's issued share capital as at 31 August 2017, together with details of shares issued during the year, are set out in note 11 to the Company financial statements on page 129. Each ordinary share of the Company carries one vote. The Company has a single class of share capital which is divided into ordinary shares of 25p each.

Dividends and distributions

Subject to the provisions of the Companies Act, the Company may, by ordinary resolution, from time to time declare dividends not exceeding the amount recommended by the Board. The Board may pay interim dividends, including fixed rate dividends, whenever the financial position of the Company, in the opinion of the Board, justifies such payment. Dividends will be paid pro-rata to the amounts paid up on the shares. In specie and scrip dividends can be authorised at a General Meeting at the Board's recommendation.

Voting rights

Subject to any rights or restrictions attaching to any shares by or in accordance with the Articles, at a General Meeting, every member who is present in person or by proxy shall have one vote and, on a poll, every member present in person or by proxy shall have one vote for each share. In the case of joint holders of a share, the vote of the senior holder who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders.

For this purpose, seniority shall be determined by the order in which the names of the holders stand in the register.

Restrictions on voting

Unless the Board determines otherwise, no member shall be entitled to vote at a General Meeting, either in person or by proxy, in respect of any share held unless all moneys are fully paid up on that share. In addition, no member shall be entitled to vote if he has been served with a notice after failure to provide the Company with information concerning interests in those shares required to be provided under the Companies Act.

Deadline for exercising voting rights

Voting rights may be exercised in person, by proxy or by a Corporate Representative. The deadline for submission of proxy forms is not less than 48 hours before the time appointed for holding the meeting or adjourned meeting.

Variation of rights

Subject to the provisions of legislation, the Articles specify that rights attaching to any class of shares may be varied or abrogated, either with the consent in writing of the holders of three-quarters in nominal value of the issued shares of the class being varied or with the sanction of a special resolution passed at a separate General Meeting of the holders of the shares of that class.

Transfer of shares

All transfers of certificated shares may be in any usual form or in any other form which the Board may approve. The instrument

of transfer shall be signed by or on behalf of the transferor and, unless the share is fully paid, by or on behalf of the transferee. An instrument of transfer need not be under seal. Transfers of shares which are in uncertificated form are effected by means of the CREST system.

The Board may refuse to register the transfer of a share which is not fully paid, provided that the refusal does not prevent dealings in shares in the Company from taking place on an open and proper basis. In the case of uncertificated shares, the Board may exercise its discretion to refuse to register a transfer of a share to the extent permitted by the regulations and the facilities and requirements of the relevant system.

The Board may also refuse to register the transfer of a certificated share unless the instrument of transfer is: lodged, duly stamped (if stampable) at the office or at another place appointed by the Board, accompanied by the certificate for the share to which it relates and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer (and, if the instrument of transfer is executed by some other person on his or her behalf, the authority of that person to do so); is in respect of only one class of shares; and is in favour of not more than four transferees.

If the Board refuses to register a transfer of a share, it shall send the transferee notice of its refusal together with reasons for the refusal within two months after the date on which the instrument of transfer was lodged with the Company.

Appointment and replacement of directors

Unless varied by ordinary resolution, the number of directors (other than alternate directors) shall be not less than two nor more than 15 in number.

At each AGM, all directors shall retire from office and be eligible for re-election, in line with best corporate practice.

The Board may appoint a director either to fill a casual vacancy or as an additional director provided that the appointment does not cause the number of directors to exceed the maximum prescribed by the Articles. A director so appointed shall hold office only until the next following AGM. If not re-elected at such AGM, the director shall vacate office at its conclusion.

Powers of directors

Subject to the provisions of the Companies Act and Articles and to any directions given by special resolution, the business of the Company shall be managed by the Board which may exercise all the powers of the Company.

The Board may exercise all the powers of the Company to borrow money, to mortgage or charge all or any part of its undertaking, property, assets (present or future) and uncalled capital and to issue debentures and other securities whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Subject to the provisions of the Companies Act and Articles, at a General Meeting, the Board may request authority to allot shares and the power to disapply the statutory pre-emption rights and the authority to buy the Company's own ordinary shares in the market. Currently the Board requests such consent at each AGM. At the 2017 AGM, the directors were authorised to exercise the powers of the Company to purchase a maximum of 19,400,274 of its ordinary shares. No shares were purchased under this authority in 2017. This authority will last until the end of the 2018 AGM, or 28 February 2018 if earlier. The details of requested authorities and powers in connection with the AGM to be held on 11 January 2018 are set out in the Notice of Annual General Meeting.

Share plans: change of control

All of the Company's current share plans contain provisions relating to a change of control. Outstanding awards and options would normally vest and become exercisable on a change of control, subject to the satisfaction of any performance conditions at that time.

Amendment to Articles of Association

Any amendments to the Articles may be made in accordance with the provisions of the Companies Act by way of special resolution.

Branches

Fenner, through various subsidiaries, has branches in a number of different countries in which the business operates.

Strategic Report

Pursuant to Section 414C of the Companies Act 2006, the Strategic Report contains details in relation to the likely future developments of the business of the Group.

Independent auditors

Resolutions to re-appoint Deloitte LLP as independent auditors to the Company and to authorise the directors to determine their remuneration will be proposed at the 2018 AGM.

As far as each director is aware, there is no relevant audit information of which the Company's auditors are unaware. Each director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Annual General Meeting

As special business at the forthcoming AGM, resolutions will be proposed to renew the directors' authority to allot shares, to disapply the statutory pre-emption rights to a limited extent and to make market purchases of ordinary shares in the Company subject to defined limits. A resolution will also be proposed to hold General Meetings on 14 days' notice. The proposed resolutions and further details regarding these proposals are set out in the Chairman's letter and explanatory notes accompanying the Notice of Annual General Meeting.

Signed on behalf of the Board of Directors

Debra Bradbury
Group Company Secretary
15 November 2017

Statement of Directors' Responsibilities

Vanda Murray OBE
Chairman

The directors are responsible for preparing the Annual Report, the Board Remuneration Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including Financial Reporting Standard 101 'Reduced Disclosure Framework'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether IFRS as adopted by the European Union and applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Group and parent company financial statements respectively; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements and the Board Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The directors consider that the Annual Report and financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess a Company's performance, business model and strategy.

Each of the directors, whose names and functions are listed in The Board on pages 44 to 45, confirm that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with IFRS as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and loss of the Group; and
- the Strategic Report contained on pages 1 to 36 includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

Signed on behalf of the Board of Directors

Vanda Murray OBE
Chairman
15 November 2017

Board Remuneration Report

Geraint Anderson
Chairman of the Remuneration Committee

Chairman of the Remuneration Committee's Statement

Dear Shareholder

On behalf of the Board, I am pleased to present the Board Remuneration Report (the "Report") for the year ended 31 August 2017. This Statement and the following Reports aim to demonstrate how the various elements of compensation align the executive directors with the long-term interests of our shareholders.

During the year, there have been further changes to the structure of the Board with Vanda Murray taking up the full Non-Executive Chairman role from 20 December 2016 having been acting Non-Executive Chairman since 8 June 2016. I succeeded Vanda Murray as Chairman of the Remuneration Committee on 20 December 2016. The membership and governance of the Committee is set out on pages 51 to 52.

Whilst all resolutions were passed with significant majorities at our 2017 AGM, a number of shareholders felt unable to support our Annual Remuneration Report because they had concerns over: underlying earnings per share ("EPS") being the sole performance measure for the annual incentives as well as being one of the performance conditions in the long-term Performance Share Plan ("PSP"); the degree of stretch in the targets set for the incentive arrangements; and the absence of clawback in the annual bonus plan. Following dialogue with a number of shareholders, it subsequently became apparent that many shareholders were unaware that bonus targets had been increased; accordingly, the Remuneration Committee considers the targets to have been appropriately stretching, given the challenging markets faced by the Group. In light of our overall strategy and our approach to setting targets across the cycle, we have reviewed the Company's Remuneration Policy, recognising the challenges the Company faces and bearing in mind the feedback received from shareholders. The review confirmed that our Policy required some changes to increase alignment with shareholders' interests, reflect evolving best practice, include more Key Performance Indicators ("KPIs") in the incentive plans and introduce greater flexibility. To that end, we have materially increased the shareholding requirement for senior executives and will introduce deferral and clawback into the bonus plan. The changes are also intended to ensure that executives are rewarded for delivering sustainable growth in the medium to long term and to allow the Company to better compete in the recruitment market, which is of particular focus given the succession requirement for the Chief Executive Officer. We have therefore reviewed the metrics used in our incentives as well as the levels of opportunity.

Key changes and Committee activities during the year

The Committee proposes the following changes to the Remuneration Policy:

- Introduction of deferral into the annual bonus plan, with 50% of bonus earned being deferred into shares for two years;
- Introduction of malus and clawback provisions for annual bonus awards;
- Increase in shareholding requirement for all executive directors from 100% of salary to 200% of salary;
- Increase in maximum bonus opportunity from 100% of salary to 150% of salary; and
- Pension allowances to be capped at 21% of salary for new hires.

The increase in maximum annual bonus opportunity ensures that we can compete in the recruitment market and helps to deliver a package that is capable of appropriately rewarding directors for the in-year objectives critical to delivering on our plans for growth. Initially, the impact of this change will be a net reduction in bonus received in cash for the first two years of the Policy. However, we are conscious that it will nevertheless represent an overall increase in the bonus opportunity and the Committee will have regard to this when setting the targets for 2018 and future years. It is not the intention to make it easy to earn more bonus and the proposed change arises from a desire to extend the challenge, so as to provide an opportunity for more bonus in return for greater outperformance.

For the financial year ending 31 August 2018, the annual bonus metrics will also be revised; it is intended that underlying operating profit (75% weighting) and earnings before interest, tax, depreciation and amortisation ("EBITDA") interest cover (25% weighting) will replace EPS as the bonus metrics. Underlying operating profit is a key measure of operational

performance and will increase the focus on a broader range of KPIs than just using an EPS measure alone. EPS already accounts for 50% of the long-term incentive under the PSP. Interest cover is the measure used by lenders to ensure that borrowings are kept under tight control and in line with profitability.

Additionally, future PSP awards will be made at 150% of salary in line with current policy. As at present, vested awards will be subject to a three year post-vesting holding period. Whilst this is not a change to normal policy maxima, PSP awards have historically been granted at between 70% and 100% of salary. This change reflects the Committee's view that, as the business returns to sustained growth, it is now an appropriate time to grant at the normal level permitted under our Policy. EPS, relative total shareholder return ("TSR") and return on gross capital employed ("ROGCE") have been selected as the metrics for 2018 as these are considered to be fair measures of performance that are aligned with and visible to shareholders. EPS and TSR reward growth that creates value for our shareholders and are therefore aligned with our strategy. ROGCE is being introduced as it is a measure that reflects the Company's efficient use of capital and is used by our shareholders in evaluating our performance.

We have also reviewed our approach to setting incentive targets. A principle the Committee has stood by for many years is that management should be appropriately rewarded across the whole of the economic cycle and that policies should be consistent across those cycles. Going forward this approach will be modified so that in setting targets, the Remuneration Committee will ensure that targets remain stretching to the same degree each year, paying due regard to analyst forecasts and Board approved budgets.

To better compete in the recruitment market, the revised Policy removes the cap on aggregate variable pay elements (which includes buyouts) of 400% of salary in the year of recruitment, in order to provide greater flexibility in buying out any existing arrangements that may be necessary when recruiting. However, whilst this is intended to provide greater flexibility in structuring buyouts, the ongoing incentive opportunity for any new hire will remain consistent with that for other executive directors.

2017 outcomes

The outcomes of the various plans that make up the 2017 total remuneration for executive directors are summarised in the Single figure of remuneration table on page 80.

Basic annual salary and other benefits

No salary increase was awarded to Mark Abrahams, Chief Executive Officer, at the start of the year under review. John Pratt, Group Finance Director, received a 2% increase in line with the general workforce. No changes have been made to the directors' benefits or pension arrangements.

Annual bonus

The 2017 performance target required an increase in underlying EPS of 26% before any bonus would be earned and a 39% increase for the maximum bonus to be earned.

During the period, underlying EPS grew by 111% (75% at constant currencies) reflecting a much improved performance by the Group despite the tough trading conditions in certain of its end markets. Consequently, bonuses of 100% of salary will be paid to the executive directors for the financial year ended 31 August 2017.

Performance Share Plan

The long-term incentive plan in the form of the PSP had two performance targets for the three year Performance Period ended 31 August 2017: relative TSR against an appropriate peer group of companies; and growth in underlying EPS of the Company. The relative TSR performance over the three year Performance Period, as with last year's result, ended below the median and therefore no award will vest against that performance metric. The EPS performance target likewise failed to exceed the 25% or more growth target for that measure. Therefore no shares will vest under the PSP for the Plan Cycle ending in 2017.

Operation of the revised Policy in 2018

A salary increase of 3.45% has been awarded to Mark Abrahams; this is in line with increases awarded to the members of the Executive Committee and in line with the general workforce. A salary increase of 8.3% has been awarded to John Pratt; this is part of the previously stated strategy of increasing his salary to reflect his increasing experience and effectiveness in the role. This phased re-positioning of his salary had been suspended in the last few years in light of the Company's performance. Now that the Company has returned to growth, the Committee feels it is appropriate to bring his salary closer to the appropriate rate for this role. Further details are given on page 78.

A pro-rated annual RPI uplift will be applied to the fees of the non-executive directors and the Chairman; no uplift was applied for the year ended 31 August 2017.

The variable elements of remuneration for executive directors are summarised in the table below.

	Annual bonus scheme	PSP
Maximum opportunity (% of salary)	150%	150%
Metrics and weightings	Underlying operating profit (75%) EBITDA interest cover (25%)	EPS (50%) Relative TSR (25%) ROGCE (25%)
Performance period	One financial year	Three financial years
Deferral period/Holding period	50% of final payment to be deferred for two years and paid in shares	Three years
Malus and clawback	Applies for 2 years following date of award	Applies for 2 years following date of award

The conditional PSP award in the financial year 2018 will have relative TSR compared to the FTSE 250 (excluding investment trusts) and will only vest if TSR is at least at median plus 1% by the end of the Performance Period, in which case awards will vest on a straight-line basis between 25% and 100% of the TSR allocation for performance that is at or above the upper decile.

The EPS performance measure will only vest if, by the end of the performance period, EPS grows by 35%, after which awards will vest on a straight-line basis between 35% and 100% growth.

The ROGCE performance measure will only vest if over the Performance Period, average ROGCE grows from its current start point of 12.7% to a target of 14.2%. It will vest on a straight-line basis between the target of 14.2% and a cap of 15.7%.

Report format

This Report is in two sections: a Remuneration Policy Report, which sets out the Remuneration Policy of the executive and non-executive directors; and an Annual Remuneration Report, which discloses how the current Remuneration Policy has been implemented in the year ended 31 August 2017 and how the Remuneration Policy will be implemented in the forthcoming year.

Remuneration Policy Report

This Policy Report describes the policies, principles and structures that guide the Remuneration Committee's decision-making process in the area of executive remuneration at Fenner. If approved by shareholders at the 2018 AGM, it will replace the current Remuneration Policy (as approved by shareholders at the 2016 AGM) and will apply for a period of three years from the date of the 2018 AGM unless a revised Remuneration Policy is put to shareholders before then.

Any existing remuneration commitments or contractual arrangements such as historical share awards, agreed prior to the approval and implementation of this Remuneration Policy, therefore before 11 January 2018, will be honoured in accordance with their original terms.

This Remuneration Policy Report will be put to a binding shareholder vote at the AGM on 11 January 2018.

Remuneration policy and philosophy

When setting the Remuneration Policy, the following principles and objectives are borne in mind:

- maintain the ability of the Group to attract, recruit and retain the best people with the qualities, experience and skills necessary to operate and develop its businesses;
- reward hard work, commitment, drive, experience and leadership skills;
- have a fair structure that recognises and rewards achievement and is aligned with the KPIs and strategic goals of the Group;
- in recognition of the Group's global nature, have a package of rewards with both short and long-term incentives, thereby helping to promote its long-term growth and stability;
- align the interests of the executives with those of the shareholders by rewarding them for enhancing shareholder value and performing at the highest level;
- have a Remuneration Policy that appropriately incentivises without detracting from the goals of good corporate governance;
- when setting remuneration and developing the Remuneration Policy, take into consideration the views of shareholders and best practice guidelines;
- the Remuneration Committee does not consult with employees but they are aware of and do take into consideration the pay and conditions of employees across the Group, particularly when considering any increases in base salary. Increases to salary do in the main reflect the average increases given to the workforce as a whole in the Group's Western economies; and
- the Committee may have to make minor amendments to the arrangements described in the Remuneration Policy for regulatory, tax or administrative purposes or to take account of a change in legislation.

Remuneration Policy table for executive directors effective from 11 January 2018

Component	Objective	Opportunity	Operation	Performance measure
Base salary	Core element of fixed remuneration reflecting the individual's role, skills and experience. Market competitive packages are provided to attract, retain and motivate high-calibre people to the roles.	Whilst there is no maximum opportunity, increases to base salaries will normally be in line with the wider Group. Higher increases may be awarded in certain circumstances, such as: • where a new executive director has been appointed to the role at a below market level to allow for growth in the role. • where an executive director has been promoted or has a significant increase in responsibilities. • where it is considered necessary to reflect a significant change in market practice. Base salary levels for the forthcoming year are set out in the Annual Remuneration Report.	The Committee sets base salary levels taking into account the following: • the individual's skills and experience. • salary levels at companies of a similar size and complexity. • pay and conditions elsewhere in the Group. Base salary levels are normally reviewed on an annual basis, with changes generally effective from 1 September, although increases may be made at any other time if the Committee considers this is appropriate. The level of base salary may initially be positioned below the median of a chosen comparator group with the intention of increasing the salary over time to reflect market norms after an initial period of satisfactory service.	Not applicable.

Component	Objective	Opportunity	Operation	Performance measure
Retirement benefits	To provide sufficient pension provision. Part of the package to attract, retain and motivate employees.	Existing directors may receive a pension allowance or contribution to a registered pension scheme of up to 21% of salary in the case of the Chief Executive Officer and 25% of salary in the case of the Group Finance Director (1). Pension allowances will be capped at 21% for new hires, in line with arrangements for other senior UK roles.	Retirement benefits may be delivered in the form of a cash pension allowance or as a contribution to a registered pension plan (or a combination of both). *Note that Mark Abrahams chose not to receive a pension allowance when stepping back into the role of Chief Executive Officer and this position remains unchanged.	Not applicable.
Benefits in kind	To provide market comparable benefits in line with normal corporate practice.	Car allowances are increased annually by RPI. Other expenses are paid as they arise (or are reviewed periodically). The Committee may remove or introduce other benefits if it is considered appropriate to do so.	For UK executive directors, typical benefits include car allowance, phone allowance, private medical insurance, business travel and subsistence (where taxable), reimbursement of relocation expenses (where appropriate) and other ancillary benefits including repatriation expenses (where appropriate). Should it be appropriate to recruit a director from overseas, flexibility is retained to provide benefits that take account of those typically provided in their country of residence (e.g. it may be appropriate to provide benefits that are tailored to the unique circumstances of such an appointment as opposed to providing the benefits detailed above). Necessary expenses incurred undertaking Company business are reimbursed so that executive directors are not worse off on a net of tax basis for fulfilling Company duties.	Not applicable.
Annual bonus scheme	The annual bonus incentivises delivery of annual financial and strategic objectives to support the business strategy and the enhancement of shareholder value.	Maximum bonus award of 150% of base salary.	The metrics will be reviewed annually and will reflect key financial and strategic performance indicators. The Committee retains the discretion to change the annual bonus performance measures if considered appropriate. For the financial year ending 31 August 2018 onwards, 50% of any payout will be deferred for two years into shares either as nil-cost options, conditional awards or a market purchase of shares. Awards that vest as shares under the plan will accrue dividend equivalents up to the point of vesting. Bonuses awarded from the financial year ending 31 August 2018 onwards will be subject to clawback and malus in the event of a material financial misstatement of results and/or an error in the calculation of the vesting outcome to any awards made under the plan.	Performance targets will normally be based on key financial objectives for the Group with the significant majority based on profit related metrics. Performance is measured over a period of up to one year. Normally, not more than 0% of the award is paid at threshold performance. The Committee takes account of material corporate events and their impact when making final bonus awards, so that they are not artificially impacted by major acquisitions, disposals or significant changes to the issued share capital of the Company.

Remuneration Policy table for executive directors effective from 11 January 2018 continued

Component	Objective	Opportunity	Operation	Performance measure
Long-term incentive - PSP	Provides a clear link between the remuneration of executive directors and members of the Executive Committee and the long-term value creation for shareholders and the Company.	Maximum award of up to 150% of base salary in normal circumstances. Awards of up to 200% of base salary may be made in exceptional circumstances.	Awards under the PSP normally vest based on performance over a period of three financial years. Awards are then normally held for a further three year period following the end of the Performance Period. Clawback and malus provisions may be applied to unvested and vested awards in the event of a material misstatement of results and/or an error in the calculation of the vesting outcome to any awards made under the plan. Awards that vest under the plan will accrue dividend equivalents up to the point of vesting and during the three year holding period post-vesting.	For 2018, 25% will be based on Relative TSR against the FTSE 250 Peer Group, 25% on ROGCE and 50% on growth in underlying EPS. In future years, the Committee will have discretion to select different metrics provided that these are consistent with the Group's strategy. The Committee will normally consult with major investors before introducing any new metrics. No more than 25% of the award will vest at threshold performance. No awards will vest unless the Committee is satisfied that the performance achieved reflects the Company's underlying financial performance. The Remuneration Committee will determine the performance targets at the start of a Plan Cycle taking into consideration changes in the business or prevailing economic circumstances such as inflationary pressure. Targets for awards being granted in the forthcoming year are set out in the Annual Remuneration Report for that year.
Share ownership	To ensure alignment between the interests of executive directors and shareholders.	200% of salary holding required for executive directors which is expected to be reached through the retention of shares from the PSP and deferred bonus.	Executive directors are required to retain all of their vested PSP and deferred bonus shares (net of those sold to settle tax liabilities thereon), until such time as the shareholding guideline has been achieved.	Not applicable.
Sharesave Plan	To reward the wider employee population for their contribution to the growth and success of the Group and to align directors' interests with those of the wider employee population. To create staff alignment with the Group and promote a sense of employee ownership.	Maximum participation limits are set by HM Revenue & Customs ("HMRC") from time to time. Currently, the maximum monthly contribution limit is £500 (or the local currency equivalent).	The Plan has standard terms and all UK employees including executive directors (subject to any minimum service requirement) are entitled to participate in the Plan. Non-UK employees can also participate in the Sharesave Plan on a similar basis to UK employees.	Not subject to performance measures, in line with HMRC practice. *no awards have been made under the Sharesave Plan to date.

Notes:
(1) The Group Finance Director receives a retirement benefit contribution of 25% of his basic salary which is utilised partially by his continued membership of the Fenner Pension Scheme which is a defined benefit plan providing a pension based on up to two-thirds of pensionable salary (which is limited to the former HMRC earnings cap). The balance of his retirement benefit contribution is paid as a cash pension allowance. The total cost of providing this retirement benefit is actuarially assessed to ensure the total value of the benefit equates to 25% of salary. This level of benefit reflects the fact that he has been in employment with the Group for 27 years.

Clawback and malus may apply where stated in the above table. Other, non variable, elements of remuneration will not be subject to clawback and malus in accordance with the law.

Remuneration Policy table for non-executive directors and Chairman effective from 11 January 2018

Component	Objective	Basis of fees
Fees	To attract, motivate and retain the best non-executive talent for the role.	There is no defined maximum opportunity. Fees are set at a level which: • is appropriately positioned compared to companies of a similar size and complexity. • reflects the time invested and contribution expected from the Chairman and non-executive directors. • enables Fenner to recruit the right calibre of individual, without paying more than is necessary. Fees paid to the Chairman and non-executive directors may not exceed the aggregate limit of £500,000 set out in the Company's Articles of Association. Fees are reviewed by the Board at appropriate intervals (normally once every three years), but the fees are adjusted annually by RPI. The non-executive directors are not entitled to participate in bonus or long-term incentive arrangements. The remuneration of the non-executive directors is determined by the Board as a whole (with individuals absenting themselves from discussions relating directly to their own remuneration).
Benefits in kind	In line with market practice.	Travel and subsistence expenses where taxable (including any tax thereon) are paid by the Company. The Board may introduce additional benefits if it considered it appropriate to do so.

Additional detail on Remuneration Policy

Committee discretions

The Committee operates the Group's variable incentive plans according to their respective rules and in accordance with HMRC rules where relevant. To ensure the efficient administration of these plans, the Committee will apply certain operational discretions. These include the following:

- Selecting the participants in the plans on an annual basis;
- Determining the timing of grants of awards and/or payment;
- Determining the quantum of awards and/or payments (within the limits set out in the Policy table above);
- Determining the extent of vesting based on the assessment of performance;
- Making the appropriate adjustments required in certain circumstances (e.g. change of control, rights issues, corporate restructuring events and special dividends);
- Determining "good leaver" status for incentive plan purposes and applying the appropriate treatment; and
- Undertaking the annual review of weighting of performance measures and setting targets for the annual bonus plan and PSP from year to year.

If an event occurs which results in the annual bonus plan or PSP performance conditions and/or targets being deemed no longer appropriate (e.g. a material acquisition or divestment), the Committee will have the ability in limited circumstances to adjust appropriately the measures and/or targets and alter weightings.

Recruitment

When recruiting a new executive director, the Committee will generally seek to align the remuneration package offered with the Remuneration Policy as described in the Policy table. In determining the remuneration package for new executive directors, consideration will be given to a number of factors including the calibre and experience of the individual, local market practice, the individual's current remuneration arrangements, the remuneration arrangements for other executives of the Group and the Group's circumstances at the time. The Group will seek to pay no more than is necessary for the role.

Benefits and pensions will be in line with those offered to other executive directors, taking account of local market practice with relocation expenses provided if necessary. Tax equalisation may also be considered if an executive is adversely affected by taxation due to their employment with the Group. Legal fees and other costs incurred by the individual, such as relocation costs, may also be met by the Group.

The ongoing incentive opportunity offered to new recruits will be in line with that offered to existing directors. Different measures and targets under the bonus plan or the PSP may be set initially, taking account of the responsibilities of the individual and the point in the financial year at which they join. A new executive may be granted normal annual PSP awards in the first year of employment.

The Committee will give consideration to a change of structure outside of the stated Policy in exceptional circumstances, such as recruiting to a temporary position on a contractual fee rather than a base salary. In such circumstances, the aim would be to structure a package that is broadly equivalent to the cost of remuneration levels under the normal Policy. The rationale for any departures from the usual Policy will be explained in full in the Annual Remuneration Report for that year.

When considering if it is necessary to offer a buy-out of entitlements forfeited by an incoming executive director on leaving their previous employment, the Committee will take into consideration a number of factors including any performance conditions attached to awards, the form in which they were granted (e.g. shares or cash) and the timeframe of delivery. We will generally aim to structure

buy-out awards so as to mirror as much as possible the awards being foregone with existing arrangements being used where possible. However, in exceptional circumstances, the Committee may also make use of the flexibility under the Listing Rule 9.4.2. to grant awards to a new executive director without prior shareholder approval.

In the event that an internal candidate was promoted to executive director, legacy terms and conditions will generally be honoured and awards granted prior to their promotion will be allowed to pay out on their original terms.

In the event of the appointment of a new Chairman or non-executive director, remuneration arrangements will normally follow the Policy outlined in the table above.

Performance measures

Annual bonus scheme

The Committee considers both financial and strategic measures when deciding on an appropriate performance measure, thus aligning incentives with delivery of the Group's strategic objectives.

Appropriate targets are set each year, aligned to business objectives and the interests of shareholders and seek to reward prudent financial management and growth. The targets for the financial year ending 31 August 2018, being underlying operating profit growth (75% of opportunity) and EBITDA interest cover (25% of opportunity) were chosen as they reflect the Company's key in-year priorities.

The Committee retains discretion to alter targets to reflect material changes in circumstances, such as the impact of a change in accounting standards or a change to the Group's structure.

This discretion includes the ability to reduce payments, depending on the underlying performance of the Group.

Long-term incentive plan

TSR, ROGCE and EPS have been selected for 2018 as these are considered to be fair and transparent measures of performance that are aligned with shareholders' interests. EPS also rewards growth that creates value for our shareholders and is therefore aligned with our strategy.

Difference in Remuneration Policy for other employees

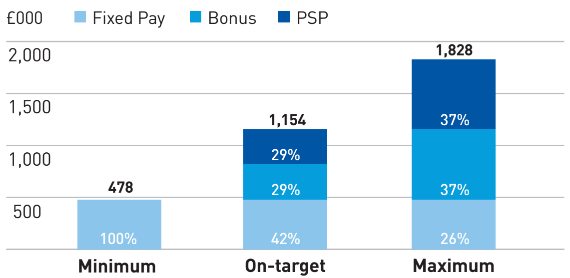
Fenner is a global organisation operating in many territories and sectors with employees at different levels of seniority. Reward policies for employees other than directors vary by division and geography and take into account statutory requirements, local market practice and performance.

The remuneration framework for members of the Executive Committee is broadly consistent with that for executive directors. Executive Committee members have been encouraged to roll out similar formats in terms of the annual incentive framework for their management teams.

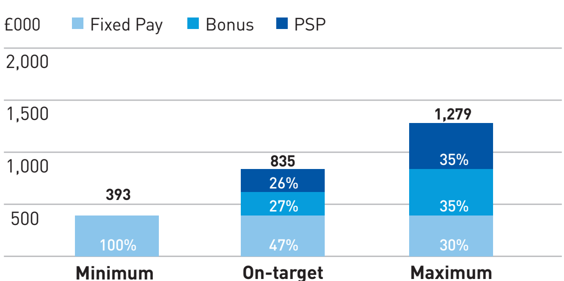
Reward scenarios

The following table shows how the composition of each of the executive directors' remuneration packages varies at different levels of performance achievement. This is an estimate of future reward opportunity split between the various elements of remuneration, showing opportunity for on-target, maximum and below-target performance.

Mark Abrahams
Chief Executive Officer



John Pratt
Group Finance Director



Note: On-target assumes 50% of potential maximum award under short and long-term incentive plans.

Fixed pay for Mark Abrahams comprises base salary from 1 September 2017 and estimated benefits in kind. He is not in receipt of a pension entitlement.

Fixed pay for John Pratt comprises base salary from 1 September 2017, estimated benefits in kind and pension entitlement.

Annual bonus is 150% of base salary for both Mark Abrahams and John Pratt.

Long-term incentive/PSP is 150% of base salary for both Mark Abrahams and John Pratt.

Directors' service contracts and termination payments

The details of the service contracts in relation to the executive directors and letters of appointment in relation to the Chairman and non-executive directors who served as directors during the year are as follows:

	Effective date of service contract/letter of appointment	Unexpired term at 31 August 2017	Notice period
Executive directors			
Mark Abrahams*	8 June 2016	-	3 months
John Pratt	21 January 2015	-	1 year
Non-executive directors			
Vanda Murray**	20 December 2016	28 months	1 year
Geraint Anderson	13 January 2016	16 months	1 year
Chris Surch	1 May 2016	20 months	1 year
Michael Ducey***	11 January 2017	29 months	1 year

* Mark Abrahams became Chief Executive Officer on 8 June 2016 having been Executive Chairman since 4 January 2016 and Non-Executive Chairman prior to that. He elected to only have three months' notice rather than the more usual twelve months notice given the particular circumstances surrounding his reappointment and as explained in the 2016 Annual Report.

** Vanda Murray became Non-Executive Chairman on 20 December 2016 having been acting Non-Executive Chairman since 8 June 2016 and prior to that, she was the Senior Independent Director and Chairman of the Remuneration Committee.

*** Michael Ducey joined the Board on 11 January 2017.

Policy on payment for loss of office

Notice period

Executive and non-executive directors have up to 12 months' notice.

Termination

Contracts include provision to terminate with or without notice or by making a payment in lieu of notice depending upon what is considered to be in the best interests of the Company and in the circumstances.

Executive directors are entitled to be paid during their notice period or receive a payment amounting to no more than 12 months' salary, pension and other benefits. The Committee may make additional termination payments to discharge an existing legal obligation, or by way of settlement or compromise of any claim arising in connection with the termination of a director's office or employment.

Directors would normally be expected to mitigate their loss and for new appointments to the Board any payments will normally be phased, but the Committee retains discretion over this if it is considered to be in the Company's best interests not to mitigate.

Change of control

In the event of a change of control resulting in termination, executive directors would be entitled to receive payment in respect of up to a maximum of 12 months' gross salary, contractual benefits plus any accrued bonus. They would also receive a pro-rata bonus in cash in respect of the financial year in which the change of control occurs and assistance with relocation costs (if applicable).

Benefits

Benefits normally cease on the date employment ends. There is discretion on continuation of some minor benefits such as health insurance and repatriation costs for a period following cessation where it is considered reasonable and appropriate.

Out of placement assistance and a contribution towards reasonable legal costs may also be offered to an executive director.

Annual bonus

Bonuses are discretionary and not contractual. The Committee retains discretion to make a bonus payment dependent upon the particular circumstances of the executive director's departure and performance. Such payment can normally be made on a pro-rata basis to take account of time served during the financial year and can, at the discretion of the Committee, be paid wholly in cash.

Deferred bonus

Awards normally lapse on cessation of employment. However, awards held by a good leaver would normally vest at the normal vesting date and normally would not be pro-rated. In exceptional circumstances, the Committee has discretion to allow awards to vest on cessation of employment.

PSP

Awards normally lapse on cessation of employment. However, awards held by a good leaver would normally vest at the normal vesting date, subject to achievement of the performance conditions and pro-rating for time. In such circumstances, the Committee has discretion to allow awards to vest earlier and to disapply pro-rating. The Committee may choose to waive any post-vesting holding period.

Sharesave Plan

If a participant leaves the Group, options granted under the 2016 Sharesave Plan will normally lapse, but may be exercised within six months (or 12 months in the case of death) from the cessation of employment due to death, injury, disability, redundancy, retirement or the sale of the individual's employing business or company out of the Group. There will be no discretionary treatment for leavers under the 2016 Sharesave Plan.

Discretion

Where the Committee retains discretion, it will be used to provide flexibility in certain situations, taking into account the particular circumstances of a director's departure and performance.

The following sections of the Board Remuneration Report are audited where noted.

Annual Remuneration Report

This part of the Board Remuneration Report explains how we have implemented our Policy during 2017.

This Annual Remuneration Report will be subject to an advisory vote at the AGM on 11 January 2018.

Outturn for 2017

A summary can be found in the table on page 80 of the full remuneration earned in the year and on page 83 in respect of the PSP.

Annual bonus

The table below sets out the annual bonus scheme performance criteria for the year ended 31 August 2017.

The maximum performance target was achieved with underlying EPS growing by 111% over the period.

		Threshold	Target	Maximum	Actual	Payout
Growth in underlying EPS	Payout (% of bonus)	0%	50%	100%		100%
	Growth required	26%	30%	39%	111%	

In line with current Policy the payout for the year ended 31 August 2017 is in cash. In future years, 50% will be deferred and paid in shares.

EPS growth over the period, measured at constant currencies, was 75% against a growth target of 8% and a cap of 16%.

Performance Share Plan

No shares will vest under the 9th Plan Cycle of the PSP which was awarded in November 2013 since the performance targets were not met during the Performance Period. No shares have vested under the PSP since November 2013 for the 2010 – 2013 Plan Cycle.

The table below shows the performance criteria for the 9th Plan Cycle of the PSP.

		Threshold	Target	Maximum	Actual	Payout
Relative growth in TSR over three years (67% of total award)	Payout (% of metric)	0%	25%*	100%		Nil
	Growth required	Median	Median +1%	Upper decile	0.2% below median	
Growth in underlying EPS over three years (33% of total award)	Payout (% of metric)	0%	0%*	100%		Nil
	Growth required	25%	25%	40%	(24%)	

*Share awards vest on a straight-line basis between target and maximum.

Implementation for 2018

Base salary

Mark Abrahams' salary has been increased by 3.45% which is in line with awards given to Head Office employees. This is the first increase he has received since he returned to an executive role, as he elected not to receive an increase in 2016.

John Pratt's salary, which was positioned below market on appointment, has been increased by 8.3% as part of our previously stated policy of awarding him stepped increases in line with his increasing experience and establishment in the Group Finance Director role. Those intended stepped increases had been curtailed due to the recent difficult market conditions experienced by the Group in the last few years. As the Group results improved, the Committee now feels that it is appropriate to resume the process of re-positioning his salary. Following this increase his salary remains below the market level and, subject to continuing progression in the role, the Committee intends to bring his salary progressively to a market level over time although there is no fixed timescale for doing so.

The base salaries from 1 September 2017 are £450,000 (Mark Abrahams) and £295,000 (John Pratt).

Salary benchmarks are referred to from time to time to ensure the salaries do not come adrift from market norms.

Retirement benefits

Mark Abrahams elected not to receive a pension entitlement when resuming the role of Chief Executive Officer. He is in receipt of a defined benefit pension under the Fenner Pension Scheme but no contributions are paid into that scheme on his behalf and have not been since 2011.

John Pratt receives a retirement benefit contribution of 25% of his basic salary which is utilised partially by his continued membership of the Fenner Pension Scheme which is a defined benefit plan. The balance of his retirement benefit contribution is paid as a cash pension allowance to invest at his discretion.

Annual bonus

For the year ending 31 August 2018, the annual bonus will be based 75% on underlying operating profit and 25% on EBITDA interest cover, with the target bonus based on growth in both metrics and a bonus cap of 150% of salary. The Committee took account of the increased bonus opportunity when setting the targets for 2018 and also took account of analyst forecasts; the Committee ensured that stretching targets have been applied.

50% of any final payout under the annual bonus scheme will be deferred in shares for two years. The performance metrics will be reviewed annually and reflect key financial and strategic performance indicators. Clawback will be applied for up to two years post award in the event of a material financial misstatement of Group results, but no additional performance measures will be applied to the deferred element of the bonus once it has been deferred into shares.

Long-term incentive - PSP

Mark Abrahams and John Pratt will be granted a conditional award based on 150% of annual basic salary and members of the Executive Committee will be granted conditional awards based on 70% of their respective annual basic salaries for the award issued in the financial year 2018.

It is intended that a third performance measure is introduced to the PSP in addition to relative TSR performance and EPS. Growth in underlying EPS will account for 50% of the potential award, relative TSR will account for 25% of the potential award and the new metric of Return on Gross Capital Employed ("ROGCE") will account for the remaining 25%. ROGCE is felt to be appropriate given the capital intensive nature of the Group and is a sensible long-term measure of how well capital is invested. It has been introduced following a consultation exercise with major shareholders on remuneration policy in the summer of 2017. ROGCE should therefore be well received by shareholders as an additional performance measure.

Relative TSR, which comprises, inter alia, dividend yield and share price movement in comparison with the PSP Peer Group, remains a fair measure of long-term performance as it aligns the interests of executives with shareholders and reflects market conditions. The TSR Peer Group will be the FTSE 250, excluding investment trusts. Awards under the TSR measure only start to vest once the Company achieves a ranking 1% above the median.

The EPS element is aligned to the Company's strategy of developing its global position and underlying earnings and, being measured over a three year period, it encourages focus on longer-term profitable growth. Structural changes to the Group are taken into account by the Committee to ensure that the outcome of an annual bonus plan or PSP Plan Cycle is not artificially impacted by material corporate events such as major acquisitions, disposals or significant change to the issued share capital of the Company.

The EPS target over the three year Performance Period for the PSP Plan Cycle issued in 2017/18 requires underlying EPS to increase by at least 35%, with growth of 100% providing a maximum payout.

The ROGCE target requires average ROGCE to increase by 1.5% across the three year period. The maximum payout will be achieved if average ROGCE increases by 3% over the three year period.

The PSP has clawback provisions in the event of a material misstatement of financial results resulting in an award vesting to a greater degree than would otherwise have happened. Malus also applies in the event of a material misstatement of the Company's accounts, an error in calculation of the performance conditions and/or misconduct or dishonesty resulting in termination of employment.

The PSP remains the sole long-term incentive vehicle for executives and is designed to encourage its participants to deliver sustained long-term performance and above-market returns to shareholders. The PSP mandates that any shares allotted under the PSP at the end of a Plan Cycle are held for a further three years, although discretion can be applied in exceptional circumstances. This added stricture on holding the shares further aligns the long-term interests of the shareholders with the participants in the PSP. Shares can however be sold to settle the tax liability when shares vest under the PSP.

Rewards under the PSP are linked to the Company's performance against demanding targets over three year Performance Periods. Awards are based on a percentage of the participant's annual basic salary up to a permitted normal maximum of 150%. Awards granted under the PSP as a percentage of basic salary are also set at 150%.

Relative TSR, EPS and ROGCE are measured over the three years from the end of the financial year preceding the year in which the award is made. Prior to each conditional award being made, the EPS and ROGCE performance targets will be reviewed to ensure that they remain challenging.

Single figure of remuneration (Audited)

The following tables provide a single figure for remuneration of the executive and non-executive directors. In calculating this figure, we have used the methodology proposed by the Financial Reporting Lab at the Financial Reporting Council.

Chief Executive Officer and Group Finance Director

	Mark Abrahams[1]		John Pratt[2]		Nicholas Hobson[3]	
	2017 £000	2016 £000	**2017 £000**	2016 £000	**2017 £000**	2016 £000
Base salary & fees	**435**	106	**272**	267	**-**	334
Taxable benefits	**29**	6	**24**	36	**-**	26
Pension	**-**	-	**66**	99	**-**	87
Annual bonus	**435**	-	**272**	-	**-**	-
PSP	**-**	-	**-**	-	**-**	-
Total	**899**	112	**634**	402	**-**	447

The Board did not waive any emoluments in respect of the year ended 31 August 2017.

Base salary – The base salary for the Chief Executive Officer was not increased in the year ended 31 August 2017. The base salary for the Group Finance Director was increased by 2% in the year ended 31 August 2017.

Taxable benefits – These principally comprise car allowance or company car (Mark Abrahams £25,450 and John Pratt £21,675) plus private medical insurance, business travel and subsistence (where taxable).

Pension – The values include all cash allowances/contributions and/or accrual in respect of pension.

Annual bonus – 100% annual performance-related bonus is due for the year ended 31 August 2017.

PSP – No shares vested in the year because neither performance measure met the minimum target in the PSP over the three year Performance Period from 1 September 2014 to 31 August 2017.

(1) Mark Abrahams' remuneration is shown from when he resumed the position of Chief Executive Officer on 8 June 2016; prior to that he was Executive Chairman from 4 January 2016 and prior to that was Non-Executive Chairman. Mark Abrahams is not in receipt of any pension contributions or pension allowance although he does draw a defined benefit pension from the Fenner Pension Scheme. Mark Abrahams is Chairman of Inspiration Healthcare Group plc and retained fees of £35,000 per annum in relation to that external non-executive position.

(2) John Pratt is an active member of the defined benefit Fenner Pension Scheme and accrues benefits under that scheme (as well as receiving a pension allowance). The amount disclosed in the table is an accounting disclosure based on the notional value of the increase in John Pratt's accrued defined benefit pension (as disclosed on page 82) plus his cash pension allowance. The actual cost to the Company of providing the retirement benefit in the year was £68,088 (being the cost of pension accrual of £42,168 plus his cash pension allowance of £25,920) as actuarially certified by Xafinity Consulting Limited.

(3) Nicholas Hobson's remuneration is shown up to the date he stepped down from the Board on 8 June 2016.

Chairman and non-executive directors

	Vanda Murray[1]		Chris Surch[2]		Geraint Anderson[3]		Michael Ducey[4]		Mark Abrahams[5]	
	2017 £000	2016 £000	**2017 £000**	2016 £000	**2017 £000**	2016 £000	**2017 £000**	2016 £000	**2017 £000**	2016 £000
Fees	**132**	72	**52**	16	**47**	29	**29**	-	**-**	236
Taxable benefits	**1**	1	**-**	1	**1**	1	**-**	-	**-**	13
Total	**133**	73	**52**	17	**48**	30	**29**	-	**-**	249

(1) Vanda Murray was acting Non-Executive Chairman from June 2016 and became Non-Executive Chairman from 20 December 2016 when her fee increased to £135,000 per annum.

(2) Chris Surch joined the Board on 1 May 2016. He is Chairman of the Audit Committee and became the Senior Independent Director on 20 December 2016. His annual fee is £53,000 inclusive of the fee for being a Committee Chairman and Senior Independent Director.

(3) Geraint Anderson joined the Board on 13 January 2016. He became Chairman of the Remuneration Committee on 20 December 2016 and his annual fee is £48,000 inclusive of the fee for being a Committee Chairman.

(4) Michael Ducey joined the Board on 11 January 2017 and his fee is shown from that date. His annual fee is £45,000.

(5) Mark Abrahams was Chairman up to 8 June 2016 and his fee is shown up to that point.

None of the non-executive directors were awarded an RPI increase to their fees in the year ended 31 August 2017.

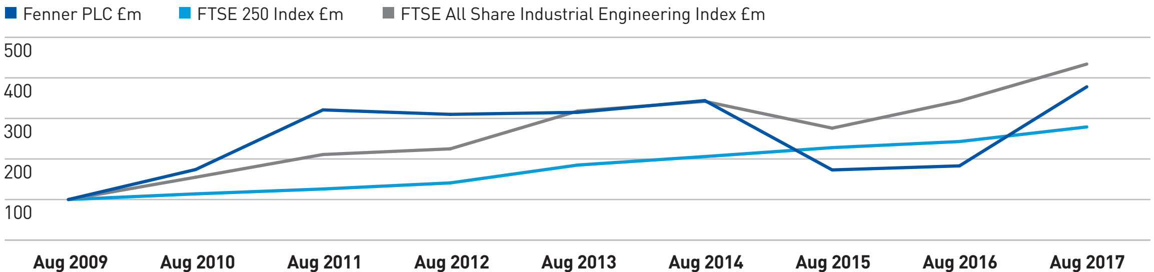
The non-executive directors' taxable benefits, where incurred, comprise travel expenses.

Chief Executive Officers' pay for performance comparison

The graph below shows the TSR for the Company, the FTSE All Share Industrial Engineering Index and the FTSE 250 from 31 August 2009.

This graph shows the value, by 31 August 2017, of £100 invested in Fenner PLC on 31 August 2009 compared with the value of £100 invested in the FTSE 250 Index and FTSE All Share Industrial Engineering Index on the same date. These indices have been chosen because the Company has been a constituent for the majority of the period illustrated and uses the FTSE 250 index in its PSP comparator group for TSR performance purposes. The other points plotted in the graph are the values at intervening financial year ends.

Total Shareholder Return



The table below shows the historic pay figures for the Chief Executive Officer in the role for the years reported. The table also shows annual bonus and PSP vesting outcomes. The total remuneration figure is calculated on the same basis as the single figures given on page 80.

Financial year	Incumbent	CEO total remuneration £000	Annual bonus outcome % of max.	PSP vesting outcome % of max.
31 August 2017	Mark Abrahams	899	100%	0%
2016 (from 8 June 2016 to 31 August 2016)	Mark Abrahams	112	-	-
2016 (from 1 September 2015 to 8 June 2016)	Nicholas Hobson	447	0%	0%
31 August 2015	Nicholas Hobson	583	0%	0%
31 August 2014	Nicholas Hobson	676	0%	33%
31 August 2013	Nicholas Hobson	841	0%	100%
31 August 2012	Nicholas Hobson	1,254	100%	46%
2011 (from 1 March 2011 to 31 August 2011)	Nicholas Hobson	456	100%	n/a
2011 (from 1 September 2010 to 28 February 2011)	Mark Abrahams	648	100%	50%
31 August 2010	Mark Abrahams	901	100%	100%
31 August 2009	Mark Abrahams	635	0%	0%

Chairman and non-executive directors

The Chairman and non-executive directors are generally appointed for fixed three year terms, with provision for additional fixed term appointments as deemed appropriate and in the best interests of the Company.

The non-executive directors do not participate in any of the Group's bonus or share incentive schemes nor do they accrue any pension entitlement.

External appointments

The Board facilitates external non-executive appointments because they are beneficial to both the executive director and the Board in that an external appointment broadens the experience and knowledge of the executive directors. Executive directors may, subject to approval by the Board and providing there is no conflict of interest, be allowed to accept appointments as a non-executive director of another company (with only one such appointment allowed in a FTSE 100 company). Mark Abrahams is Chairman of Inspiration Healthcare Group plc. John Pratt does not currently hold any external non-executive positions.

Percentage change in remuneration of the Chief Executive Officer

Due to the geographic and business complexity of the Fenner Group, it is considered appropriate to use a comparative group based on members of the Executive Committee, Head Office-based staff and other senior managers located in the UK. General salary increases, excluding promotional and other non-routine increases for this group, ranged between 0% and 6% for the year under review and averaged 2% compared to a 0% increase for Mark Abrahams in the year.

Payments for loss of office (Audited)

No payments have been made to past directors for loss of office in 2017. Nicholas Hobson received his contractual pay and benefits only until his date of death; insured and uninsured benefits will be paid out in accordance with his contract of employment.

Interests in shares (Audited)

	31 August 2017	1 September 2016	Shareholding guideline (% of salary)	Guideline achieved
Mark Abrahams	**726,726**	726,726	200%	Yes
John Pratt	**36,045**	36,045	200%	No
Vanda Murray	**19,000**	2,000	-	n/a
Geraint Anderson	**1,703**	-	-	n/a
Chris Surch	**12,773**	-	-	n/a
Micheal Ducey (1)	**86,450**	-	-	n/a

(1) Michael Ducey's holding is from 11 January 2017.

All directors' interests are beneficially held. There have been no other changes in the interests set out above between 31 August 2017 and 15 November 2017.

Executive directors also hold conditional share awards under the PSP, details of which are set out on page 83.

Shareholding guidelines

As part of the review of Remuneration Policy, an amendment to the Executive Management Share Ownership Policy has been introduced and executive directors will be expected to build up a shareholding equivalent to 200% of basic salary in the Company's shares. The previous shareholding target had been 100% of basic salary. Members of the Executive Committee will continue to be expected to build up a holding equivalent to 50% of basic salary in the Company's shares. The Policy allows shares to be sold to settle tax liabilities on them and for retirement planning purposes. The Policy aims to encourage executives to build and maintain a meaningful shareholding in the Company, which can be achieved by the retention of shares vesting under the long-term incentive arrangements, by using any shares they received under the deferred annual bonus and the purchase of shares in the market. This helps ensure that their interests are aligned with those of shareholders. As shown in the table above, Mark Abrahams holds shares exceeding the shareholding guidelines. John Pratt continues to build up his holding over time to reach the levels required under the Policy; the increase has been hindered by the lack of any vesting of shares under the PSP since November 2013.

Directors' pension entitlement (Audited)

Executive retained benefits

Mark Abrahams is not in receipt of any pension allowance or contributions by the Company into a pension scheme; he is however in receipt of a defined benefit pension from the Fenner Pension Scheme.

In the year under review, John Pratt has been a director for the full year to 31 August 2017 and the disclosures relating to his defined benefit pension are set out in the table below.

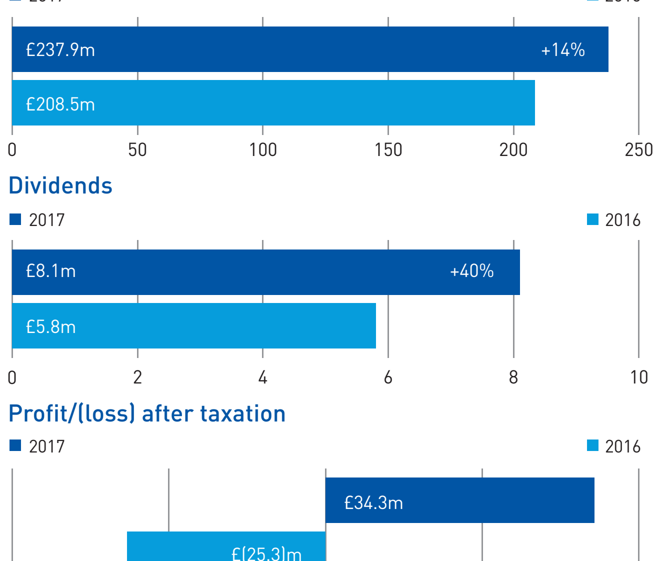
Accrued pension at 31 August 2016	£72,310 pa
Accrued pension at 31 August 2017	£75,797 pa
Notional value of increase in accrued pension less member contributions over period	£40,218

John Pratt's final pensionable salary is determined each 1 September. The increase in value of the accrued pension over the period is as a result of an increase in final pensionable salary and an increase in pensionable service over the period. John Pratt's normal retirement age under the pension scheme is 62.

Details on the amount of contributions paid over the period have been provided by Hymans Robertson LLP and the actuarial calculation by Xafinity Consulting Limited.

Relative importance of spend on pay

The graphs below show the Group's total expenditure on pay, Company dividends and the Group's profit after taxation relating to the year under review and the prior year and the percentage change year on year.



Share schemes (Audited)

None of the directors held any share options during the year. The Company did not operate any other share based schemes other than the PSP in the year and no Plan Cycles have yet been issued under the Sharesave Plan.

Awards to executive directors under the PSP were as follows:

Allocation Date	Basis of Award (% of salary)	Value awarded at date of grant	Conditional award 1 September 2016 Number	Conditional award in the year Number	Share price used at date of grant	Dividend roll up applied to conditional award in the year** Number	Shares vested Number	Shares lapsed/ forfeited Number	**Conditional award 31 August 2017 Number**	End of Performance Period & Award Determination Date*
Mark Abrahams										
23 November 2016	150%	£652,499	-	257,447	253.45p	2,652	-	-	**260,099**	22 November 2019
John Pratt										
20 November 2013 (1)	70%	£124,852	32,830	-	452.28p	-	-	32,830	**-**	19 November 2016
18 November 2014 (1)	100%	£266,998	108,023	-	285.42p	1,112	-	-	**109,135**	17 November 2017
18 November 2015	100%	£267,000	214,703	-	134.40p	2,211	-	-	**216,914**	17 November 2018
23 November 2016	100%	£272,349	-	107,457	253.45p	1,106	-	-	**108,563**	22 November 2019
Total of awards in year				364,904			-			

(1) These were awarded before John Pratt became Group Finance Director and represent his conditional awards whilst a member of the Executive Committee.

* The Performance Periods for each of the PSP Plan Cycles run for three years from 1 September in the year the Plan Cycle was conditionally awarded to 31 August in the year of the third anniversary of the Plan Cycle.

** Dividend roll ups have been applied since 2008 in line with the PSP Rules. They accrue over the Plan Cycle and are added to the original conditional award before the final award and allotment of shares is made.

The performance criteria attached to the conditional award of shares made on 23 November 2016 relate to the Company's relative TSR which is compared with the FTSE 250 (excluding the Company and investment trusts) and growth in underlying EPS. The award will only vest if the performance targets achieve median plus 1% in the case of TSR, in which case awards will vest on a straight-line basis between 25% and 100% of the relative TSR allocation. For the EPS performance measure, EPS has to grow by 50% or more in the Performance Period. Awards vest on a straight-line basis between 0% and 100% for underlying EPS growth between 50% and 100%.

The Plan Cycle that ended on 19 November 2016 was independently evaluated and resulted in a nil award.

The market value (as defined in the PSP Rules) of an ordinary share of the Company at the beginning of the Plan Cycle starting 20 November 2013 was 452.28p; at the end of that Plan Cycle was 253p; and at 23 November 2016 for the Plan Cycle starting 23 November 2016 of the 2015 PSP was 253.45p.

There have been no variations in the terms and conditions of scheme interests during the year.

Statement of voting at the AGM

The table below sets out the voting outcome in respect of the Annual Remuneration Report for 2016 (at the AGM held on 11 January 2017); the Remuneration Policy Report was not put to a shareholder vote at the 2017 AGM.

Resolutions of the 2017 AGM

Approval of the Annual Remuneration Report

Votes for	101,366,836	73.87%
Votes against	35,678,469	26.00%
Total votes	137,045,305	
Votes withheld*	11,122,067	

* votes withheld and discretionary votes are not counted in the total votes

The Board noted that the Annual Remuneration Report received 26% of the votes cast against it and that the holders of 11,122,067 shares withheld their votes against that resolution. A consultation exercise was undertaken as a result and the key issues that were brought to the Board's attention were the use of EPS as a performance condition in both the annual and long-term incentive plans and a perception by shareholders that the performance conditions were not stretching enough. There had also been criticism that clawback was not applied to the annual incentive programme.

The Company released a statement following the AGM in January 2017 which confirmed the following:

The Chairman of the Remuneration Committee together with the Chairman of the Board and the Senior Independent Director undertook an extensive engagement programme with shareholders ahead of the Annual General Meeting. They also contacted the major shareholders over Christmas and into the New Year to discuss inter-alia, the Annual Remuneration Report and remuneration practices in general in the Company. Communication was also had with the Investment Association and institutional shareholder services, organisations which analyse Company annual reports and make voting recommendations and seek views from their members. The Board believes there were some key omissions in the institutional shareholder services reports which gave the impression to some shareholders that the performance conditions were softer than they actually were and they felt that the targets were not stretching enough albeit bonuses were not paid again in the year because the targets were not met.

The Remuneration Committee subsequently undertook a thorough review of remuneration arrangements during the year under review and consulted with major shareholders and has addressed the concerns expressed by shareholders and amended the Remuneration Policy as set out in the Chairman of the Remuneration Committee's Statement on pages 69 to 71 and in the Remuneration Policy Report on pages 72 to 77.

The Board will consider there to have been a significant vote against a resolution if the percentage of votes against a resolution is 20% or higher and consideration will also be given to votes withheld against that resolution when assessing this.

Dilution limits

Fenner share plans comply with the current ABI Guidelines on headroom which provide that overall dilution under all plans should not exceed 10% over a 10 year period in relation to the Company's issued share capital, with a further limitation of 5% in any 10 year period on executive plans. Assuming none of the outstanding awards lapse and will be exercised and having included all exercised awards, as at 31 August 2017, the Company has utilised 2.60% of the 10% in the 10 years limit and 2.60% of the 5% in the 10 years limit.

Remuneration Committee memberships and governance

Details of the Remuneration Committee's membership and governance responsibilities are given in the Corporate Governance report on pages 51 to 52.

Committee performance evaluation

The performance of the Committee is evaluated as part of the Board evaluation process. The Committee evaluation considers the qualification and experience of the Committee Chairman and whether the Committee has sufficient understanding and knowledge to enable it to set appropriate remuneration levels, review and set the Remuneration Policy and monitor trends in remuneration generally.

The evaluation concluded that the Committee was properly constituted. It was noted that there had been a change of Chairman during the year but that the Committee had performed its duties well and had the necessary understanding and knowledge. No changes were considered necessary to the Committee's composition and no changes were made to the Committee's Terms of Reference as they continued to reflect best practice.

Advisors used in the year

The Committee has taken advice from AON, who were appointed by the Committee in 2006 and provided data in relation to the PSP and TSR outcome for the Plan Cycles ending November 2016 and November 2017. AON also advised the Remuneration Committee on the amendments to the Remuneration Policy in the year under review and on the shareholder consultation. They also did some modelling on Remuneration Policy and practice for the Committee. AON does not provide any other services to the Company. They are viewed as independent, objective and cost effective given their involvement at the outset of the PSP. Total fees paid to AON in the year amounted to £36,586 and are charged on an hourly basis.

Xafinity Consulting Limited advise on pension related matters.

Signed on behalf of the Board of Directors

Geraint Anderson
Chairman of the Remuneration Committee
15 November 2017

Independent Auditor's Report to the members of Fenner PLC

Report on the audit of the financial statements

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 August 2017 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 'Reduced Disclosure Framework'; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements of Fenner PLC (the "parent company") and its subsidiaries (the "Group") which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated cash flow statement;
- the consolidated and parent company statements of changes in equity; and
- the related consolidated notes 1 to 37 and related parent company notes 1 to 14.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 'Reduced Disclosure Framework'.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the parent company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Summary of our audit approach

Key audit matters

The key audit matters that we identified in the current year were:

- The risk of impairment of goodwill and intangible assets acquired for American Industrial Plastics ("AIP") and Transeals; and
- Revenue recognition.

We note that the previous auditor identified the following additional key audit matters which we have deemed to not be of most significance in the audit in the current year:

- Valuation of defined benefit pension scheme liabilities;
- Taxation; and
- Exceptional items.

Materiality

The materiality that we used in the current year was £2.2m which was determined on the basis of 5% of adjusted profit before tax.

Scoping

Our Group audit scope has been designed to focus on the risks identified across the Group with audit procedures covering 99% of operating profit and 95% of revenue. Our work has included visiting 22 locations across the Group.

Conclusions relating to principal risks, going concern and viability statement

We have reviewed the directors' statement regarding the appropriateness of the going concern basis of accounting contained within note 1 to the Group financial statements and the directors' statement on the longer-term viability of the Group contained within the Strategic Report on page 30.

We confirm that we have nothing material to add or draw attention to in respect of these matters.

We are required to state whether we have anything material to add or draw attention to in relation to:

- the disclosures on pages 31 to 36 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation on page 30 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity;
- the directors' statement in note 1 to the Group financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Group and the parent company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- the directors' explanation on page 30 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions; or

- whether the directors' statements relating to going concern and the prospects of the company required in accordance with Listing Rule 9.8.6R(3) are materially inconsistent with our knowledge obtained in the audit.

We agreed with the directors' adoption of the going concern basis of accounting and we did not identify any such material uncertainties. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The risk of impairment of goodwill and intangible assets acquired for AIP and Transeals

Key audit matter description

The Group has two cash-generating units ("CGUs") where reasonably possible changes in financial performance could result in impairment. These are AIP and Transeals. At 31 August 2017 the Group recognises goodwill of £14.0m and intangible assets acquired of £8.9m in respect of these CGUs. We note that AIP and Transeals remain the CGUs with the lowest level of headroom and the highest sensitivity to the underlying assumptions. Further details are included in note 14 to the Group financial statements.

The risk identified is in respect of management's judgements in relation to the financial forecasts of the CGUs to which the assets relate. Specifically the risk is focussed on the underlying assumptions used in determining the recoverable value of the assets such as discount rates, growth rates and longer-term financial performance.

These items are all subjective and could lead to an impairment charge if incorrect. Due to the judgemental nature of the assumptions a risk of fraud has been identified due to the risk of bias within assumptions adopted.

This matter has been identified by management within the Audit Committee Report on page 62 and disclosed as a critical accounting judgement within note 2 to the Group financial statements.

How the scope of our audit responded to the key audit matter

The following procedures have been designed and performed in order to respond to the key matter outlined above:

- Assess the design and implementation of controls around the valuation of goodwill and intangible assets acquired, including the levels of review and challenge given by management, in addition to assessing the appropriateness of the budgeting process which feeds into cash flow projections used in the impairment review;
- Review of management's calculation of recoverable amounts versus carrying values of goodwill and other fixed assets, focusing on the principal assumptions in the forecasts in comparison to those achieved historically and their sensitivity to change;
- Assess the market growth and performance per management's model compared to industry and economic forecasts;
- Use valuation specialists to assess the discount rate used in the impairment review prepared by management, including benchmarking against peers; and
- Assess the implied earnings multiples for each CGU and whether they appear reasonable when compared to implied market earnings multiples.

Key observations

From our work on this key audit matter we have noted that:

- The discount rates used by management to estimate the recoverable value of the CGUs fall within our expected range based on the independent analysis completed; and
- The earnings multiples inferred from the cash flow forecasts fall within the range of comparative peer group entities operating within the same market.

We have gained sufficient assurance that the underlying assumptions represent the best available evidence and reflect the position of each CGU as at the assessment date.

Revenue recognition

Key audit matter description

We have identified a key audit matter relating to the timing of delivery/collection of sales (cut-off) where revenue has been recognised but the goods have not been delivered/collected and as such the risks and rewards have not been transferred from the Group to the customer. This has been identified as a key audit matter within components identified as having large invoice values. The Group's policy in respect of revenue recognition is included within note 1 to the Group financial statements.

Furthermore a risk due to fraud has been identified where management could manipulate the Group's result through manual debit adjustments to revenue.

How the scope of our audit responded to the key audit matter

The following procedures have been designed and performed in order to respond to the key matter outlined above:

- Substantively test sales cut-off at the year end, based upon records of despatches and deliveries from despatch note, transport terms and through to revenue recognised;
- Assess whether long-term contracting should apply to the Group's revenue streams and where applicable test the appropriateness of revenue recognised against the stage of completion on the contract;
- Assess the design and implementation of controls to ensure that sales, including ex-works are recognised in the correct period;
- Perform data analytics on revenue matching from order through to cash receipt for specific components;
- Compare actual financial information (sales, profits and margins) to our expectations, to identify unusual or inconsistent results; and
- Review manual journals posted to revenue to identify unusual transactions for further investigation.

Key observations

The Group's revenue recognition policies are appropriate based on the terms and conditions that the Group has with its customers.

We have not identified any transactions which are outside of the Group's normal course of business.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Group materiality £2.2m

We note the previous auditors used a Group materiality of £1.9m representing 5% of operating profit before amortisation of intangible assets acquired and exceptional items.

Basis for determining materiality

5% of adjusted profit before tax is the basis for which materiality has been determined.

Adjusted profit before tax is defined as profit before tax adjusted for notional interest, amortisation of intangible assets acquired and exceptional items. Adjusted operating profit is defined as operating profit adjusted for amortisation of intangible assets acquired and exceptional items.

Rationale for the benchmark applied

We have used adjusted profit before tax as we deem this an appropriate benchmark which better reflects the underlying performance of the business and reduces the risk of volatility.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.1m, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Our Group audit scope has been designed to focus on the risks identified across the Group with audit procedures covering 99% of operating profit, 81% of net assets and 95% of revenue. Our work has included visiting 22 locations across the Group. In the prior year, procedures completed by the previous auditor achieved coverage of 87% of Group revenue and 88% of Group operating profit before amortisation of intangible assets acquired and exceptional items.

Our audit work has included the use of component auditors, all of which form part of the Deloitte member firm network. All component auditors have reported to us based on agreed referral instructions. We have performed detailed reviews of auditor working papers for significant components and have attended all audit close meetings with local management.

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level. Based on that assessment, we focused our Group audit scope primarily on the audit work at 22 locations.

The significant components identified, based on relative contribution to the Group's revenue and adjusted operating profit, across the Group include Drives US, Fenner Dunlop America, Fenner Dunlop Australia and Secant Group. The range of component materiality applied across to these significant components range from £1.1m to £1.2m based on relative contribution to revenue and adjusted operating profit. We have performed audit procedures across a further 18 locations using a component materiality of £1.1m.

At the parent entity we tested the consolidation process and carried out analytical procedures to confirm that there were no significant risks of material misstatement within the aggregated financial information of the remaining components not subject to audit or audit of specified account balances.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report including the Strategic Report and the Directors' Report, other than the financial statements and our Auditor's Report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

In this context, matters that we are specifically required to report to you as uncorrected material misstatements of the other information include where we conclude that:

- *Fair, balanced and understandable* – the statement given by the directors that they consider the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- *Audit Committee reporting* – the section describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee; or
- *Directors' statement of compliance with the UK Corporate Governance Code* – the parts of the directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

We have nothing to report in respect of these matters.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the parent company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's Report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the Board Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and of the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report or the Directors' Report.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the Board Remuneration Report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Other matters

Auditor tenure

Following the recommendation of the Audit Committee, we were appointed by shareholders at the Annual General Meeting on 11 January 2017 to audit the financial statements for the year ending 31 August 2017 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is one year, covering the current year only.

Consistency of the Audit Report with the additional report to the Audit Committee

Our audit opinion is consistent with the additional report to the Audit Committee we are required to provide in accordance with ISAs (UK).

Simon Manning FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Leeds, UK
15 November 2017

Consolidated income statement

for the year ended 31 August 2017

	Notes	2017 £m	2016 £m
Revenue	4	**655.4**	572.5
Cost of sales		**(451.1)**	(410.3)
Gross profit		**204.3**	162.2
Distribution costs		**(57.5)**	(52.3)
Administrative expenses		**(93.4)**	(124.6)
Operating profit before amortisation of intangible assets acquired and exceptional items		**59.1**	37.1
Amortisation of intangible assets acquired		**(8.3)**	(11.0)
Exceptional items	7	**2.6**	(40.8)
Operating profit/(loss)	5	**53.4**	(14.7)
Finance income	8	**0.6**	0.5
Finance costs	9	**(15.9)**	(16.1)
Profit/(loss) before taxation		**38.1**	(30.3)
Taxation	10	**(3.8)**	5.0
Profit/(loss) for the year		**34.3**	(25.3)
Attributable to:			
Owners of the parent		**34.1**	(26.3)
Non-controlling interests		**0.2**	1.0
		34.3	(25.3)
Earnings/(loss) per share			
Basic	12	**17.6p**	(13.6)p
Diluted	12	**17.5p**	(13.6)p

Consolidated statement of comprehensive income

for the year ended 31 August 2017

	Notes	**2017 £m**	2016 £m
Profit/(loss) for the year		**34.3**	(25.3)
Other comprehensive income/(expense)			
Items that will not be reclassified subsequently to profit or loss			
Remeasurements on defined benefit post-retirement schemes	27	**20.4**	(24.5)
Tax on items that will not be reclassified	10	**(4.5)**	3.7
		15.9	(20.8)
Items that may be reclassified subsequently to profit or loss			
Currency translation differences		**18.1**	80.6
Net investment hedges	25	**(5.1)**	(30.8)
Tax on items that may be reclassified	10	**4.6**	(2.3)
		17.6	47.5
Total other comprehensive income for the year		**33.5**	26.7
Total comprehensive income for the year		**67.8**	1.4
Attributable to:			
Owners of the parent		**67.2**	(1.8)
Non-controlling interests		**0.6**	3.2
		67.8	1.4

Consolidated balance sheet

at 31 August 2017

	Notes	2017 £m	2016 £m
Non-current assets			
Property, plant and equipment	13	**224.2**	228.8
Intangible assets	14	**175.3**	178.3
Deferred tax assets	16	**24.7**	28.1
		424.2	435.2
Current assets			
Inventories	17	**90.1**	75.3
Trade and other receivables	18	**113.7**	104.9
Assets held for sale	37	**0.9**	2.2
Current tax assets		**1.2**	7.2
Derivative financial assets	24	**0.3**	0.6
Cash and cash equivalents	19	**79.7**	94.9
		285.9	285.1
Total assets		**710.1**	720.3
Current liabilities			
Borrowings	23	**(11.8)**	(76.7)
Trade and other payables	26	**(145.8)**	(117.5)
Liabilities held for sale	37	**-**	(1.0)
Current tax liabilities		**(4.4)**	(1.9)
Derivative financial liabilities	24	**(1.6)**	(1.1)
Provisions	29	**(4.7)**	(17.9)
		(168.3)	(216.1)
Non-current liabilities			
Borrowings	23	**(169.4)**	(168.2)
Trade and other payables	26	**(0.7)**	(0.8)
Retirement benefit obligations	27	**(27.5)**	(49.0)
Provisions	29	**(0.5)**	-
Deferred tax liabilities	16	**(2.8)**	(7.5)
		(200.9)	(225.5)
Total liabilities		**(369.2)**	(441.6)
Net assets		**340.9**	278.7
Equity			
Share capital	30	**48.5**	48.5
Retained earnings		**216.4**	159.2
Exchange reserve	31	**98.8**	76.8
Hedging reserve	31	**(21.8)**	(16.9)
Equity attributable to owners of the parent		**341.9**	267.6
Non-controlling interests		**(1.0)**	11.1
Total equity		**340.9**	278.7

The financial statements on pages 89 to 122 were approved by the Board of Directors and authorised for issue on 15 November 2017 and signed on its behalf by:

V Murray OBE
Chairman

W J Pratt
Group Finance Director

Registered Number: 329377

Consolidated cash flow statement

for the year ended 31 August 2017

	Notes	2017 £m	2016 £m
Profit/(loss) before taxation		**38.1**	(30.3)
Adjustments for:			
Depreciation of property, plant and equipment and amortisation of intangible assets		**34.8**	35.2
Impairment of property, plant and equipment		**-**	2.9
Impairment of intangible assets		**-**	25.0
Other exceptional non-cash movements		**(2.6)**	4.8
Cash payments in respect of prior year exceptional items		**(2.2)**	(2.3)
Defined benefit post-retirement costs charged to operating profit		**2.9**	0.8
Cash contributions to defined benefit post-retirement schemes		**(5.8)**	(5.2)
Movement in provisions		**(0.1)**	(0.8)
Finance income		**(0.6)**	(0.5)
Finance costs		**15.9**	16.1
Other non-cash movements		**0.7**	1.2
Operating cash flow before movement in working capital		**81.1**	46.9
Movement in inventories		**(11.8)**	11.1
Movement in trade and other receivables		**(4.8)**	13.6
Movement in trade and other payables		**24.1**	(9.6)
Net cash from operations		**88.6**	62.0
Taxation received/(paid)		**4.1**	(6.2)
Net cash from operating activities		**92.7**	55.8
Investing activities			
Purchase of property, plant and equipment		**(11.2)**	(14.2)
Disposal of property, plant and equipment		**1.2**	1.9
Purchase of intangible assets		**(1.0)**	(1.1)
Acquisition of businesses	35	**(0.8)**	(5.6)
Disposal of businesses	36	**5.8**	-
Interest received		**0.6**	0.5
Net cash used in investing activities		**(5.4)**	(18.5)
Financing activities			
Dividends paid to Company's shareholders	11	**(5.8)**	(23.3)
Dividends paid to non-controlling interests		**(1.0)**	(1.3)
Options exercised on acquisition of non-controlling interests in subsidiary undertakings	35	**(14.4)**	-
Settlement of derivative financial instruments		**-**	10.5
Interest paid		**(15.3)**	(13.7)
Repayment of borrowings		**(68.1)**	(29.7)
New borrowings		**0.3**	0.6
Net cash used in financing activities		**(104.3)**	(56.9)
Net decrease in cash and cash equivalents		**(17.0)**	(19.6)
Cash and cash equivalents at start of year		**90.0**	93.1
Exchange movements		**(1.1)**	16.5
Cash and cash equivalents at end of year		**71.9**	90.0

Cash and cash equivalents comprises:		
Cash and cash equivalents	**79.7**	94.9
Bank overdrafts	**(7.8)**	(4.9)
	71.9	90.0

Consolidated statement of changes in equity

for the year ended 31 August 2017

	Notes	Attributable to owners of the parent								
		Share capital £m	Share premium £m	Retained earnings £m	Exchange reserve £m	Hedging reserve £m	Merger reserve £m	Total £m	Non-controlling interests £m	Total equity £m
At 1 September 2015		48.5	51.7	111.4	(7.8)	22.3	65.9	292.0	9.2	301.2
(Loss)/profit for the year		-	-	(26.3)	-	-	-	(26.3)	1.0	(25.3)
Other comprehensive (expense)/income		-	-	(20.9)	84.6	(39.2)	-	24.5	2.2	26.7
Total comprehensive (expense)/income for the year		-	-	(47.2)	84.6	(39.2)	-	(1.8)	3.2	1.4
Transactions with owners										
Dividends paid in the year	11	-	-	(23.3)	-	-	-	(23.3)	(1.3)	(24.6)
Share-based payments	28	-	-	0.7	-	-	-	0.7	-	0.7
Capital reduction	31	-	(51.7)	117.6	-	-	(65.9)	-	-	-
Total transactions with owners		-	(51.7)	95.0	-	-	(65.9)	(22.6)	(1.3)	(23.9)
At 1 September 2016		**48.5**	**-**	**159.2**	**76.8**	**(16.9)**	**-**	**267.6**	**11.1**	**278.7**
Profit for the year		**-**	**-**	**34.1**	**-**	**-**	**-**	**34.1**	**0.2**	**34.3**
Other comprehensive income/(expense)		**-**	**-**	**16.0**	**22.0**	**(4.9)**	**-**	**33.1**	**0.4**	**33.5**
Total comprehensive income/(expense) for the year		**-**	**-**	**50.1**	**22.0**	**(4.9)**	**-**	**67.2**	**0.6**	**67.8**
Transactions with owners										
Dividends paid in the year	11	**-**	**-**	**(5.8)**	**-**	**-**	**-**	**(5.8)**	**(1.0)**	**(6.8)**
Share-based payments	28	**-**	**-**	**1.2**	**-**	**-**	**-**	**1.2**	**-**	**1.2**
Transfer of non-controlling interests		**-**	**-**	**11.7**	**-**	**-**	**-**	**11.7**	**(11.7)**	**-**
Total transactions with owners		**-**	**-**	**7.1**	**-**	**-**	**-**	**7.1**	**(12.7)**	**(5.6)**
At 31 August 2017		**48.5**	**-**	**216.4**	**98.8**	**(21.8)**	**-**	**341.9**	**(1.0)**	**340.9**

Notes to the Group financial statements

1. Significant accounting policies

Basis of preparation

The Group financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The Group financial statements are prepared under the historical cost convention, as modified by the revaluation of land and buildings and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

After making enquiries, the Board has formed a judgement that there is a reasonable expectation the Group has adequate resources to continue in operational existence for the foreseeable future and for a period of at least 12 months from the date of this report. Accordingly, the Board has assessed that the going concern basis of accounting is appropriate in preparing the financial statements. In forming this view, the Board has reviewed the Group's budget and cash flow forecasts against availability of financing, including an assessment of sensitivities to changes in market conditions in conjuction with its long-term viability assessment.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

There were no new standards, amendments or interpretations adopted by the Group and effective for the first time for the year ended 31 August 2017 that have had a material impact on the Group.

A number of new standards, amendments or interpretations have been published but are not mandatory for the year ended 31 August 2017 and consequently have not yet been applied in preparing the financial statements. The principal standards for the Group are detailed below.

IFRS 9 'Financial Instruments'

IFRS 9 covers the requirements for classification, measurement, impairment and hedge accounting. The standard is effective for the accounting period beginning 1 September 2018. The Group is currently assessing the impact of this standard but it is not expected to have a material impact on the financial statements. The Group will update its hedging documentation as appropriate, in accordance with the requirements of IFRS 9.

IFRS 15 'Revenue from Contracts with Customers'

IFRS 15 establishes a single, comprehensive framework for revenue recognition, focusing on the identification and satisfaction of performance obligations. The standard is effective for the accounting period beginning 1 September 2018. The Group has evaluated the effect of adopting IFRS 15 and this is not expected to have a material impact on the financial statements, although may have some impact on the Group's disclosures. The Group will adopt the modified retrospective approach in implementing IFRS 15.

IFRS 16 'Leases'

IFRS 16 covers the requirements for the recognition, measurement, presentation and disclosure of leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The standard is effective for the accounting period beginning 1 September 2019. The Group is in the process of assessing the impact of this standard. Details of the Group's operating leases, currently accounted for under IAS 17 'Leases', can be found in note 33.

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

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of consolidation

The Group financial statements comprise the financial statements of Fenner PLC and subsidiaries controlled by the Group as at 31 August each year.

Subsidiaries

Subsidiary undertakings are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The acquisition of subsidiaries is accounted for using the acquisition method. The consideration for the acquisition is measured at the aggregate of the fair values of assets given, liabilities incurred or assumed and equity instruments issued by the Group at the date of completion. Costs directly attributable to the acquisition are recognised in the income statement in the period in which they are incurred. The subsidiary's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the date of acquisition. Subsidiaries acquired or disposed of during the year are consolidated from the date that control is transferred or until control ceases respectively. Where necessary, the accounting policies of acquired subsidiaries are adjusted to bring them into line with those used by the Group.

Non-controlling interests in subsidiaries are identified separately from the Group's equity. Non-controlling interests consist of the amount of those interests at the date of acquisition and the non-controlling interest's share of changes in equity since the date of acquisition.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Foreign currencies

Functional and presentation currency

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which it operates (the functional currency). The Group financial statements are presented in pounds sterling, which is the presentation currency of the Group.

Transactions and balances

Transactions in currencies other than an entity's functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities are retranslated at the rates prevailing on the balance sheet date. Non-monetary items measured at historical cost are not retranslated. Exchange differences arising on the settlement and retranslation of monetary items are recognised in the income statement in the period.

Net investment in foreign operations

For the consolidation of operations where the functional currency is different to the Group's presentation currency, the assets and liabilities are translated at exchange rates prevailing on the balance sheet date and income and expenses are translated at the average exchange rates for the period. Exchange differences arising are recognised directly in equity in the exchange reserve. On disposal of such operations, the cumulative exchange differences are included in the profit or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of that operation and are retranslated at the closing rate at each balance sheet date.

Revenue recognition

Revenue is measured at the fair value of the consideration receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes. Revenue from the sale of goods in both the AEP and ECS divisions is recognised when the risks and rewards of ownership have passed to the buyer. For domestic sales, revenue is principally recognised upon the despatch of goods. For export sales made under internationally accepted trade terms, revenue is recognised when the primary duties required to transfer risk, as stipulated in those terms, have been completed. Revenue from the provision of short-term services, which principally relate to the ECS division, is recognised in the period in which the services are completed.

Interest income

Interest income relates to bank interest or similar income and is recognised on an accruals basis using the effective interest method.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are included in property, plant and equipment at the lower of their fair value at the inception of the lease and the present value of the minimum lease payments. The corresponding liability is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in the income statement.

Rentals payable under operating leases are recognised in the income statement on a straight-line basis over the term of the relevant lease.

Share-based payments

The Group operates equity-settled share schemes for certain employees. The cost of equity-settled share-based payments is measured at fair value at the date of grant, excluding the effect of non market-based vesting conditions. The cost is recognised in the income statement on a straight-line basis over the vesting period with the corresponding amount credited to equity, based on an estimate of the number of shares that will eventually vest. The estimate of the level of vesting is reviewed annually and the charge is adjusted accordingly in respect of non market-based vesting conditions. The fair values are measured using the Monte Carlo simulation approach.

Post-retirement benefits

The Group operates various pension schemes, including both defined benefit and defined contribution schemes.

For defined benefit schemes, the liability recognised in the balance sheet is the present value of the defined benefit obligation at the balance sheet date less the fair value of scheme assets. The defined benefit obligation is calculated annually by independent qualified actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability. Current service costs, past service costs and administration expenses are recognised within operating costs in the income statement. Net interest costs, which are calculated by applying the discount rate to the net pension liability, are recognised as notional interest within finance costs in the income statement. Remeasurements, which represent the difference between the actual return on assets and the amount implied by the net interest cost, together with experience adjustments and changes in actuarial assumptions, are charged or credited to equity in other comprehensive income.

For defined contribution schemes, payments are recognised in the income statement as they are incurred. The Group has no further payment obligations once the contributions have been paid.

Some Group companies provide post-retirement healthcare benefits to their retirees. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension schemes. These obligations are valued annually by independent qualified actuaries.

Exceptional items

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

Taxation

Current tax is the tax expected to be payable on taxable profit for the period using tax rates that have been enacted or substantively enacted by the balance sheet date, together with any adjustments in respect of previous years. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are not taxable or deductible or are taxable or deductible in other years.

Deferred tax is recognised using the liability method for temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, unless specifically exempt. Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax is calculated using tax rates that are expected to apply in the period when the liability is settled or the asset realised. The resulting charge or credit is recognised in the income statement except when it relates to items recognised directly in equity, in which case the charge or credit is also recognised directly in equity.

The Group is subject to taxation in various jurisdictions and uncertainties exist over the interpretation of the respective tax regulations and the ultimate determination by the tax authorities in those jurisdictions. Taxation is calculated based on the best estimates of amounts expected to be due. Where the final tax determination is different to the amounts initially recorded, they are subsequently adjusted in the period in which such determination is made.

Dividends

Dividends proposed by the Board are recognised in the financial statements when they have been approved by shareholders at the AGM. Interim dividends are recognised when they are paid.

Segmental reporting

Segmental information is reported in a manner consistent with the information provided to the Chief Operating Decision Maker. This information is used for allocating resources and assessing performance of the operating segments.

Property, plant and equipment

Property, plant and equipment is stated at historical cost or deemed cost less accumulated depreciation and any accumulated impairment losses.

Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use, including borrowing costs for qualifying assets.

Freehold land is not depreciated. Depreciation on other assets is recognised in the income statement to write down the value of the asset to its residual value on a straight-line basis over the estimated useful life of the asset from the date it is brought into use. Estimated useful lives most widely applied are as follows:

Freehold buildings	40 years
Leasehold buildings	Unexpired term of lease
Plant, machinery and equipment	3-10 years

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease. Assets under construction are not depreciated until commissioned.

Assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds, net of any selling costs, and the carrying amount of the asset and is recognised in the income statement.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. The carrying amount of goodwill is reviewed for impairment annually, or more frequently when events or changes in circumstances indicate that the carrying amount may be impaired. Any impairment is recognised in the income

1. Significant accounting policies continued

statement and is not subsequently reversed. Any excess of the Group's interest in the fair value of the identifiable assets and liabilities of the acquired entity over cost is recognised immediately in the income statement. On disposal of a subsidiary, the attributable amount of goodwill is included in the profit or loss on disposal.

Other intangible assets

Intangible assets acquired in a business combination are initially recognised at their fair value. Other intangible assets are initially recognised at cost. Intangible assets are subsequently stated at fair value or cost less accumulated amortisation and any accumulated impairment losses.

Amortisation is recognised in the income statement on a straight-line basis over the estimated useful life of the asset. Estimated useful lives most widely applied are as follows:

Computer software	3-5 years
Brands and trademarks	3-20 years
Customer relationships	4-16 years
Technology based assets	5 years
Non-compete agreements	3-6 years

Impairment

The carrying amounts of goodwill and other intangible assets with indefinite useful lives are reviewed for impairment annually, or more frequently when events or changes in circumstances indicate that the carrying amount may be impaired. The carrying amount of property, plant and equipment and intangible assets with finite useful lives are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs. Goodwill is allocated to those CGUs that are expected to benefit from the business combination in which the goodwill arose.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using an appropriate pre-tax discount rate. If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. Any impairment loss is recognised in the income statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss previously been recognised for the asset or CGU. Any reversal of an impairment loss is recognised in the income statement. Impairment losses on goodwill are not subsequently reversed.

Inventories

Inventories are stated at the lower of cost and net realisable value with allowance for obsolete or slow moving items. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing inventories to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Raw materials are generally determined on a first in, first out basis.

Financial assets

Financial assets are recognised in the balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Provision is made when there is objective evidence that the Group will not be able to collect all amounts due and this cost is recognised in the income statement. Subsequent recoveries of amounts previously written off are credited to the income statement.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, deposits available on demand and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. For the purposes of the cash flow statement, cash and cash equivalents also includes bank overdrafts as they are an integral part of the Group's cash management.

Financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Trade payables

Trade payables are obligations to pay for goods or services acquired from suppliers in the ordinary course of business. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Borrowings

Bank loans and overdrafts and other loans are initially measured at fair value less direct transaction costs. They are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowing using the effective interest method.

Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments, including forward foreign currency contracts, options, currency swaps and non-derivative cash instruments, including foreign currency borrowings, to hedge its exposure to the financial risks of changes in foreign exchange rates or interest rates. The Group does not use derivative financial instruments for speculative purposes.

Derivative financial instruments are initially measured at fair value on the contract date and are subsequently measured at fair value at each balance sheet date.

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in equity. Amounts deferred in equity are recognised in the income statement in the same period in which the hedged item affects the income statement.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting or the ineffective portion of financial instruments that are designated and effective as hedges are recognised in the income statement as they are incurred.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, exercised or no longer qualifies for hedge accounting. Any cumulative gain or loss on the hedging instrument in equity at that time is retained in equity until the forecast transaction occurs. If a hedged transaction is no longer expected to occur, the cumulative gain or loss in equity is transferred to the income statement in the period.

Provisions

Provisions in respect of employment costs, restructuring costs, property and environmental costs, contingent and deferred consideration on acquisition and redemption liability on acquisitions are recognised when the Group has a present obligation as a result of a past event and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date and are discounted to present value where the effect is material using a suitable pre-tax rate which matches the maturity of and risks associated with that liability.

Share capital

Ordinary shares are classified as equity. Equity instruments issued are recorded at the proceeds received net of directly attributable issue costs.

2. Critical accounting estimates and judgements

The application of the Group's accounting policies, which are detailed in note 1, requires management to make certain assumptions, estimates and judgements that may affect the reported amounts of assets, liabilities, income and expenses. These are based on historical experience and any other factors, including expectations of future events, that are considered appropriate and these are continually reviewed. Subsequent actual results may however differ from these estimates and judgements.

Key sources of estimation uncertainty

Key assumptions concerning the future or other sources of estimation uncertainty at the balance sheet date that may give rise to risk of material adjustments to the carrying values of assets and liabilities or reported results in the next financial year are as follows:

Impairment of goodwill and intangible assets acquired

Impairment testing for the carrying amount of goodwill and intangible assets acquired is based on estimated recoverable amounts of cash-generating units, based on value in use calculations. This is calculated using cash flow projections based on financial forecasts for a period of three years and, thereafter, extrapolated using estimated growth rates in the respective territories. Cash flows are discounted using an appropriate pre-tax cost of capital for each respective territory. See note 14.

Retirement benefit obligations

Retirement benefit obligations are based on actuarial valuations that use a number of assumptions. These include the discount rate, which is based on the interest rate of high quality corporate bonds denominated in the currency of the benefits and that have terms to maturity approximating to the terms of the related obligation, inflation rates, expected salary increases and mortality. See note 27.

Deferred taxation

Deferred taxation is recognised based on the estimated likelihood that future taxable profits will be available against which temporary differences can be utilised. See note 16.

Critical judgements in applying the Group's accounting policies

Critical judgements made in the process of applying the Group's accounting policies which have the most significant effect on amounts recognised in the financial statements are as follows:

Exceptional items and non-GAAP performance measures

Certain items of income and expense are classified as exceptional items due to their nature or size. These are presented separately on the face of the income statement in order to provide a better understanding of the Group's financial performance. Such exceptional items may include impairments of intangible or tangible assets, business restructuring costs, profits or losses arising from the disposal or closure of a business and adjustments to fair values in respect of acquisitions, such as changes to contingent consideration, together with the associated taxation. See note 7.

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

Non-GAAP performance measures are given in Alternative Performance Measures on pages 133 to 134.

3. Segment information

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

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

Advanced Engineered Products
AEP provides high value-added solutions using advanced polymeric materials in three related products areas: - Advanced Sealing Technologies (seals for upstream/midstream oil & gas and petrochemicals; and seals for fluid power); - Precision Polymers (precision belts for power transmission and motion control; elastomeric solutions; and specialist hoses); and - Solesis Medical (biomedical textile components and biomaterials; and single-use products for blood management, bioprocessing and cell therapy).
Engineered Conveyor Solutions
ECS manufactures rubber ply, solid woven and steel cord heavyweight conveyor belt for the mining, industrial and bulk handling markets. ECS also provides related conveyor services such as maintenance, design and installation.

3. Segment information continued

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

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

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

Segment information for the years ended 31 August 2017 and 31 August 2016 is as follows:

	Advanced Engineered Products		Engineered Conveyor Solutions		Unallocated Corporate		Total	
	2017 £m	2016 £m	**2017 £m**	2016 £m	**2017 £m**	2016 £m	**2017 £m**	2016 £m
Segment result								
Segment revenue	**294.0**	250.7	**361.4**	321.8	**-**	-	**655.4**	572.5
Operating profit before amortisation of intangible assets acquired and exceptional items	**43.9**	29.9	**24.1**	14.2	**(8.9)**	(7.0)	**59.1**	37.1
Amortisation of intangible assets acquired	**(6.9)**	(6.3)	**(1.4)**	(4.7)	**-**	-	**(8.3)**	(11.0)
Exceptional items	**4.1**	(8.7)	**-**	(30.8)	**(1.5)**	(1.3)	**2.6**	(40.8)
Operating profit/(loss)	**41.1**	14.9	**22.7**	(21.3)	**(10.4)**	(8.3)	**53.4**	(14.7)
Net finance costs							**(15.3)**	(15.6)
Taxation							**(3.8)**	5.0
Profit/(loss) for the year							**34.3**	(25.3)
Segment assets								
Property, plant and equipment	**81.0**	81.8	**142.4**	146.0	**0.8**	1.0	**224.2**	228.8
Intangible assets	**130.1**	134.3	**45.2**	44.0	**-**	-	**175.3**	178.3
Inventories	**34.7**	32.2	**55.4**	43.1	**-**	-	**90.1**	75.3
Trade and other receivables	**46.6**	40.3	**66.4**	61.8	**0.7**	2.8	**113.7**	104.9
Assets held for sale	**-**	2.2	**0.9**	-	**-**	-	**0.9**	2.2
Intra-group receivables	**0.1**	0.1	**0.1**	0.1	**(0.2)**	(0.2)	**-**	-
Total segment assets	**292.5**	290.9	**310.4**	295.0	**1.3**	3.6	**604.2**	589.5
Unallocated assets							**105.9**	130.8
Total assets							**710.1**	720.3
Segment liabilities								
Trade and other payables	**44.3**	35.4	**93.4**	75.1	**8.8**	7.8	**146.5**	118.3
Liabilities held for sale	**-**	1.0	**-**	-	**-**	-	**-**	1.0
Intra-group payables	**2.1**	1.4	**1.9**	1.5	**(4.0)**	(2.9)	**-**	-
Total segment liabilities	**46.4**	37.8	**95.3**	76.6	**4.8**	4.9	**146.5**	119.3
Unallocated liabilities							**222.7**	322.3
Total liabilities							**369.2**	441.6
Other segment information								
Capital expenditure	**7.6**	11.3	**4.8**	4.8	**-**	-	**12.4**	16.1
Depreciation and amortisation	**11.8**	10.3	**14.6**	13.8	**0.1**	0.1	**26.5**	24.2
Impairment of non-current assets	**-**	4.1	**-**	23.8	**-**	-	**-**	27.9
Property, plant and equipment and intangible assets on acquisition	**1.9**	(0.1)	**-**	-	**-**	-	**1.9**	(0.1)

Unallocated assets comprise deferred tax assets, derivative financial assets, current tax assets and cash and cash equivalents. Unallocated liabilities comprise borrowings, current tax liabilities, derivative financial liabilities, provisions, retirement benefit obligations and deferred tax liabilities.

Capital expenditure includes finance leases. Amortisation excludes amortisation of intangible assets acquired.

Geographical disclosures

The Group operates in three main geographical areas: Europe, Middle East and Africa; Americas; and Asia Pacific.

Geographical information for the years ended 31 August 2017 and 31 August 2016 is as follows:

	Revenue		Non-current assets		Capital expenditure	
	2017 £m	2016 £m	**2017 £m**	2016 £m	**2017 £m**	2016 £m
Europe, Middle East and Africa	**137.3**	125.1	**69.6**	68.2	**4.3**	3.5
Americas	**308.0**	268.7	**208.5**	217.8	**5.5**	9.7
Asia Pacific	**210.1**	178.7	**121.4**	121.1	**2.6**	2.9
	655.4	572.5	**399.5**	407.1	**12.4**	16.1

Revenue is based on the region in which the customer is located. Non-current assets and capital expenditure are based on the region in which the assets are located. Non-current assets exclude deferred tax assets.

No individual customer or group of customers represent more than 10% of Group revenue.

4. Revenue

Revenue is analysed as follows:

	2017 £m	2016 £m
Sales of goods	**575.6**	500.6
Provision of short-term services	**79.8**	71.9
	655.4	572.5

5. Operating profit/(loss)

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

	2017 £m	2016 £m
Material cost of sales	**220.5**	192.5
Aggregate employment costs	**237.9**	208.5
Depreciation of property, plant and equipment	**23.7**	22.5
Amortisation of intangible assets acquired	**8.3**	11.0
Amortisation of other intangible assets	**2.8**	1.7
Impairment of property, plant and equipment	**-**	2.9
Impairment of goodwill and intangible assets acquired	**-**	25.0
Other exceptional items (note 7)	**(2.6)**	12.9
Foreign exchange losses	**0.1**	0.2
Profit on disposal of property, plant and equipment	**(0.2)**	(0.4)
Research and development costs	**4.1**	3.8
Operating lease charges:		
- land and buildings	**6.7**	6.6
- plant, machinery and equipment	**4.1**	3.7

Total fees payable by the Group to the external auditors for work performed in respect of the audit and other services provided to the Company and its subsidiary undertakings during the year are as follows:

	2017 £m	2016 £m
Fees payable to the Company's auditors for the audit of the Company and Group financial statements	**0.1**	0.1
Fees payable to the Company's auditors for other services to the Company's subsidiary undertakings:		
- audit	**0.7**	0.7
- other non-audit services	**-**	0.1

Further details of non-audit services can be found in the Audit Committee Report on page 63. In addition, fees for actuarial and audit services of £nil (2016: less than £0.1m) were borne by the Fenner Pension Scheme.

6. Employees

Aggregate employment costs are as follows:

	2017 £m	2016 £m
Wages and salaries	**203.7**	180.4
Social security costs	**20.6**	17.9
Pension costs - defined contribution schemes	**9.5**	8.9
Pension costs - defined benefit schemes	**2.9**	0.8
Share-based payments	**1.2**	0.5
	237.9	208.5

The average monthly number of employees during the year, including executive directors, is as follows:

	2017	2016
Production	**3,082**	3,326
Selling and distribution	**513**	531
Administration	**594**	673
	4,189	4,530

Information on directors' remuneration is included in the audited part of the Board Remuneration Report on pages 69 to 84.

7. Exceptional items

	2017 £m	2016 £m
(Credited)/charged to operating profit		
Profit on disposal of businesses	**(4.1)**	-
Employment costs	**1.5**	-
Restructuring costs	**-**	15.8
Impairment of goodwill and intangible assets acquired	**-**	25.0
Total exceptional (credit)/charge	**(2.6)**	40.8
Credited to taxation		
Taxation on exceptional items (credited)/charged to operating profit	**(0.3)**	(7.1)
Exceptional tax credit	**(3.8)**	-
Total exceptional credit	**(4.1)**	(7.1)

Profit on disposal of businesses relates to the disposals during the year of Xeridiem Medical Devices, Inc. (£5.1m profit) and CDI Energy Products AS (£1.0m loss). Further details can be found in note 36.

Employment costs relate to contractual death in service costs in respect of the former Chief Executive Officer, Nicholas Hobson.

The exceptional tax credit relates to tax losses arising from prior year exceptional restructuring costs which were utilised following detailed analysis and advice received during the year. These losses, not previously recognised in deferred tax, have been carried back against prior period profits resulting in the exceptional tax credit.

8. Finance income

	2017 £m	2016 £m
Bank interest receivable	**0.6**	0.5

9. Finance costs

	2017 £m	2016 £m
Interest payable on bank overdrafts and loans	**2.8**	3.4
Interest payable on other loans	**11.6**	11.2
	14.4	14.6
Less amounts capitalised on qualifying assets	**-**	(0.2)
Interest payable	**14.4**	14.4
Net interest on defined benefit post-retirement schemes (note 27)	**0.8**	0.8
Interest on the unwinding of discount on provisions (note 29)	**0.2**	0.8
Finance charge on redemption liability (note 29)	**0.5**	0.1
Notional interest	**1.5**	1.7
Total finance costs	**15.9**	16.1

10. Taxation

	2017 £m	2016 £m
Current taxation		
UK corporation tax:		
- current year	2.1	0.8
- double tax relief	(0.4)	(0.4)
	1.7	0.4
Overseas tax:		
- current year	6.3	(0.2)
- adjustments in respect of prior years	(3.5)	0.5
	2.8	0.3
	4.5	0.7
Deferred taxation		
Origination and reversal of temporary differences:		
UK:		
- current year	0.4	(0.5)
- adjustments in respect of prior years	0.3	(0.3)
Overseas:		
- current year	(1.4)	(4.8)
- adjustments in respect of prior years	-	(0.1)
	(0.7)	(5.7)
Total taxation charge/(credit)	3.8	(5.0)

The taxation charge/(credit) includes a credit of £4.1m (2016: £7.1m) in respect of exceptional items, £2.7m (2016: £3.6m) in respect of the amortisation of intangible assets acquired and £0.1m (2016: £0.2m) in respect of notional interest.

UK corporation tax is calculated at an average rate of 19.6% (2016: 20.0%) of the estimated assessable profit for the year. Overseas tax is calculated at the rates prevailing in the respective jurisdictions.

Reductions in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) were substantively enacted on 26 October 2015. Further reductions to 17% (effective from 1 April 2020) were substantively enacted on 16 September 2016.

Since the balance sheet date, significant US tax reforms have been proposed. The Group is working to quantify the potential impact on its future tax charge as the rules and implications become clearer.

Consideration was given to the appropriateness of the recognition of deferred tax assets in 2016 in light of the Group being in a loss making position. The 2016 Group loss arose mainly as a result of high exceptional costs; the Group has returned to profit in 2017 and is forecast to be profitable in the future.

The charge/(credit) for the year and effective tax rate can be reconciled to the profit/(loss) per the income statement as follows:

	2017 £m	2016 £m
Profit/(loss) before taxation	38.1	(30.3)
Taxation at the average UK corporation tax rate of 19.6% (2016: 20.0%)	7.5	(6.1)
Amounts not allowable/taxable in determining taxable profit	(1.4)	(6.9)
Adjustments in respect of prior years	(3.2)	0.1
Effect of overseas tax rates	2.8	0.8
Losses arising and other temporary differences not recognised in deferred tax	(1.9)	7.1
Total taxation charge/(credit)	3.8	(5.0)

Taxation recognised directly in equity comprises a deferred taxation credit of £0.1m (2016: £1.4m). This relates to a charge of £4.5m (2016: £3.7m credit) in respect of remeasurements on defined benefit post-retirement schemes, a credit of £0.2m (2016: £2.1m) in respect of cash flow and net investment hedges, a credit of £4.3m (2016: £4.3m charge) in respect of exchange differences and other net credits of £0.1m (2016: £0.1m charge), recognised in other comprehensive income.

The adjustments in respect of prior years include a credit of £3.8m which relates to tax losses arising from exceptional restructuring costs which were utilised following detailed analysis and advice received during the year. These losses, not previously recognised in deferred tax, have been carried back against prior period profits.

Amounts not allowable/taxable in determining taxable profit include finance arrangements to fund acquisitions and operations in overseas territories, which included a partial exemption under UK Controlled Foreign Companies legislation in respect of qualifying loan relationships.

Further details on the tax charge and effective tax rate are included within the Group Finance Director's Review on page 28. The Group only undertakes tax planning that arises from the Group's commercial and operational activities.

11. Dividends

	2017 £m	2016 £m
Dividends paid or approved in the year		
Interim dividend for the year ended 31 August 2016 of 1.0p (2015: 4.0p) per share	1.9	7.8
Final dividend for the year ended 31 August 2016 of 2.0p (2015: 8.0p) per share	3.9	15.5
	5.8	23.3
Dividends neither paid nor approved in the year		
Interim dividend for the year ended 31 August 2017 of 1.4p (2016: 1.0p) per share	2.7	1.9
Final dividend for the year ended 31 August 2017 of 2.8p (2016: 2.0p) per share	5.4	3.9
	8.1	5.8

The interim dividend for the year ended 31 August 2017 was paid on 7 September 2017. The proposed final dividend for the year ended 31 August 2017 is subject to approval by shareholders at the AGM. Consequently, neither has been recognised as liabilities at 31 August 2017. If approved, the final dividend will be paid on 8 March 2018 to shareholders on the register on 26 January 2018.

Dividend policy

The Board's dividend policy is reflective of the Group's earnings, prospects and financial strength. Dividends are set in order to maintain appropriate levels of dividend cover based on both underlying earnings and free cash flow. Other factors that influence the level of dividend in any year include the following:
- the level of available distributable reserves in the parent company
- the Group's future prospects
- availability of cash resources
- future cash commitments and investment plans
- the principle risks and uncertainties facing the Group, as detailed on pages 31 to 36.

Distributable reserves

Fenner PLC, the parent company of the Fenner Group, has sufficient levels of distributable reserves to maintain the Group's dividend policy. The majority of the Company's retained earnings are distributable; this includes £128.0m of distributable reserves created from a capital reduction in July 2016, as detailed in note 12 to the Company financial statements. As an investment holding company, the Company derives its ongoing distributable reserves principally from dividends paid by subsidiary undertakings; there are also significant levels of distributable reserves within its subsidiary undertakings.

12. Earnings/(loss) per share

	2017 £m	2016 £m
Earnings/(loss)		
Profit/(loss) for the year attributable to owners of the parent	34.1	(26.3)
Amortisation of intangible assets acquired	8.3	11.0
Exceptional items	(2.6)	40.8
Notional interest	1.5	1.7
Taxation attributable to amortisation of intangible assets acquired, exceptional items and notional interest and exceptional tax credit (note 10)	(6.9)	(10.9)
Profit for the year before amortisation of intangible assets acquired, exceptional items and notional interest	34.4	16.3
	million	million
Average number of shares		
Weighted average number of shares in issue	194.0	194.0
Weighted average number of shares held by the Employee Share Ownership Plan Trust	(0.1)	(0.1)
Weighted average number of shares in issue - basic	193.9	193.9
Effect of contingent long-term incentive plans	0.9	-
Weighted average number of shares in issue - diluted	194.8	193.9
	pence	pence
Earnings/(loss) per share		
Underlying - Basic (before amortisation of intangible assets acquired, exceptional items and notional interest)	17.7	8.4
Underlying - Diluted (before amortisation of intangible assets acquired, exceptional items and notional interest)	17.7	8.4
Basic	17.6	(13.6)
Diluted	17.5	(13.6)

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

13. Property, plant and equipment

	Freehold land and buildings £m	Leasehold land and buildings £m	Plant, machinery and equipment £m	Assets under construction £m	Total £m
Cost					
At 1 September 2015	102.1	18.8	285.9	7.7	414.5
Additions	4.7	-	5.9	2.2	12.8
Disposals	(0.9)	(0.1)	(6.5)	-	(7.5)
Transfers from assets under construction	4.7	-	2.3	(7.0)	-
Transfers to assets held for sale (note 37)	-	(0.1)	(0.9)	-	(1.0)
Reclassifications	(0.3)	0.2	0.1	-	-
Exchange movements	18.5	2.6	47.2	0.7	69.0
At 1 September 2016	**128.8**	**21.4**	**334.0**	**3.6**	**487.8**
Additions	**0.4**	**0.2**	**8.6**	**2.1**	**11.3**
Disposals	**(0.8)**	**(2.4)**	**(3.4)**	**-**	**(6.6)**
Disposal of businesses (note 36)	**-**	**-**	**(0.1)**	**-**	**(0.1)**
Transfers from assets under construction	**-**	**-**	**2.3**	**(2.3)**	**-**
Transfers to assets held for sale (note 37)	**-**	**-**	**(1.1)**	**-**	**(1.1)**
Exchange movements	**4.8**	**0.3**	**15.9**	**0.1**	**21.1**
At 31 August 2017	**133.2**	**19.5**	**356.2**	**3.5**	**512.4**
Accumulated depreciation and impairment					
At 1 September 2015	21.0	9.2	175.9	-	206.1
Depreciation charge for the year	2.6	1.4	18.5	-	22.5
Impairment charge	0.9	-	2.0	-	2.9
Disposals	-	(0.1)	(5.9)	-	(6.0)
Transfers to assets held for sale (note 37)	-	(0.1)	(0.7)	-	(0.8)
Exchange movements	3.5	1.6	29.2	-	34.3
At 1 September 2016	**28.0**	**12.0**	**219.0**	**-**	**259.0**
Depreciation charge for the year	**2.7**	**1.0**	**20.0**	**-**	**23.7**
Disposals	**(0.1)**	**(2.4)**	**(3.1)**	**-**	**(5.6)**
Disposal of businesses (note 36)	**-**	**-**	**(0.1)**	**-**	**(0.1)**
Transfers to assets held for sale (note 37)	**-**	**-**	**(0.6)**	**-**	**(0.6)**
Exchange movements	**1.2**	**0.2**	**10.4**	**-**	**11.8**
At 31 August 2017	**31.8**	**10.8**	**245.6**	**-**	**288.2**
Net book value					
At 31 August 2017	**101.4**	**8.7**	**110.6**	**3.5**	**224.2**
At 31 August 2016	100.8	9.4	115.0	3.6	228.8
At 31 August 2015	81.1	9.6	110.0	7.7	208.4

The net book value of plant, machinery and equipment includes an amount of £1.1m (2016: £1.7m) in respect of assets held under finance leases.

The net book value includes capitalised borrowing costs for qualifying assets of £0.9m (2016: £1.0m).

Borrowings of £0.3m (2016: £0.3m) are secured on freehold land and buildings.

At 31 August 2017, the Group had entered into contractual commitments for the purchase of property, plant and equipment amounting to £0.6m (2016: £1.0m).

Depreciation is classified within cost of sales (£21.8m), administrative expenses (£1.6m) and distribution costs (£0.3m) in the Consolidated income statement.

14. Intangible assets

	Goodwill £m	Intangible assets acquired				Computer software £m	Total £m
		Brands and trademarks £m	Customer relationships £m	Non-compete agreements £m	Other £m		
Cost							
At 1 September 2015	142.8	27.1	138.0	7.1	3.1	13.4	331.5
Additions	-	-	-	-	-	1.1	1.1
Acquisition of businesses	(0.1)	-	-	-	-	-	(0.1)
Disposals	(8.1)	(1.0)	(31.9)	(2.6)	(0.4)	(0.9)	(44.9)
Exchange movements	20.5	4.4	22.8	0.9	0.4	2.2	51.2
At 1 September 2016	**155.1**	**30.5**	**128.9**	**5.4**	**3.1**	**15.8**	**338.8**
Additions	**-**	**-**	**-**	**-**	**-**	**1.0**	**1.0**
Acquisition of businesses (note 35)	**0.5**	**-**	**1.3**	**0.1**	**-**	**-**	**1.9**
Disposals	**-**	**-**	**-**	**-**	**-**	**(0.6)**	**(0.6)**
Disposal of businesses (note 36)	**(10.1)**	**-**	**(9.2)**	**(1.3)**	**-**	**(0.1)**	**(20.7)**
Exchange movements	**4.6**	**0.8**	**4.3**	**0.3**	**0.1**	**0.5**	**10.6**
At 31 August 2017	**150.1**	**31.3**	**125.3**	**4.5**	**3.2**	**16.6**	**331.0**
Accumulated amortisation and impairment							
At 1 September 2015	26.4	14.3	86.7	6.0	3.1	6.5	143.0
Amortisation charge for the year	-	2.4	8.0	0.6	-	1.7	12.7
Impairment charge	16.6	0.9	7.5	-	-	-	25.0
Disposals	(8.1)	(1.0)	(31.9)	(2.6)	(0.4)	(0.9)	(44.9)
Exchange movements	5.3	2.6	14.4	0.8	0.4	1.2	24.7
At 1 September 2016	**40.2**	**19.2**	**84.7**	**4.8**	**3.1**	**8.5**	**160.5**
Amortisation charge for the year	**-**	**1.3**	**6.3**	**0.7**	**-**	**2.8**	**11.1**
Disposals	**-**	**-**	**-**	**-**	**-**	**(0.6)**	**(0.6)**
Disposal of businesses (note 36)	**(10.1)**	**-**	**(9.2)**	**(1.3)**	**-**	**-**	**(20.6)**
Exchange movements	**1.4**	**0.5**	**2.9**	**0.2**	**0.1**	**0.2**	**5.3**
At 31 August 2017	**31.5**	**21.0**	**84.7**	**4.4**	**3.2**	**10.9**	**155.7**
Net book value							
At 31 August 2017	**118.6**	**10.3**	**40.6**	**0.1**	**-**	**5.7**	**175.3**
At 31 August 2016	114.9	11.3	44.2	0.6	-	7.3	178.3
At 31 August 2015	116.4	12.8	51.3	1.1	-	6.9	188.5

Other intangible assets acquired relates to order book, leases and technology based assets.

All intangible assets have finite useful lives except for goodwill.

The remaining useful lives at 31 August 2017 are 7 to 11 years in respect of brands and trademarks, 2 to 13 years in respect of customer relationships and 4 years in respect of non-compete agreements.

Amortisation is classified within administrative expenses in the Consolidated income statement.

Impairment testing for goodwill

Goodwill acquired through business combinations is allocated at acquisition to the Group's cash-generating units ("CGUs") that are expected to benefit from that business combination. The carrying amounts of goodwill allocated to CGUs, together with the respective growth rates and discount rates applied, are as follows:

	Growth rates	Discount rates	2017 £m	2016 £m
Advanced Engineered Products				
Fenner Advanced Sealing Technologies (Fluid Power)	2.0%	14.2%	**29.6**	28.3
Fenner Advanced Sealing Technologies (Process)	2.0%	14.2%	**18.7**	18.6
American Industrial Plastics	2.0%	14.2%	**10.4**	10.3
Transeals	2.9%	13.4%	**3.5**	3.3
CDI Singapore	2.5%	10.7%	**1.1**	1.1
EGC	2.0%	14.2%	**0.8**	0.8
Fenner Drives (US)	2.0%	14.2%	**4.6**	4.1
Dawson Hose (UK)	1.8%	10.3%	**2.2**	2.2
Secant Group	2.0%	14.2%	**8.8**	8.7
Charter Medical	2.0%	14.2%	**6.1**	6.0
			85.8	83.4
Engineered Conveyor Solutions				
ECS (Americas, Europe and Australia)	2.3%	13.1%	**31.3**	30.0
ECS (UK & India)	4.8%	14.7%	**1.5**	1.5
			32.8	31.5
Total goodwill			**118.6**	114.9

The carrying amounts of goodwill are reviewed for impairment annually, or more frequently when events or changes in circumstances indicate that the carrying amounts may be impaired. In addition, the carrying amounts of intangible assets acquired are reviewed for impairment when events or changes in circumstances indicate that the carrying amounts may be impaired. The recoverable amounts of CGUs are based on value in use calculations using cash flow projections discounted to calculate the net present value. The key assumptions used to determine the value in use relate to profits derived from sales volumes, selling prices and costs, growth rates and pre-tax discount rates.

In 2016, Statewide Belting Service ("Statewide") was disclosed as a separate CGU with a carrying amount of goodwill of £4.9m as at 31 August 2016. From 1 September 2016, the cash flows of Statewide were no longer independent as its business was fully integrated into ECS Australia; Statewide has therefore been disclosed within the ECS (Americas, Europe and Australia) CGU.

In 2016, BBCS/LECS was disclosed as a separate CGU with a carrying amount of goodwill of £10.9m as at 31 August 2016. Following the acquisition of the remaining non-controlling interests in BBCS/LECS during the year, the cash flows of BBCS/LECS were no longer independent as its business was fully integrated into ECS Australia; BBCS/LECS has therefore been disclosed within the ECS (Americas, Europe and Australia) CGU.

Cash flow projections

Cash flow projections are based on the most recent annual budgets and financial forecasts for a period of three years which have been approved by Group management. The principal components of these forecasts: sales volumes, selling prices and costs, are based on recent history, current trading conditions and expected future changes in operating conditions.

Growth rates

Cash flows beyond the three year period are extrapolated using estimated long-term growth rates in the respective territories based on data from the IMF. These growth rates range from 1.8% to 4.8%, as detailed in the table above.

Discount rates

Cash flows are discounted to their net present value using an appropriate pre-tax cost of capital for each respective territory based on data from external sources. The use of localised discount rates more accurately reflects the risk and rewards of operating in different geographical territories. These discount rates range from 10.3% to 14.7%, as detailed in the table above.

The above assumptions apply to all of the Group's CGUs.

The methodology for impairment testing is consistent with that adopted in the year ended 31 August 2016.

Whilst management believes that the assumptions used in testing for impairments are realistic, it is possible that variations in key assumptions could affect the recoverable amount of CGUs. A sensitivity analysis has been performed by varying key assumptions individually whilst holding other variables constant.

14. Intangible assets continued

A summary of the CGUs with the lowest headroom, where a reasonably possible change in key assumptions could occur, together with the required variance to cash flows, growth rates and discount rates, beyond which an impairment would be triggered, is provided below.

	Cash flow	Growth rate		Discount rate		Goodwill and intangible assets acquired as at 31 August 2017 £m
	Sensitivity (decrease)	Current assumption	Sensitivity (pcp decrease)	Current assumption	Sensitivity (pcp increase)	
American Industrial Plastics	17%	2.0%	2.1	14.2%	1.7	17.9
Transeals	4%	2.9%	0.4	13.4%	0.4	5.0

Headroom is the excess of the recoverable amount over the carrying value of the CGU and is illustrated in the cash flow sensitivity column above.

To calculate the cash flow sensitivity, the decrease has been applied to each of the first three years of the cash flow projections used and then extrapolated using estimated growth rates in the respective territories.

The Group considers that a reasonably possible change in performance for Transeals is a 5% drop in revenue and for American Industrial Plastics is a 10% drop in revenue. If these situations were to arise without cost mitigation this would indicate an impairment of £2.2m in Transeals and £2.3m in American Industrial Plastics.

15. Other investments

	£m
Cost	
At 1 September 2015, 1 September 2016 and **at 31 August 2017**	**0.5**
Accumulated impairment	
At 1 September 2015, 1 September 2016 and **at 31 August 2017**	**0.5**
Net book value	
At 31 August 2017, at 31 August 2016 and at 31 August 2015	**-**

16. Deferred tax

Deferred tax assets/(liabilities) are attributable to the following:

	Assets		Liabilities		Net	
	2017 £m	2016 £m	**2017 £m**	2016 £m	**2017 £m**	2016 £m
Property, plant and equipment	**2.4**	3.7	**(10.9)**	(11.3)	**(8.5)**	(7.6)
Intangible assets	**11.0**	12.6	**(5.2)**	(5.9)	**5.8**	6.7
Retirement benefit obligations	**5.8**	10.0	**-**	-	**5.8**	10.0
Taxation losses	**1.7**	0.7	**-**	-	**1.7**	0.7
Fixed asset revaluations	**-**	-	**(0.3)**	(0.5)	**(0.3)**	(0.5)
Other short-term temporary differences	**17.5**	14.3	**(0.1)**	(3.0)	**17.4**	11.3
Offset between assets and liabilities	**(13.7)**	(13.2)	**13.7**	13.2	**-**	-
	24.7	28.1	**(2.8)**	(7.5)	**21.9**	20.6

Movements in net deferred tax assets/(liabilities) are as follows:

	Property, plant and equipment £m	Intangible assets £m	Retirement benefit obligations £m	Taxation losses £m	Fixed asset revaluations £m	Other temporary differences £m	Total £m
At 1 September 2015	(7.8)	1.6	6.0	2.8	(0.5)	11.5	13.6
Credited/(charged) to income statement	1.4	4.5	(0.1)	(0.2)	-	0.1	5.7
(Charged)/credited to equity	-	(0.2)	3.7	-	-	(2.1)	1.4
Transfers to current taxation	-	-	-	(2.2)	-	-	(2.2)
Reclassifications	0.3	-	-	-	-	(0.3)	-
Exchange differences	(1.5)	0.8	0.4	0.3	-	2.1	2.1
At 1 September 2016	**(7.6)**	**6.7**	**10.0**	**0.7**	**(0.5)**	**11.3**	**20.6**
(Charged)/credited to income statement	**(0.7)**	**(0.7)**	**-**	**0.9**	**-**	**1.2**	**0.7**
(Charged)/credited to equity	**-**	**-**	**(4.5)**	**-**	**0.1**	**4.5**	**0.1**
Exchange differences	**(0.2)**	**(0.2)**	**0.3**	**0.1**	**0.1**	**0.4**	**0.5**
At 31 August 2017	**(8.5)**	**5.8**	**5.8**	**1.7**	**(0.3)**	**17.4**	**21.9**

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets and liabilities are offset where there is a legally enforceable right of offset of current tax and there is an intention to settle the balances net. Deferred tax assets have not been recognised in respect of certain tax losses amounting to £3.9m (2016: £12.6m) and intangible assets of £5.0m (2016: £3.1m) since it is not envisaged that such profits will be available in the foreseeable future. In addition, deferred tax assets have not been recognised in respect of UK capital losses of £0.4m (2016: £0.4m) since it is not envisaged that suitable capital gains will be available in the foreseeable future.

Deferred tax liabilities have not been recognised on the undistributed earnings of subsidiaries because the group is in a position to control the timing of reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future. The aggregate of temporary timing differences in respect of this is £0.8m (2016: £1.1m).

17. Inventories

	2017 £m	2016 £m
Raw materials	31.2	24.2
Work in progress	17.4	13.4
Finished goods	41.5	37.7
	90.1	75.3

Inventories are presented net of provision for inventory write downs, based on management's estimate of the net realisable value. The amount charged to the income statement in the year in respect of write downs of inventories is £5.7m (2016: £7.1m). The amount credited to the income statement in the year in respect of reversals of write downs of inventories is £3.0m (2016: £1.5m), principally resulting from the subsequent sale of inventory previously written down. These amounts are classified within cost of sales in the Consolidated income statement. The cost of inventories recognised as an expense in the year is £415.5m (2016: £371.6m).

18. Trade and other receivables

	2017 £m	2016 £m
Trade receivables	105.4	92.5
Other receivables	2.9	5.7
Prepayments and accrued income	5.4	6.7
	113.7	104.9

Trade receivables are presented net of provision for impairment of trade receivables of £3.8m (2016: £6.3m), estimated by management based on past default experience and other factors as considered appropriate.

Movements in the provision for impairment of trade receivables are as follows:

	2017 £m	2016 £m
At start of year	6.3	4.2
New provisions charged to income statement during the year	1.0	3.2
Provisions not required credited to income statement during the year	(2.9)	(0.5)
Provisions utilised during the year	(0.8)	(1.0)
Exchange movements	0.2	0.4
At end of year	3.8	6.3

New provisions and provisions not required are classified within administrative expenses in the Consolidated income statement.

The ageing analysis of trade receivables not impaired, based on the due date, is as follows:

	2017 £m	2016 £m
Not overdue	89.1	79.3
Less than one month	13.9	10.6
Between one and two months	2.2	1.7
Between two and three months	0.1	0.3
Between three and six months	0.1	0.6
	105.4	92.5

19. Cash and cash equivalents

	2017 £m	Restated 2016 £m
Cash at bank and in hand	**75.6**	88.1
Short-term deposits	**4.1**	6.8
	79.7	94.9

The 2016 reported figures included an amount of £11.6m in short-term deposits that has been reclassified to cash at bank and in hand; total cash and cash equivalents remain unchanged.

Cash at bank and short-term deposits earn interest at floating rates based on bank deposit rates. Short-term deposits have an original maturity of three months or less. There is no material difference between the carrying amount and fair value of cash and cash equivalents.

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

	2017 £m	2016 £m
Net decrease in cash and cash equivalents	**(17.0)**	(19.6)
Net decrease in borrowings resulting from cash flows	**67.8**	29.1
Movement in net debt resulting from cash flows	**50.8**	9.5
Finance leases	**(0.2)**	(0.8)
Exchange movements	**(2.1)**	(20.7)
Movement in net debt in the year	**48.5**	(12.0)
Net debt at start of year	**(150.0)**	(138.0)
Net debt at end of year	**(101.5)**	(150.0)

Net debt comprises cash and cash equivalents of £79.7m (2016: £94.9m), current borrowings of £11.8m (2016: £76.7m) and non-current borrowings of £169.4m (2016: £168.2m).

21. 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.

Foreign exchange risk

The Group has operations around the world and is therefore exposed to foreign exchange risk arising from net investments in foreign operations. Where cost effective, the exposures arising from the translation of the net assets of the Group's foreign operations are managed through the use of borrowings or cross-currency swaps in the relevant foreign currency.

Some Group operations also enter into commercial transactions in currencies other than their functional currencies. Exposures arising from the translation of foreign currency transactions are continually monitored and material exposures are managed through the use of forward foreign currency contracts or options once cash flows can be identified with sufficient certainty. Exposures arising from the translation of intra-group lending are managed through the use of borrowings in the relevant foreign currency.

The table below shows the impact (due to the retranslation of non-functional currency monetary assets and liabilities in the Group's companies) of a, reasonably possible, 10% movement in exchange rates at the year end date.

	10% increase		10% decrease	
	Effect on profit before taxation £m	Effect on shareholders' equity £m	Effect on profit before taxation £m	Effect on shareholders' equity £m
31 August 2017				
US dollar	**(0.2)**	**9.8**	**0.3**	**(12.0)**
Euro	**(0.1)**	**0.6**	**0.2**	**(0.7)**
Norwegian krone	**-**	**1.7**	**-**	**(2.1)**
Chinese renminbi	**0.1**	**0.9**	**(0.2)**	**(1.0)**
31 August 2016				
US dollar	(0.3)	12.2	0.4	(15.0)
Euro	(0.3)	(1.1)	0.3	1.4
Norwegian krone	-	1.7	-	(2.1)
Chinese renminbi	0.1	0.8	(0.1)	(1.0)

The effect on profit before taxation is due to the retranslation of trade receivables, cash and cash equivalents, borrowings, trade payables and derivative financial assets and liabilities denominated in non-functional currencies. The effect on shareholders' equity is due to the effect on profit as well as the effect of financial assets and liabilities denominated in foreign currencies qualified as either cash flow hedges or net investment hedges.

Further details of the currency profile of borrowings are given in note 23.

Interest rate risk

The Group's exposure to interest rate risk arises on floating rate borrowings and cash and cash equivalents. This is reviewed regularly and is managed through the use of an appropriate mix of fixed rate and floating rate instruments in response to market conditions.

The impact of interest rate risk on the Group's result is due to changes in interest rates on net floating rate cash and cash equivalents and borrowings. At 31 August 2017, if interest rates on the Group's net floating rate cash and cash equivalents and borrowings had been 100 basis points higher, a reasonably possible movement, with all other variables held constant, the effect on profit before taxation in the year would have been a credit of £0.6m (2016: £0.7m). A reduction of 100 basis points would have the equal and opposite effect. There is no further impact on shareholders' equity.

Further details of the interest rate profile of borrowings are given in note 23.

Liquidity risk

The Group manages its liquidity risk to ensure that sufficient resources are available for both short-term working capital and longer-term strategic requirements. This is achieved through an appropriate mix of long and short-term borrowings and, as far as possible, the major part of the Group's total borrowings are managed so that they are drawn down using committed debt facilities which would not mature for at least one year. The Group's principal loan facilities are raised and managed centrally but are supplemented by local overdraft and working capital facilities. Committed debt facilities principally comprise revolving bank credit facilities and private placements.

The Group regularly monitors expected cash flows against availability of financing. Regular updating of business forecasts, including cash flows, is a process embedded into the Group's internal financial reporting routines. Forecasts are initially carried out at an individual operating unit level, but are consolidated and reviewed by Group management. The availability of financing, headroom over existing facilities and forward compliance with financial covenants are monitored against expected cash flows. The process takes into account the shorter-term liquidity needs of individual operating units or territories as well as the availability of funding to fulfil longer-term strategic objectives such as major capital expenditure or business acquisitions.

The maturity profile of non-derivative financial liabilities is as follows:

	Less than one year £m	Between one and five years £m	More than five years £m	Total £m
31 August 2017				
Trade and other payables (excluding statutory liabilities)	**141.6**	**0.7**	**-**	**142.3**
Bank overdrafts	**7.8**	**-**	**-**	**7.8**
Bank loans	**4.8**	**13.2**	**-**	**18.0**
Other loans	**8.3**	**134.9**	**56.0**	**199.2**
Finance leases	**0.5**	**0.6**	**-**	**1.1**
	163.0	**149.4**	**56.0**	**368.4**
31 August 2016				
Trade and other payables (excluding statutory liabilities)	113.8	0.8	-	114.6
Bank overdrafts	4.9	-	-	4.9
Bank loans	16.9	-	-	16.9
Other loans	80.8	32.4	167.3	280.5
Finance leases	0.8	0.8	-	1.6
	217.2	34.0	167.3	418.5

The above analysis includes both principal and interest amounts.

21. Financial risk management continued

The maturity profile of derivative financial assets/(liabilities) is as follows:

	Less than one year £m	Between one and five years £m	More than five years £m	Total £m
31 August 2017				
Forward foreign currency contracts and options:				
- outflow	**(21.3)**	**(0.9)**	**-**	**(22.2)**
- inflow	**20.5**	**0.9**	**-**	**21.4**
	(0.8)	**-**	**-**	**(0.8)**
Currency swaps:				
- outflow	**(79.4)**	**-**	**-**	**(79.4)**
- inflow	**78.7**	**-**	**-**	**78.7**
	(0.7)	**-**	**-**	**(0.7)**
31 August 2016				
Forward foreign currency contracts and options:				
- outflow	(20.5)	(0.2)	-	(20.7)
- inflow	19.4	0.2	-	19.6
	(1.1)	-	-	(1.1)
Currency swaps:				
- outflow	(113.5)	-	-	(113.5)
- inflow	114.1	-	-	114.1
	0.6	-	-	0.6

The above analyses for non-derivative and derivative financial instruments show the contractual undiscounted cash flows based on the earliest date that the Group may be required to settle the instrument.

Credit risk

Credit risk principally arises on short-term deposits, derivative financial instruments and trade and other receivables.

The credit risk arising on short-term deposits and derivative financial instruments is managed through the use of counterparties with high credit ratings assigned by international credit rating agencies.

The Group only trades with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to take on credit terms are subject to credit verification procedures. Receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is managed appropriately in its chosen markets. The credit risk arising on trade receivables is spread across a large number of customers and across many countries. There are no significant concentrations of credit risk.

The Group's maximum exposure to credit risk is equal to the carrying value of these instruments.

An analysis showing the ageing of trade receivables not impaired is given in note 18.

22. Capital management

The Group's capital management aims to maintain appropriate levels of total equity and net debt in support of the Group's businesses to maximise shareholder value. The Group manages its capital structure and makes adjustments to it in light of changes in the Group's trading, capital expenditure, expenditure on acquisitions and external factors such as exchange rates and economic conditions. To maintain or adjust its capital structure, the Group may undertake measures such as adjusting the dividend payment to shareholders, returning capital to shareholders, issuing new shares or varying the size and maturity profile of its borrowing facilities. The Group monitors capital using the following indicators:

Net debt to EBITDA ratio	**2017**	2016
Net debt (£m)	**101.5**	150.0
Operating profit/(loss) (£m)	**53.4**	(14.7)
Depreciation, amortisation and impairment charges (£m)	**34.8**	63.1
Exceptional items (excluding impairment charges) (£m)	**(2.6)**	12.9
EBITDA (£m)	**85.6**	61.3
Net debt to EBITDA (times)	**1.2**	2.4

Net debt to EBITDA comprises net debt divided by operating profit before depreciation, amortisation, impairment charges and exceptional items.

EBITDA interest cover	2017	2016
EBITDA (£m)	85.6	61.3
Net interest payable (excluding notional interest) (£m)	13.8	13.9
EBITDA interest cover (times)	6.2	4.4

EBITDA interest cover comprises operating profit before depreciation, amortisation, impairment charges and exceptional items divided by net interest payable (excluding notional interest).

The Group's principal loan covenants are: net debt to EBITDA ratio (net debt being less than 3.5 times adjusted EBITDA); and EBITDA interest cover (adjusted EBITDA being at least 3 times the net interest payable).

At 31 August 2017, the Group comfortably complied with its loan covenants. Net debt to reported EBITDA was 1.2 times (2016: 2.4 times) while reported EBITDA interest cover was 6.2 times (2016: 4.4 times). When considering compliance with loan covenants, reported EBITDA is adjusted for, inter alia, acquisitions and certain non-cash items, whilst net debt may be adjusted from the exchange rates prevailing at the balance sheet date to average exchange rates. The overall effects of these adjustments are to increase the headroom available against the covenants required.

23. Borrowings

	2017 £m	2016 £m
Current		
Bank overdrafts	7.8	4.9
Bank loans	3.6	2.4
Other loans	-	68.7
Obligations under finance leases	0.4	0.7
	11.8	76.7
Non-current		
Bank loans	12.2	13.5
Other loans	156.6	154.0
Obligations under finance leases	0.6	0.7
	169.4	168.2
Total borrowings	181.2	244.9

Bank loans principally comprise £12.2m (2016: £13.5m) drawn down under committed revolving bank credit facilities expiring in July 2019.

Other loans principally comprise US dollar private placements (Senior Guaranteed Loan Notes) as follows:

Maturity	Interest rate	Principal	2017 £m	2016 £m
1 June 2017	5.78%	US$90.0m	-	68.7
1 September 2021	5.12%	US$80.0m	62.0	61.1
1 September 2021	5.27%	US$55.0m	42.6	42.0
1 September 2023	5.42%	US$65.0m	50.4	49.6
			155.0	221.4

Arrangement fees of £0.5m (2016: £0.9m) are being amortised over the lives of the respective loans.

Bank balances are stated net where a legal right of offset exists and when the balances are settled on a net basis.

Future minimum lease payments under finance leases, together with the present value of lease obligations, are analysed as follows:

	2017 £m	2016 £m
Minimum lease payments:		
- less than one year	0.5	0.8
- after one year but not more than five years	0.6	0.8
	1.1	1.6
Finance charges	(0.1)	(0.2)
Present value of finance lease obligations	1.0	1.4

The present value of finance lease obligations comprises £0.4m (2016: £0.7m) due in less than one year and £0.6m (2016: £0.7m) due after one year but not more than five years.

23. Borrowings continued

The interest rate and currency profile of borrowings is as follows:

	Floating rate £m	Fixed rate £m	Total £m
31 August 2017			
US dollar	**0.3**	**154.8**	**155.1**
Great British pound	**7.2**	**-**	**7.2**
Euro	**0.7**	**-**	**0.7**
Australian dollar	**1.0**	**-**	**1.0**
Chinese renminbi	**11.6**	**1.5**	**13.1**
Other currencies	**4.1**	**-**	**4.1**
	24.9	**156.3**	**181.2**
31 August 2016			
US dollar	0.4	221.0	221.4
Euro	0.2	-	0.2
Australian dollar	1.4	-	1.4
Chinese renminbi	12.4	1.3	13.7
Other currencies	8.2	-	8.2
	22.6	222.3	244.9

Fixed rate borrowings principally relate to the US dollar private placements. The interest rates on floating rate borrowings are principally linked to LIBOR or similar local currency rates.

The carrying amount and fair value of borrowings is as follows:

	2017		2016	
	Carrying amount £m	**Fair value £m**	Carrying amount £m	Fair value £m
Current borrowings	**11.8**	**11.8**	76.7	78.5
Non-current borrowings	**169.4**	**179.0**	168.2	183.4
	181.2	**190.8**	244.9	261.9

The fair value of fixed rate borrowings represents the value of replacing the existing fixed rate liabilities at the balance sheet date with borrowings with similar terms to the remaining life of the loans. The fair value of all other floating rate borrowings approximates to their carrying amounts where rates are reset to market rates at intervals of less than one year.

At 31 August 2017, the Group had available £112.8m (2016: £111.5m) of undrawn committed borrowing facilities which expire in July 2019.

Borrowings of £0.3m (2016: £0.3m) are secured on specific freehold land and buildings.

24. Derivative financial instruments

	Assets		Liabilities		Net	
	2017 £m	2016 £m	**2017 £m**	2016 £m	**2017 £m**	2016 £m
Current						
Derivative financial instruments at fair value through profit and loss:						
- Forward foreign currency contracts and options - held for trading	**0.2**	-	**(0.8)**	(1.1)	**(0.6)**	(1.1)
Derivative financial instruments used for hedging:						
- Currency swaps - cash flow hedges	**0.1**	0.1	**-**	-	**0.1**	0.1
- Currency swaps - net investment hedges	**-**	0.5	**(0.8)**	-	**(0.8)**	0.5
	0.3	0.6	**(1.6)**	(1.1)	**(1.3)**	(0.5)

The fair value of derivative financial instruments is equal to the carrying amount. The fair values of forward foreign currency contracts and options and currency swaps represent discounted cash flows where future cash flows are estimated based on forward exchange rates, from observable forward exchange rates at the balance sheet date, and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

Movements in net derivative financial assets/(liabilities) in the year are as follows:

	Forward foreign currency contracts and options £m	Currency swaps - cash flow hedges £m	Currency swaps - net investment hedges £m	Total £m
At 1 September 2016	(1.1)	0.1	0.5	(0.5)
Credited to income statement	0.5	-	-	0.5
Charged to other comprehensive income	-	-	(1.3)	(1.3)
At 31 August 2017	(0.6)	0.1	(0.8)	(1.3)

The credit on forward foreign currency contracts and options has been recognised within administrative expenses in the Consolidated income statement.

25. Financial instruments

Hedging

Group financial instruments denominated principally in US dollars and euros are designated as hedges of the net investment in overseas subsidiaries. The overall loss on translation to sterling of £5.1m (2016: £30.8m) is recognised in the hedging reserve and charged to other comprehensive income. This comprises a loss of £1.3m (2016: £nil) in respect of derivative financial instruments (note 24) and a loss of £3.8m (2016: £30.8m) in respect of borrowings.

No ineffectiveness in respect of cash flow hedges or net investment hedges has been recognised in the Consolidated income statement.

Fair values for financial instruments

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets and liabilities.
Level 2 - Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly.
Level 3 - Inputs that are not based on observable market data.

Financial instruments comprise cash and cash equivalents, current and non-current borrowings, trade and other receivables, trade and other payables, provisions, derivative financial instruments and assets of defined benefit post-retirement schemes. Throughout the year under review, all financial instruments are measured at fair value using level 2 observable inputs except for quoted assets of defined benefit post-retirement schemes which are measured using level 1 quoted prices and the redemption liability on acquisitions, within provisions, and insurance policies, within the assets of defined benefit post-retirement schemes, which are measured using level 3 unobservable inputs; there have been no movements between hierarchy classifications in the year. The redemption liability on acquisitions was utilised in full during the year and no balance remains as at 31 August 2017 (note 29) and therefore no further details of how this was valued have been presented. The valuation of insurance policies is detailed further in note 27.

Further disclosures in respect of the fair values for each financial instrument are found in the respective notes to the Group financial statements.

26. Trade and other payables

	2017 £m	2016 £m
Current		
Trade payables	**79.8**	63.3
Taxes and social security	**4.2**	3.7
Other payables	**25.6**	21.0
Accruals and deferred income	**36.2**	29.5
	145.8	117.5
Non-current		
Accruals and deferred income	**0.7**	0.8

Trade and other payables are non-interest bearing. There is no material difference between the carrying amount and fair value of trade and other payables.

27. Post-retirement benefits

The Group operates a number of defined benefit post-retirement schemes for qualifying employees in operations around the world. The schemes based in the UK and the Netherlands together account for 96% of both total assets and total liabilities of the schemes. 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 credit method.

In addition, the Group operates a number of defined contribution schemes for employees. Contributions to these schemes are in addition to those outlined below and are charged to the income statement as paid. The total charge for the year was £9.5m (2016: £8.9m).

27. Post-retirement benefits continued

UK scheme

The Fenner Pension Scheme is a UK funded defined benefit scheme which was closed to new entrants in 1997. Scheme members accrue an annual pension, being a proportion of final salary for each year of pensionable service, increasing in line with inflation whilst in payment, subject to certain caps and floors. Active members of the scheme have paid contributions at the rate of 10% of salary and the Company pays the balance of the cost as determined by regular actuarial valuations. The Company offers a salary sacrifice arrangement.

The scheme is administered within a trust which is legally separate from the Company. The Trustee is appointed by both the Company and the scheme's membership and acts in the interest of all relevant stakeholders, including the members and the Company. The Trustee is also responsible for the investment of the scheme's assets.

The scheme is subject to regular actuarial valuations, which are usually carried out every three years. A triennial valuation, as at 31 March 2017, is currently being carried out. The initial results of the ongoing valuation were rolled forward to 31 August 2017 by an independent qualified actuary.

The regulatory framework in the UK requires the Trustee and the Company to agree upon the assumptions underlying the funding target, which must be prudent, and then to agree upon the necessary contributions required to recover any deficit at the valuation date. In accordance with this, the Company and Trustee agree a Recovery Plan using the triennial valuations and assumptions agreed between Company and Trustee. The Recovery Plan sets the deficit contribution rates over a defined period of time with a view to eliminating the pension scheme deficit.
The Company is exposed to the risk that the cost of funding its obligations is higher than anticipated. This could arise due to a number of reasons, including:

- the level of investment returns being lower than anticipated, especially if such reductions in asset values are not matched by falls in liabilities;
- increases in the anticipated life expectancy of members, for example, due to continued improvements in healthcare;
- increases in future inflation being higher than anticipated, which would lead to higher benefit payments; and
- changes in the legislative environment, resulting in an increase in liabilities.

During the year, a second exercise was carried out offering eligible current pensioner members the option to commute small pensions for a cash lump sum. The cash lump sums were determined by the Trustee after taking advice from the actuary and were based on the scheme's current commutation factors. The lump sum payments represent a settlement of benefits for the members taking the option. This has resulted in a reduction to the income statement charge of £0.2m.

The weighted average duration of the Fenner Pension Scheme liabilities is 15.2 years (2016: 15.3 years). This can be subdivided into active members 20.2 years (2016: 20.2 years), deferred members 20.1 years (2016: 20.5 years) and pensions in payment 11.7 years (2016: 11.6 years).

Overseas schemes

The principal overseas scheme is the Fenner Dunlop B.V. scheme, which is based in the Netherlands. This is a career average pay scheme with indexation in line with the industry-wide pension fund. The accrued nominal benefits in this scheme are fully insured with registered insurance companies, which mitigates the downside risk to the Group.

The scheme is subject to annual actuarial valuations carried out this year on 31 August 2017 by an independent qualified actuary.

The weighted average duration of the Fenner Dunlop B.V. scheme liabilities is 20.5 years (2016: 21.0 years). This can be subdivided into active members 24.2 years (2016: 26.1 years), deferred members 23.5 years (2016: 24.6 years) and pensions in payment 9.5 years (2016: 10.3 years).

Actuarial assumptions

The principal assumptions used to determine the assets and liabilities of the schemes are as follows:

	2017		2016	
	UK scheme	Overseas schemes	UK scheme	Overseas schemes
Discount rate	2.4%	2.0% - 3.5%	2.0%	1.2% - 3.3%
Inflation rate - RPI	3.4%	n/a	2.8%	n/a
Inflation rate - CPI	2.4%	2.0%	2.1%	2.0%
Rate of increase in salaries	4.4%	2.5% - 3.8%	3.8%	2.5% - 4.5%
Rate of increase in benefits in payment subject to Limited Price Indexation increases:				
- capped at 5.0% (based on RPI)	3.2%	n/a	2.7%	n/a
- capped at 2.5% (based on RPI)	2.1%	n/a	1.9%	n/a
- capped at 3.0% (based on CPI)	2.0%	n/a	1.8%	n/a

The principal assumptions of the schemes are determined using appropriate expert advice and available market data. The assumptions of the overseas schemes are given as a range of values in respect of the individual schemes. The range of values is a consequence of the different territories in which the Group operates defined benefit schemes.

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables, with adjustments to reflect the schemes' actual mortality experience.

In respect of the Fenner Pension Scheme, the Group has used SAPS S2PA mortality tables based on year of birth (as published by the Institute of Actuaries) for both pensioner and non-pensioner members, adjusted to reflect the results of an investigation into the actual mortality experience of scheme members. In addition, to allow for future improvements in longevity, the CMI 2016 projections (as published by the Institute of Actuaries) have been used with a minimum long-term rate of future annual mortality improvements of 1.25%.

In respect of the Fenner Dunlop B.V. Scheme, the Group has used the AG-2016 prognostic mortality table. A correction table is applied to reflect mortality rates of a working population. For each combination of age and gender, a different mortality correction is applied.

The expected future lifetime of average members currently at age 65 and average members at age 65 in 20 years time (i.e. members currently aged 45 years) is as follows:

	2017		2016	
	UK scheme	Overseas schemes	UK scheme	Overseas schemes
Current pensioner at age 65:				
- men	21.7 years	19.0 - 22.8 years	22.4 years	19.0 - 22.8 years
- women	23.6 years	22.0 - 24.7 years	24.4 years	22.0 - 24.7 years
Future pensioner at age 65 (current age 45):				
- men	23.1 years	19.0 - 24.0 years	24.1 years	19.0 - 24.0 years
- women	25.1 years	22.0 - 25.8 years	26.3 years	22.0 - 25.8 years

Analysis of assets of the schemes

The fair value of assets of the schemes are as follows:

	2017			2016		
	UK scheme £m	Overseas schemes £m	Total £m	UK scheme £m	Overseas schemes £m	Total £m
Quoted						
Equities	21.4	3.4	24.8	47.7	3.0	50.7
Global return funds	32.3	-	32.3	11.5	-	11.5
Dynamic asset allocation fund	16.7	0.8	17.5	15.7	0.7	16.4
Bonds	19.5	2.5	22.0	-	1.9	1.9
Loan funds	28.4	-	28.4	28.0	-	28.0
	118.3	6.7	125.0	102.9	5.6	108.5
Not Quoted						
Liability Driven Investment solution	56.1	-	56.1	64.8	-	64.8
Insurance policies	-	40.3	40.3	-	41.7	41.7
Property	-	0.8	0.8	-	0.7	0.7
Cash and cash equivalents	1.4	0.6	2.0	2.5	1.5	4.0
	57.5	41.7	99.2	67.3	43.9	111.2
Total assets of the schemes	175.8	48.4	224.2	170.2	49.5	219.7

The Group's Liability Driven Investment solution with Legal & General contains leveraged GILT funds, Index linked GILTs and Leveraged Index Linked GILTs. These are fixed income funds.

The fair value of the insurance policies can not be determined based upon an asset allocation. Due to this, paragraph 115 of IAS 19 is applied, which requires that the fair value of the plan assets is calculated based on the accrued pension rights, the actuarial rates (based on the discount rate and mortality table in the IAS 19 valuation) and the amounts payable to the insurance companies.

Amounts recognised in the financial statements

Amounts charged/(credited) to the Consolidated income statement are as follows:

	2017			2016		
	UK scheme £m	Overseas schemes £m	Total £m	UK scheme £m	Overseas schemes £m	Total £m
Current service cost	1.1	1.5	2.6	1.0	0.9	1.9
Administration expenses	0.5	-	0.5	0.4	0.1	0.5
Past service - plan amendment	-	-	-	-	(0.4)	(0.4)
Past service - settlement of schemes	(0.2)	-	(0.2)	(1.2)	-	(1.2)
Net interest cost	0.7	0.1	0.8	0.6	0.2	0.8
	2.1	1.6	3.7	0.8	0.8	1.6

27. Post-retirement benefits continued

Current service cost, administration expenses and past service are classified within operating profit and net interest cost is classified as notional interest within finance costs in the Consolidated income statement.

Past service - plan amendment in 2016 related to a reduction in conditional benefits in a transitory agreement adopted by Fenner Dunlop B.V.

Past service - settlement of schemes relates to the Fenner Pension Scheme carrying out an exercise offering eligible current pensioners and dependant members the option to commute small pensions for a cash lump sum. The cash lump sums were determined by the Trustee after taking advice from the actuary and were based on the Scheme's current commutation factors. The lump sums represent a settlement of benefits for the members taking the option.

Past service (plan amendment and settlement of schemes) are classified within operating profit.

Amounts recognised in the Consolidated statement of changes in equity are as follows:

	2017			2016		
	UK scheme £m	Overseas schemes £m	Total £m	UK scheme £m	Overseas schemes £m	Total £m
Actual return on plan assets	9.8	(5.1)	4.7	29.9	7.1	37.0
Less interest on plan assets	(3.3)	(0.8)	(4.1)	(5.3)	(1.0)	(6.3)
	6.5	(5.9)	0.6	24.6	6.1	30.7
Other actuarial remeasurements due to:						
- changes in financial assumptions	6.1	8.6	14.7	(47.6)	(10.7)	(58.3)
- changes in demographic assumptions	8.4	(0.1)	8.3	2.9	-	2.9
- experience on obligations	(3.4)	0.2	(3.2)	-	0.2	0.2
	11.1	8.7	19.8	(44.7)	(10.5)	(55.2)
Total remeasurements	17.6	2.8	20.4	(20.1)	(4.4)	(24.5)

Remeasurements are recognised in other comprehensive income in the period in which they are incurred.

Movements in the net retirement benefit obligation in the Consolidated balance sheet are as follows:

	2017			2016		
	UK scheme £m	Overseas schemes £m	Total £m	UK scheme £m	Overseas schemes £m	Total £m
Net liabilities at start of year	(35.6)	(13.4)	(49.0)	(18.6)	(7.8)	(26.4)
Charged to income statement	(2.1)	(1.6)	(3.7)	(0.8)	(0.8)	(1.6)
Remeasurements	17.6	2.8	20.4	(20.1)	(4.4)	(24.5)
Employer contributions	4.8	1.0	5.8	3.9	1.3	5.2
Exchange movements	-	(1.0)	(1.0)	-	(1.7)	(1.7)
Net liabilities at end of year	(15.3)	(12.2)	(27.5)	(35.6)	(13.4)	(49.0)

The Group expects its cash contributions to its defined benefit schemes in the year ending 31 August 2018 to be £6.2m (2017: £5.8m).

Movements in the present value of obligations are as follows:

	UK scheme £m	Overseas schemes £m	Total £m
At 1 September 2015	166.0	43.5	209.5
Current service cost	1.0	0.9	1.9
Past service - plan amendment	-	(0.4)	(0.4)
Past service - settlement of schemes	(3.4)	-	(3.4)
Interest cost	5.9	1.2	7.1
Remeasurements	44.7	10.5	55.2
Employee contributions	-	0.4	0.4
Benefits paid	(8.4)	(1.6)	(10.0)
Exchange movements	-	8.4	8.4
At 1 September 2016	**205.8**	**62.9**	**268.7**
Current service cost	**1.1**	**1.5**	**2.6**
Past service - settlement of schemes	**(0.6)**	**-**	**(0.6)**
Interest cost	**4.0**	**0.9**	**4.9**
Remeasurements	**(11.1)**	**(8.7)**	**(19.8)**
Employee contributions	**-**	**0.5**	**0.5**
Benefits paid	**(8.1)**	**(1.5)**	**(9.6)**
Exchange movements	**-**	**5.0**	**5.0**
At 31 August 2017	**191.1**	**60.6**	**251.7**

The present value of obligations includes £1.3m (2016: £1.3m) in respect of schemes that are wholly unfunded.

Movements in the fair value of assets of the schemes are as follows:

	UK scheme £m	Overseas schemes £m	Total £m
At 1 September 2015	147.4	35.7	183.1
Administration expenses	(0.4)	(0.1)	(0.5)
Past service - settlement of schemes	(2.2)	-	(2.2)
Interest income	5.3	1.0	6.3
Remeasurements	24.6	6.1	30.7
Employer contributions	3.9	1.3	5.2
Employee contributions	-	0.4	0.4
Benefits paid	(8.4)	(1.6)	(10.0)
Exchange movements	-	6.7	6.7
At 1 September 2016	**170.2**	**49.5**	**219.7**
Administration expenses	**(0.5)**	**-**	**(0.5)**
Past service - settlement of schemes	**(0.4)**	**-**	**(0.4)**
Interest income	**3.3**	**0.8**	**4.1**
Remeasurements	**6.5**	**(5.9)**	**0.6**
Employer contributions	**4.8**	**1.0**	**5.8**
Employee contributions	**-**	**0.5**	**0.5**
Benefits paid	**(8.1)**	**(1.5)**	**(9.6)**
Exchange movements	**-**	**4.0**	**4.0**
At 31 August 2017	**175.8**	**48.4**	**224.2**

Active members of the UK scheme make contributions to the scheme but, due to a salary sacrifice arrangement, these are treated as contributions directly from the respective employer.

27. Post-retirement benefits continued

Sensitivity analysis

Changes to the principal assumptions can have an effect on the reported retirement benefit obligation for 2017. The effects of these changes are as follows:

		(Decrease)/increase in retirement benefit obligations	
	Change in assumption	Increase in assumption £m	Decrease in assumption £m
Discount rate	1.0%	(28.9)	36.9
Inflation	1.0%	10.9	(9.9)
Life expectancy	1 year	10.6	(10.7)

The sensitivity analyses, with the exception of inflation, are based on a change in assumption while holding all other assumptions constant. In practice movements in assumptions may be correlated. For the inflation sensitivity, the assumptions for salary increases, increases to pensions in payment and the revaluation of deferred pension before retirement are appropriately adjusted in line with the inflation movement.

28. Share-based payments

Performance Share Plan

Conditional awards of shares are made to certain employees within the Group. The conditional award is made to each employee at the start of a three year performance period and is based on a percentage of the basic annual salary of each employee. The awards are subject to the satisfaction of performance criteria.

The proportion of the conditional share awards is based on a combination of the Total Shareholder Return ("TSR") measure and an earnings per share ("EPS") measure. For the 18 November 2014 scheme, the TSR measure accounts for 66.7% of the conditional award and the EPS measure for 33.3%. For the 18 November 2015 and 23 November 2016 schemes, the TSR measure accounts for 50% of the conditional award and the EPS measure for 50%. The TSR element of the award is based on relative TSR compared to the FTSE 250 (excluding investment trusts) and the EPS performance target is set against underlying EPS growth in the Company, both measured over the three year performance period.

Details of movements in conditional awards under the Performance Share Plan are as follows:

	Shares number
At 1 September 2015	1,504,310
Conditional awards during the year	1,441,947
Dividend roll up awards applied	197,336
Forfeited during the year	(799,599)
Lapsed during the year	(439,451)
At 1 September 2016	**1,904,543**
Conditional awards during the year	**832,604**
Dividend roll up awards applied	**24,331**
Lapsed during the year	**(373,135)**
At 31 August 2017	**2,388,343**

Dividend roll ups have been applied since 2008 in line with the Performance Share Plan Rules. They accrue over the Plan Cycle and are added to the original conditional award before the final award and allotment of shares is made.

The following conditional awards, including dividend roll up awards, were outstanding at 31 August 2017:

Date of conditional awards	Shares number	Remaining contractual life
18 November 2014	561,382	0.2 years
18 November 2015	985,787	1.2 years
23 November 2016	841,174	2.2 years
	2,388,343	

The fair value of awards made under the Performance Share Plan is measured using the Monte Carlo simulation approach. The following assumptions were used for each set of conditional awards:

	18 November 2014	18 November 2015	23 November 2016
Share price at date of conditional awards	267p	144p	253p
Fair value of shares awarded - TSR	90p	51p	208p
Fair value of shares awarded - EPS	267p	144p	253p
Expected volatility	33%	33%	36%
Expected life	3 years	3 years	3 years
Risk free rate	0.9%	0.8%	0.3%

Expected volatility is determined by calculating the historical volatility of the Company's share price for a three year period from the conditional award date.

An amount of £1.2m (2016: £0.7m) has been recognised as a charge within administrative expenses in the Consolidated income statement and a credit to retained earnings within equity. Of this amount, £1.2m (2016: £0.5m) has been classified within operating profit before amortisation of intangible assets acquired and exceptional items and £nil (2016: £0.2m) has been classified within exceptional items.

Further details of the Performance Share Plan can be found in the Board Remuneration Report on pages 69 to 84.

29. Provisions

Movements in provisions are as follows:

	Employment costs[1] £m	Restructuring costs[2] £m	Property and environmental[3] £m	Deferred consideration on acquisitions[4] £m	Redemption liability on acquisitions[5] £m	Total £m
At 1 September 2016	-	4.0	0.7	-	13.2	17.9
Provisions created during the year	1.5	-	-	-	-	1.5
Provisions utilised during the year	-	(2.2)	(0.1)	-	(14.4)	(16.7)
Acquisition of businesses	-	-	-	1.2	-	1.2
Notional interest on the unwinding of discount	-	-	-	-	0.2	0.2
Notional finance charge on redemption liability	-	-	-	-	0.5	0.5
Exchange movements	-	0.1	-	-	0.5	0.6
At 31 August 2017	**1.5**	**1.9**	**0.6**	**1.2**	**-**	**5.2**

Analysed as:

	2017 £m	2016 £m
Current	**4.7**	17.9
Non-current	**0.5**	-
	5.2	17.9

1 Contractual death in service costs in respect of the former Chief Executive Officer, Nicholas Hobson.
2 Costs associated with the restructuring and closure of operations.
3 Obligations in respect of property costs or environmental matters.
4 Deferred payments in respect of acquired businesses.
5 Obligations in respect of put and call options in relation to the purchase of non-controlling interests in acquisitions. The put and call options were exercised in November 2016 on completion of the acquisition of the remaining non-controlling interests in Belle Banne Conveyor Services Pty Limited and Leading Edge Conveyor Services Pty Limited.

Non-current provisions are expected to be utilised within two years.

Provisions represent the best estimate of obligations at the balance sheet date. Where the effect of discounting is material, provisions have been discounted at a suitable pre-tax rate based on borrowings that match the maturity of the amounts being discounted, to reflect the risks associated with future cash flows.

30. Share capital

Movements in share capital allotted, called up and fully paid are as follows:

	Number	£m
At 1 September 2015, at 1 September 2016 and **at 31 August 2017**	**194,002,741**	**48.5**

The Company has one class of ordinary shares of 25p which carry no right to fixed income.

31. Reserves

Included within retained earnings is a reserve for the Company's own shares held by the Employee Share Ownership Plan Trust ("ESOP") of £0.1m (2016: £0.1m). The shares held by the ESOP may subsequently be awarded to employees under the Group's share incentives schemes. At 31 August 2017, the ESOP held 114,177 (2016: 114,177) of the Company's shares. The market value of these shares was £0.4m (2016: £0.2m).

The exchange reserve comprises foreign exchange differences arising from the translation of the financial statements of foreign operations.

The hedging reserve comprises gains and losses on changes in the valuation of assets and liabilities designated as hedges.

The merger reserve related to merger relief given on the excess of the value of shares issued over the nominal value in accordance with Section 612 of the Companies Act 2006.

In the previous financial year, on 6 July 2016, Fenner PLC completed a capital reduction, approved by the High Court, which created £128.0m of additional distributable reserves out of the Company's share premium account (£51.7m) and merger reserve (£76.3m). This was achieved through the capitalisation of a sum of up to £76.3m standing to the credit of the merger reserve by way of a bonus issue of newly created B ordinary shares; the share capital of the Company was subsequently reduced by cancelling the B ordinary shares and by cancelling the balance standing to the credit of the share premium account. In the Consolidated financial statements, goodwill of £10.4m was previously written off against the merger reserve, in respect of the year ended 31 August 1997, and therefore the overall increase to retained earnings was £117.6m.

32. Contingent liabilities

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

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

33. Operating lease commitments

Outstanding commitments for future minimum lease payments under non-cancellable operating leases fall due as follows:

	2017 £m	2016 £m
Within one year	**8.4**	9.4
In the second to fifth years inclusive	**18.3**	20.8
After more than five years	**16.5**	19.4
	43.2	49.6

Operating lease commitments principally comprise land and buildings in various operations across the Group, totalling £36.7m (2016: £43.0m). The remaining amounts are in respect of plant, machinery and equipment.

Operating lease charges recognised in the Consolidated income statement are shown in note 5.

34. Related party transactions

Key management personnel

Key management comprises the Group's executive and non-executive directors and members of the Executive Committee. Remuneration of key management is as follows:

	2017 £m	2016 £m
Short-term employee benefits	**4.9**	3.4
Post-employment benefits	**0.3**	0.4
	5.2	3.8

Defined benefit post-retirement schemes

During the year, the Group incurred administration expenses of £0.5m (2016: £0.5m) on behalf of defined benefit post-retirement schemes, principally the Fenner Pension Scheme in the UK.

There were no other related party transactions.

35. Acquisitions

On 1 November 2016, the Group acquired the remaining non-controlling interests in Belle Banne Conveyor Services Pty Limited and Leading Edge Conveyor Services Pty Limited ("BBCS / LECS"), both located in Australia, following the vendors exercising their put options granted in November 2010 (the date the Group acquired its controlling interest) for a cash consideration of £14.4m.

On 25 August 2017, the Group completed the acquisition of certain assets and liabilities of Revolution Drives, Inc. ("Revolution Drives"), a small specialist precision polymers business focussed on power transmission and motion control solutions, located in Pennsylvania, USA. Revolution Drives has been integrated into the Precision Polymers business in the AEP division. The total consideration was £2.0m, of which £1.2m is deferred (non-contingent); this comprises £0.8m due within one year and £0.4m due in more than one but less than two years. Acquisition expenses of less than £0.1m were included within administrative expenses in the Consolidated income statement.

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

	BBCS / LECS	Revolution Drives	Total
	Contingent and deferred consideration £m	Provisional fair value £m	Provisional fair value £m
Goodwill	-	0.5	0.5
Intangible assets acquired:			
- customer relationships	-	1.3	1.3
- non-compete agreements	-	0.1	0.1
Trade and other receivables	-	0.1	0.1
	-	2.0	2.0
Consideration:			
Cash consideration per cash flow statement	14.4	0.8	15.2
Contingent and deferred consideration	(14.4)	1.2	(13.2)
	-	2.0	2.0

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

Goodwill arising on acquisition principally represents the workforce and anticipated synergies gained through the acquisition; this is deductible for tax purposes.

From the date of acquisition, Revolution Drives contributed less than £0.1m to Group revenue, Group operating profit before amortisation of intangible assets acquired and exceptional items and Group operating profit as the acquisition date was shortly before the year end date.
If the acquisition had occurred on 1 September 2016, it is estimated that Group revenue would have been £656.1m, Group operating profit before amortisation of intangible assets acquired and exceptional items would have been £59.2m and Group operating profit would have been £53.5m. These amounts have been calculated by adjusting the results of the acquired business to reflect the effect of the Group's accounting policies as if they had been in effect from 1 September 2016.

36. Disposals

On 1 September 2016, the Group disposed of Xeridiem Medical Devices, Inc., a manufacturer of minimally invasive catheter and other single-use medical devices, located in Arizona, USA.

On 13 February 2017, the Group disposed of CDI Energy Products AS, a distributor of seals, principally to the North Sea oil & gas industry, located in Norway.

The results of neither Xeridiem Medical Devices nor CDI Energy Products have been disclosed as discontinued operations since neither represented a separate major line of business or geographical area of operation, did not form part of a single coordinated plan to dispose of such operations and were not acquired exclusively with a view to resale. In 2016, the assets and liabilities of Xeridiem Medical Devices were classified within assets/liabilities held for sale (note 37).

Details of the assets and liabilities disposed of are as given below.

	Xeridiem Medical Devices £m	CDI Energy Products £m	Total £m
Property, plant and equipment	0.2	-	0.2
Intangible assets	-	0.1	0.1
Inventories	0.8	0.4	1.2
Trade and other receivables	1.2	0.4	1.6
Cash and cash equivalents	-	0.6	0.6
Trade and other payables	(1.0)	(0.4)	(1.4)
Total net assets disposed of	**1.2**	**1.1**	**2.3**
Cash proceeds net of expenses	6.3	0.1	6.4
Profit/(loss) on disposal of businesses	**5.1**	**(1.0)**	**4.1**

The effect on the cash flow statement is as follows:

	Xeridiem Medical Devices £m	CDI Energy Products £m	Total £m
Cash proceeds net of expenses	6.3	0.1	6.4
Cash and cash equivalents disposed of	-	(0.6)	(0.6)
Net cash flow	**6.3**	**(0.5)**	**5.8**

37. Assets/liabilities held for sale

During the year, the Group announced that its ECS business in South Africa signed a long-term agreement with Bearing Man Group (Pty) Ltd ("BMG") for BMG to distribute Fenner conveyor belting products in specified territories in sub-Saharan Africa. As part of this arrangement, BMG is acquiring the ECS service operations and related assets in South Africa. Fenner will supply BMG with conveyor belting for South Africa and other specified territories. The transaction is conditional on clearance from the South African competition authorities. It is expected to complete after the approval of the Group financial statements, but within 12 months of the balance sheet date; consequently, the relevant assets have been separately disclosed as assets held for sale.

On 1 September 2016, the Group disposed of Xeridiem Medical Devices, Inc.

The following assets and liabilities of BMG (2017) and Xeridiem Medical Devices (2016) are classified as held for sale in the Consolidated balance sheet:

	2017 £m	2016 £m
Assets held for sale		
Property, plant and equipment	**0.5**	0.2
Inventories	**0.4**	0.8
Trade and other receivables	**-**	1.2
	0.9	2.2
Liabilities held for sale		
Trade and other payables	**-**	1.0

Company balance sheet

at 31 August 2017

	Notes	2017 £m	2016 £m
Non-current assets			
Property, plant and equipment	4	**2.6**	2.9
Investments	5	**78.1**	77.4
Deferred tax assets	6	**2.6**	6.4
		83.3	86.7
Current assets			
Trade and other receivables	7	**149.5**	149.9
Cash and cash equivalents	8	**5.0**	3.4
		154.5	153.3
Total assets		**237.8**	240.0
Current liabilities			
Trade and other payables	9	**(12.1)**	(12.3)
Current tax liabilities		**(1.0)**	-
		(13.1)	(12.3)
Non-current liabilities			
Retirement benefit obligations	10	**(15.3)**	(35.6)
Deferred tax liabilities	6	**(0.5)**	(0.5)
		(15.8)	(36.1)
Total liabilities		**(28.9)**	(48.4)
Net assets		**208.9**	191.6
Equity			
Share capital	11	**48.5**	48.5
Retained earnings		**159.6**	142.3
Revaluation reserve		**0.8**	0.8
Total equity		**208.9**	191.6

In accordance with the exemptions allowed by Section 408 of the Companies Act 2006, the Company has not presented its own income statement or statement of comprehensive income. The profit for the year was £8.1m (2016: £6.0m).

The financial statements on pages 123 to 130 were approved by the Board of Directors and authorised for issue on 15 November 2017 and signed on its behalf by:

V Murray OBE
Chairman

W J Pratt
Group Finance Director

Registered Number: 329377

Company statement of changes in equity

for the year ended 31 August 2017

	Share capital £m	Share premium £m	Retained earnings £m	Revaluation reserve £m	Merger reserve £m	Total equity £m
At 1 September 2015	48.5	51.7	48.5	0.9	76.3	225.9
Profit for the year	-	-	6.0	-	-	6.0
Other comprehensive income/(expense)	-	-	(17.3)	(0.1)	-	(17.4)
Total comprehensive income/(expense) for the year	-	-	(11.3)	(0.1)	-	(11.4)
Transactions with owners						
Dividends paid in the year	-	-	(23.3)	-	-	(23.3)
Share-based payments	-	-	0.4	-	-	0.4
Capital reduction	-	(51.7)	128.0	-	(76.3)	-
Total transactions with owners	-	(51.7)	105.1	-	(76.3)	(22.9)
At 1 September 2016	**48.5**	**-**	**142.3**	**0.8**	**-**	**191.6**
Profit for the year	**-**	**-**	**8.1**	**-**	**-**	**8.1**
Other comprehensive income/(expense)	**-**	**-**	**13.8**	**-**	**-**	**13.8**
Total comprehensive income/(expense) for the year	**-**	**-**	**21.9**	**-**	**-**	**21.9**
Transactions with owners						
Dividends paid in the year	**-**	**-**	**(5.8)**	**-**	**-**	**(5.8)**
Share-based payments	**-**	**-**	**1.2**	**-**	**-**	**1.2**
Total transactions with owners	**-**	**-**	**(4.6)**	**-**	**-**	**(4.6)**
At 31 August 2017	**48.5**	**-**	**159.6**	**0.8**	**-**	**208.9**

Notes to the Company financial statements

1. Significant accounting policies

Basis of preparation

Fenner PLC is a limited company incorporated in the United Kingdom and is listed on the London Stock Exchange.

The Company financial statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' ("FRS 101") and the Companies Act 2006 and under the historical cost convention.

The Company financial statements are prepared on the going concern basis as set out in note 1 to the Group financial statements on page 94.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IFRS 7 'Financial Instruments: Disclosures';
- the requirements of paragraphs 91-99 of IFRS 13 'Fair Value Measurement';
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:

  - paragraph 79(a)(iv) of IAS 1; and
  - paragraph 73(e) of IAS 16 'Property, Plant and Equipment';
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 'Presentation of Financial Statements';
- the requirements of IAS 7 'Statement of Cash Flows';
- the requirements of paragraphs 30 and 31 of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors';
- the requirements of paragraph 17 of IAS 24 'Related Party Disclosures';
- the requirements in IAS 24 'Related Party Disclosures' to disclose related party transactions entered into between two or more members of a group; and
- the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 'Impairment of Assets'.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the financial statements are in respect of retirement benefit obligations. Further details can be found in note 10 to the Company financial statements and note 2 to the Group financial statements.

There were no new standards, amendments or interpretations adopted by the Company and effective for the first time for the year ended 31 August 2017 that have had a material impact on the Company.

A number of standards, amendments or interpretations have been published but are not mandatory for the year ended 31 August 2017 and consequently have not yet been applied in preparing the financial statements. None of these are expected to have a material impact on the Company.

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Foreign currencies

The Company financial statements are presented in pounds sterling, which is the presentational and functional currency of the Company.

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities are retranslated at the rates prevailing on the balance sheet date.

Non-monetary items measured at historical cost are not retranslated. Exchange differences arising on the settlement and retranslation of monetary items are recognised in the income statement in the period.

Share-based payments

The Company operates equity-settled share schemes for certain employees across the Fenner PLC Group. The cost of equity-settled share-based payments is measured at fair value at the date of grant, excluding the effect of non market-based vesting conditions. The cost is recognised in the income statement on a straight-line basis over the vesting period with the corresponding amount credited to equity, based on an estimate of the number of shares that will eventually vest. The estimate of the level of vesting is reviewed annually and the charge is adjusted accordingly in respect of non market-based vesting conditions. The fair values are measured using the Monte Carlo simulation approach.

Post-retirement benefits

The Fenner PLC Group operates a defined benefit pension scheme for certain current and former employees in the UK. The Company is the Principal Employer of the scheme.

The scheme liability recognised in the balance sheet is the present value of the defined benefit obligation at the balance sheet date less the fair value of scheme assets. The defined benefit obligation is calculated annually by an independent qualified actuary using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability. Current service costs, past service costs and administration expenses are recognised within operating costs in the income statement. Net interest costs, which are calculated by applying the discount rate to the net pension liability, are recognised as notional interest within finance costs in the income statement. Remeasurements, which represent the difference between the actual return on assets and the amount implied by the net interest cost, together with experience adjustments and changes in actuarial assumptions, are charged or credited to equity in other comprehensive income.

Taxation

Current tax is the tax expected to be payable on taxable profit for the period using tax rates that have been enacted or substantively enacted by the balance sheet date, together with any adjustments in respect of previous years. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are not taxable or deductible or are taxable or deductible in other years.

Deferred tax is recognised using the liability method for temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, unless specifically exempt. Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax is calculated using tax rates that are expected to apply in the period when the liability is settled or the asset realised. The resulting charge or credit is recognised in the income statement except when it relates to items recognised directly in equity, in which case the charge or credit is also recognised directly in equity.

Dividends

Dividends proposed by the Board are recognised in the financial statements when they have been approved by shareholders at the AGM. Interim dividends are recognised when they are paid.

1. Significant accounting policies continued

Property, plant and equipment

Property, plant and equipment is stated at historical cost or deemed cost less accumulated depreciation and any accumulated impairment losses. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use, including borrowing costs for qualifying assets. Freehold land is not depreciated. Depreciation on other assets is recognised in the income statement to write down the value of the asset to its residual value on a straight-line basis over the estimated useful life of the asset from the date it is brought into use. Estimated useful lives most widely applied are as follows:

Freehold buildings	40 years
Leasehold buildings	15 years
Plant, machinery and equipment	5 years

Assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds, net of any selling costs, and the carrying amount of the asset and is recognised in the income statement.

Investments

Investments are stated at cost or valuation less accumulated impairment losses.

Financial instruments

Financial assets are recognised in the balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Amounts owed by Group undertakings are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Cash and cash equivalents comprises cash in hand, deposits available on demand and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Amounts owed to Group undertakings are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

Share capital

Ordinary shares are classified as equity. Equity instruments issued are recorded at the proceeds received net of directly attributable issue costs.

2. Auditors' remuneration

There was no auditors' remuneration charged in the year (2016: £nil). Amounts borne by other Group undertakings are £0.1m (2016: £0.1m).

3. Dividends

	2017 £m	2016 £m
Dividends paid or approved in the year		
Interim dividend for the year ended 31 August 2016 of 1.0p (2015: 4.0p) per share	**1.9**	7.8
Final dividend for the year ended 31 August 2016 of 2.0p (2015: 8.0p) per share	**3.9**	15.5
	5.8	23.3
Dividends neither paid nor approved in the year		
Interim dividend for the year ended 31 August 2017 of 1.4p (2016: 1.0p) per share	**2.7**	1.9
Final dividend for the year ended 31 August 2017 of 2.8p (2016: 2.0p) per share	**5.4**	3.9
	8.1	5.8

The interim dividend for the year ended 31 August 2017 was paid on 7 September 2017. The proposed final dividend for the year ended 31 August 2017 is subject to approval by shareholders at the AGM. Consequently, neither has been recognised as liabilities at 31 August 2017. If approved, the final dividend will be paid on 8 March 2018 to shareholders on the register on 26 January 2018.

Dividend policy

The Board's dividend policy is reflective of the Group's earnings, prospects and financial strength. Dividends are set in order to maintain appropriate levels of dividend cover based on both underlying earnings and free cash flow. Other factors that influence the level of dividend in any year include the following:
- the level of available distributable reserves in the parent company
- the Group's future prospects
- availability of cash resources
- future cash commitments and investment plans
- the principle risks and uncertainties facing the Group, as detailed on pages 31 to 36.

Distributable reserves

The Company has sufficient levels of distributable reserves to maintain the Group's dividend policy. The majority of the Company's retained earnings are distributable; this includes £128.0m of distributable reserves created from a capital reduction in July 2016, as detailed in note 12. As an investment holding company, the Company derives its ongoing distributable reserves principally from dividends paid by subsidiary undertakings; there are also significant levels of distributable reserves with its subsidiary undertakings.

4. Property, plant and equipment

	Freehold land and buildings £m	Leasehold land and buildings £m	Plant, machinery and equipment £m	Total £m
Cost				
At 1 September 2016	**4.3**	**0.2**	**0.1**	**4.6**
Disposals	**(0.3)**	**-**	**-**	**(0.3)**
At 31 August 2017	**4.0**	**0.2**	**0.1**	**4.3**
Accumulated depreciation				
At 1 September 2016	**1.7**	**-**	**-**	**1.7**
Charge for the year	**0.1**	**-**	**-**	**0.1**
Disposals	**(0.1)**	**-**	**-**	**(0.1)**
At 31 August 2017	**1.7**	**-**	**-**	**1.7**
Net book value				
At 31 August 2017	**2.3**	**0.2**	**0.1**	**2.6**
At 31 August 2016	2.6	0.2	0.1	2.9

Freehold land and buildings includes land at a cost of £0.7m (2016: £0.8m) which is not subject to depreciation.

5. Investments

	Subsidiary undertakings £m
Cost	
At 1 September 2016	**167.8**
Capital contribution relating to share-based payments	**0.7**
At 31 August 2017	**168.5**
Accumulated impairment	
At 1 September 2016 and **at 31 August 2017**	**90.4**
Net book value	
At 31 August 2017	**78.1**
At 31 August 2016	77.4

Where an investment in a subsidiary undertaking is not supported by its net assets, value in use calculations have been performed which support the carrying value of the investment. Forecast cash flows are extrapolated using long-term growth rates and discounted using a pre-tax weighted average cost of capital of 10.3%.

Details of subsidiary undertakings can be found in Companies of the Group on pages 131 to 132.

6. Deferred tax

Deferred tax assets/(liabilities) are attributable to the following:

	Assets		Liabilities		Net	
	2017 £m	2016 £m	**2017 £m**	2016 £m	**2017 £m**	2016 £m
Retirement benefit obligations	**2.6**	6.4	**-**	-	**2.6**	6.4
Accelerated tax depreciation	**-**	-	**(0.2)**	(0.2)	**(0.2)**	(0.2)
Fixed asset revaluations	**-**	-	**(0.2)**	(0.2)	**(0.2)**	(0.2)
Other short-term temporary differences	**-**	-	**(0.1)**	(0.1)	**(0.1)**	(0.1)
	2.6	6.4	**(0.5)**	(0.5)	**2.1**	5.9

Movements in net deferred tax assets/(liabilities) are as follows:

	Retirement benefit obligations £m	Accelerated tax depreciation £m	Fixed asset revaluations £m	Other temporary differences £m	Total £m
At 1 September 2016	**6.4**	**(0.2)**	**(0.2)**	**(0.1)**	**5.9**
Charged to equity	**(3.8)**	**-**	**-**	**-**	**(3.8)**
At 31 August 2017	**2.6**	**(0.2)**	**(0.2)**	**(0.1)**	**2.1**

7. Trade and other receivables

	2017 £m	2016 £m
Amounts owed by Group undertakings	**149.5**	149.9

Amounts owed by Group undertakings are unsecured and repayable on demand and relate to an interest bearing loan to a subsidiary undertaking at a floating rate based on the Group's bank borrowing rate.

8. Cash and cash equivalents

	2017 £m	2016 £m
Cash at bank and in hand	**5.0**	3.4

9. Trade and other payables

	2017 £m	2016 £m
Amounts owed to Group undertakings	**12.0**	12.0
Accruals and deferred income	**0.1**	0.3
	12.1	12.3

Amounts owed to Group undertakings are interest free and repayable on demand.

10. Retirement benefit obligations

The Fenner PLC Group operates a defined benefit pension scheme for certain current and former employees in the UK. The Company is the Principal Employer of the scheme.

Movements in the net retirement benefit obligation in the Company balance sheet are as follows:

	£m
Net liabilities at 1 September 2016	(35.6)
Charged to income statement	(2.1)
Remeasurements	17.6
Employer contributions	4.8
Net liabilities at 31 August 2017	**(15.3)**

Further disclosures can be found in note 27 to the Group financial statements within the sections marked "UK scheme".

11. Share capital

Movements in share capital allotted, called up and fully paid are as follows:

	Number	£m
At 1 September 2016 and **at 31 August 2017**	**194,002,741**	**48.5**

The Company has one class of ordinary shares of 25p which carry no right to fixed income.

12. Reserves

Included within retained earnings is a reserve for the Company's own shares held by the Employee Share Ownership Plan Trust ("ESOP") of £0.1m (2016: £0.1m). The shares held by the ESOP may subsequently be awarded to employees under the Group's share incentives schemes. At 31 August 2017, the ESOP held 114,177 (2016: 114,177) of the Company's shares. The market value of these shares was £0.4m (2016: £0.2m).

The merger reserve related to merger relief given on the excess of the value of shares issued over the nominal value in accordance with Section 612 of the Companies Act 2006.

In the previous financial year, on 6 July 2016, Fenner PLC completed a capital reduction, approved by the High Court, which created £128.0m of additional distributable reserves out of the Company's share premium account (£51.7m) and merger reserve (£76.3m). This was achieved through the capitalisation of a sum of up to £76.3m standing to the credit of the merger reserve by way of a bonus issue of newly created B ordinary shares; the share capital of the Company was subsequently reduced by cancelling the B ordinary shares and by cancelling the balance standing to the credit of the share premium account.

Distributable reserves relate to amounts in the retained earnings reserve to the extent that profits are realised. This is detailed further in note 3.

13. Contingent liabilities

The Company has guaranteed the borrowings of certain subsidiary undertakings. At 31 August 2017, these borrowings amounted to £177.8m (2016: £241.7m).

14. Share-based payments

Performance Share Plan

Conditional awards of shares are made to certain employees within the Company. The conditional award is made to each employee at the start of a three year performance period and is based on a percentage of the basic annual salary of each employee. The awards are subject to the satisfaction of performance criteria.

The proportion of the conditional share awards is based on a combination of the Total Shareholder Return ("TSR") measure and an earnings per share ("EPS") measure. For the 18 November 2014 scheme, the TSR measure accounts for 66.7% of the conditional award and the EPS measure for 33.3%. For the 18 November 2015 and 23 November 2016 schemes, the TSR measure accounts for 50% of the conditional award and the EPS measure for 50%. The TSR element of the award is based on relative TSR compared to the FTSE 250 (excluding investment trusts) and the EPS performance target is set against underlying EPS growth in the Company, both measured over the three year performance period.

Details of movements in conditional awards under the Performance Share Plan, in respect of employees of the Company, are as follows:

	Shares number
At 1 September 2016	**869,118**
Conditional awards during the year	**405,282**
Dividend roll up awards applied	**11,374**
Lapsed during the year	**(169,278)**
At 31 August 2017	**1,116,496**

Dividend roll ups have been applied since 2008 in line with the Performance Share Plan Rules. They accrue over the Plan Cycle and are added to the original conditional award before the final award and allotment of shares is made.

The following conditional awards, including dividend roll up awards, were outstanding at 31 August 2017:

Date of conditional awards	Shares number	Remaining contractual life
18 November 2014	277,992	0.2 years
18 November 2015	429,049	1.2 years
23 November 2016	409,455	2.2 years
	1,116,496	

The fair value of awards made under the Performance Share Plan is measured using the Monte Carlo simulation approach. The following assumptions were used for each set of conditional awards:

	18 November 2014	18 November 2015	23 November 2016
Share price at date of conditional awards	267p	144p	253p
Fair value of shares awarded - TSR	90p	51p	208p
Fair value of shares awarded - EPS	267p	144p	253p
Expected volatility	33%	33%	36%
Expected life	3 years	3 years	3 years
Risk free rate	0.9%	0.8%	0.3%

Expected volatility is determined by calculating the historical volatility of the Company's share price for a three year period from the conditional award date.

Further details of the Performance Share Plan can be found in the Board Remuneration Report on pages 69 to 84.

Companies of the Group

The undertakings whose results or financial position are consolidated within the Group financial statements at 31 August 2017 are as follows:

Company	Country of incorporation	% held	Registered address
Manufacturing, Distribution & Servicing			
CDI Energy Products UK Limited	England	100	Hesslewood Country Office Park, Ferriby Road, Hessle, East Yorkshire, HU13 0PW, UK
Hallite Seals International Limited	England	*100	Hesslewood Country Office Park, Ferriby Road, Hessle, East Yorkshire, HU13 0PW, UK
J.H. Fenner & Co. Limited	England	*100	Hesslewood Country Office Park, Ferriby Road, Hessle, East Yorkshire, HU13 0PW, UK
James Dawson & Son Limited	England	*100	Hesslewood Country Office Park, Ferriby Road, Hessle, East Yorkshire, HU13 0PW, UK
Australian Conveyor Engineering Pty Limited	Australia	100	268 Geelong Road, West Footscray, VIC 3012, Australia
Belle Banne Conveyor Services Pty Limited	Australia	100	268 Geelong Road, West Footscray, VIC 3012, Australia
Fenner Dunlop Australia Pty Limited	Australia	100	268 Geelong Road, West Footscray, VIC 3012, Australia
Hallite Seals Australia Pty Limited	Australia	100	Unit 2, 1A Bessemer Street, Blacktown, NSW 2148, Australia
Leading Edge Conveyor Services Pty Limited	Australia	100	268 Geelong Road, West Footscray, VIC 3012, Australia
Fenner Dunlop (Bracebridge), Inc.	Canada	100	700 Ecclestone Drive, Bracebridge, ON P1L 1W1, Canada
Hallite Seals (Canada) Ltd	Canada	100	5630 Kennedy Road, Mississauga, ON L4Z 2A9, Canada
Conveyor Services S.A.	Chile	66	Nestor del Fierro 440, Sector Industrial La Negra, Antofagasta, Chile
Dawson Polymer Products (Shanghai) Company Limited	China	100	445 Waiqian Gong Road, Jiading, Shanghai 201823, China
Dunlop Conveyor Belting (Shanghai) Company Limited	China	100	455 Waiqian Gong Road, Jiading, Shanghai 201823, China
Hallite Shanghai Company Limited	China	100	785 Xing Rong Road, Jiading, Shanghai 201807, China
Shanghai Fenner Conveyor Belting Company Limited	China	85	445 Waiqian Gong Road, Jiading, Shanghai 201823, China
Fenner Dunlop SARL	France	100	8 Rue Blaise Pascal, ZAC de la Clef Saint Pierre, Elancourt, 78990, France
Dichtelemente Hallite GmbH	Germany	100	Billwerder Ring 17, 21035 Hamburg, Germany
Dunlop Conveyor Belting Ghana Limited	Ghana	100	17 Alema Avenue, Airport Residential Area, Accra, Ghana
Fenner Conveyor Belting Private Limited	India	100	Madurai-Dindigul Road, Nagari, Madurai, 625017, India
Hallite Sealing Solutions India Private Limited	India	100	Special Plot No.10, 3rd Main, 1st Stage, Peenya Industrial Estate, Bangalore, 560058, India
Fenner Dunlop Italia S.r.l.	Italy	100	Via Agnello 8, Milano (MI), 20121, Italy
Hallite Italia S.r.l.	Italy	100	Via Francia 21, Collesalvetti, Livorno, 57017, Italy
Fenner Dunlop Maroc SARL	Morocco	100	6 sis Park Tawfic, Route Secondaire 111, Zenata-Ain Sebaa-Casablanca, Morocco
Dunlop Service B.V.	Netherlands	100	Heemst 2, Klazienaveen, 7892 AL, Netherlands
Fenner Dunlop B.V.	Netherlands	100	Oliemolenstraat 2, Drachten, 9203 ZN, Netherlands
Fenner Mandals AS	Norway	100	Nordre Banegate 26, 4515 Mandal, Norway
Dunlop Conveyor Belting Polska sp.zo.o	Poland	100	Ul. Zwirki I Wigury 54, 43-190 Mikolow, Poland
CDI Multiseals Pte. Ltd	Singapore	100	10 Tuas South St 5, 637792, Singapore
Fenner Dunlop SL	Spain	100	1 Tres Rieres Poligon Industrial Magarola, 08292 Esparreguera, Spain
Fenner Conveyor Belting (South Africa) (Pty) Limited	South Africa	71	21 Diesel Road, Isando 1600, South Africa
Dunlop Conveyor Belting Distribution FZE	UAE	100	Showroom No S3B2WH01, Jebel Ali, Dubai, 33413, United Arab Emirates
Dunlop Service Middle East, LLC	UAE	100	Showroom No S3B2SR01, Jebel Ali, Dubai, 33413, United Arab Emirates
American Industrial Plastics, LLC	USA	100	C T Corporation System, 1200 South Pine Island Road, Plantation, FL 33324, USA
CDI Energy Products, LLC	USA	100	C T Corporation System, 1999 Bryan Street, Suite 900, Dallas, TX 75201-3136, USA
Charter Medical, Limited	USA	100	C T Corporation System, 160 Mine Lake Court, Suite 200, Raleigh, NC 27615-6417, USA
EGC Critical Components, LLC	USA	100	C T Corporation System, 1999 Bryan Street, Suite 900, Dallas, TX 75201-3136, USA
Fenner Drives, Inc.	USA	100	C T Corporation System, 600 North 2nd Street, Suite 401, Harrisburg, PA 17101-1071, USA
Fenner Dunlop Americas, LLC	USA	100	C T Corporation System, 600 North 2nd Street, Suite 401, Harrisburg, PA 17101-1071, USA
Fenner Dunlop Conveyor Systems and Services, LLC	USA	100	C T Corporation System, 600 North 2nd Street, Suite 401, Harrisburg, PA 17101-1071, USA
Fenner Dunlop (Port Clinton), LLC	USA	100	C T Corporation System, 4400 Easton Commons Way, Suite 125, Columbus, OH 43219, USA
Fenner Dunlop (Toledo), LLC	USA	100	C T Corporation System, 4400 Easton Commons Way, Suite 125, Columbus, OH 43219, USA
Fenner Precision, LLC	USA	100	C T Corporation System, 600 North 2nd Street, Suite 401, Harrisburg, PA 17101-1071, USA
Hallite Seals Americas, LLC	USA	100	The Corporation Company, 40600 Ann Arbor Road East, Suite 201, Plymouth, MI 48170-4675, USA
SanaVita Medical, LLC	USA	100	C T Corporation System, 600 North 2nd Street, Suite 401, Harrisburg, PA 17101-1071, USA
The Secant Group, LLC	USA	100	C T Corporation System, 600 North 2nd Street, Suite 401, Harrisburg, PA 17101-1071, USA
Investment			
Dunlop Conveyor Belting Investments Limited	England	100	Hesslewood Country Office Park, Ferriby Road, Hessle, East Yorkshire, HU13 0PW, UK
Fenner International Australia Limited	England	100	Hesslewood Country Office Park, Ferriby Road, Hessle, East Yorkshire, HU13 0PW, UK
Fenner International Limited	England	*100	Hesslewood Country Office Park, Ferriby Road, Hessle, East Yorkshire, HU13 0PW, UK
Fenner N.A. Limited	England	100	Hesslewood Country Office Park, Ferriby Road, Hessle, East Yorkshire, HU13 0PW, UK
Hall & Hall Limited	England	100	Hesslewood Country Office Park, Ferriby Road, Hessle, East Yorkshire, HU13 0PW, UK
J.H. Fenner & Co. (Advanced Engineering Products) Limited	England	100	Hesslewood Country Office Park, Ferriby Road, Hessle, East Yorkshire, HU13 0PW, UK
J.H. Fenner & Co. (India) Limited	England	100	Hesslewood Country Office Park, Ferriby Road, Hessle, East Yorkshire, HU13 0PW, UK

Companies of the Group continued

Company	Country of incorporation	% held	Registered address
James Dawson (China) Limited	England	100	Hesslewood Country Office Park, Ferriby Road, Hessle, East Yorkshire, HU13 0PW, UK
Fenner (Pacific) Pty Limited	Australia	100	268 Geelong Road, West Footscray, VIC 3012, Australia
Fenner Australia Financing Pty Limited	Australia	100	268 Geelong Road, West Footscray, VIC 3012, Australia
Fenner Dunlop Conveyor Services Pty Limited	Australia	100	268 Geelong Road, West Footscray, VIC 3012, Australia
Fenner Investments Australia Limited Partnership	Australia	100	268 Geelong Road, West Footscray, VIC 3012, Australia
Fenner International Limited Chile Limitada	Chile	100	Isidora Goyenechea 3120, Piso 13, Las Condes, Santiago, Chile
De Bruin & Berends B.V.	Netherlands	100	Oliemolenstraat 2, Drachten, 9203 ZN, Netherlands
Dunlop Assets B.V.	Netherlands	100	Heemst 2, Klazienaveen, 7892 AL, Netherlands
Dunlop Enerka Netherlands B.V.	Netherlands	100	Oliemolenstraat 2, Drachten, 9203 ZN, Netherlands
Dunlop Enerka Netherlands Holding B.V.	Netherlands	100	Heemst 2, Klazienaveen, 7892 AL, Netherlands
Dunlop Manufacturing Holdings B.V.	Netherlands	100	Heemst 2, Klazienaveen, 7892 AL, Netherlands
Dunlop Service International B.V.	Netherlands	100	Oliemolenstraat 2, Drachten, 9203 ZN, Netherlands
Dunlop Cooperatief W.A.	Netherlands	100	Oliemolenstraat 2, Drachten, 9203 ZN, Netherlands
Fenner US Financing B.V.	Netherlands	100	Oliemolenstraat 2, Drachten, 9203 ZN, Netherlands
Fenner Singapore Pte. Ltd	Singapore	100	16 Collyer Quay, 17 – 00, Hitachi Tower, 049318, Singapore
Fenner (South Africa) (Pty) Limited	South Africa	100	21 Diesel Road, Isando 1600, South Africa
Fenner America, Inc.	USA	100	The Corporation Trust Company, 1209 Orange Street, Wilmington, DE 19801, USA
Fenner Advanced Sealing Technologies, LLC	USA	100	The Corporation Trust Company, 1209 Orange Street, Wilmington, DE 19801, USA
Fenner U.S. Holdings, Inc.	USA	100	The Corporation Trust Company, 1209 Orange Street, Wilmington, DE 19801, USA
Fenner U.S., Inc.	USA	100	Delaware Trust Company, 103 Foulk Road, Suite 200, Wilmington, DE 19803, USA
Solesis Medical Technologies, Inc.	USA	100	C T Corporation System, 600 North 2nd Street, Suite 401, Harrisburg, PA 17101-1071, USA
Pension Scheme Trustee			
Fenner Pension Scheme Trustee Limited	England	*100	Hesslewood Country Office Park, Ferriby Road, Hessle, East Yorkshire, HU13 0PW, UK
Non-trading			
BTL Limited	England	100	Hesslewood Country Office Park, Ferriby Road, Hessle, East Yorkshire, HU13 0PW, UK
Fenner Advanced Sealing Investments Limited	England	100	Hesslewood Country Office Park, Ferriby Road, Hessle, East Yorkshire, HU13 0PW, UK
Fenner Advanced Sealing Technologies Limited	England	*100	Hesslewood Country Office Park, Ferriby Road, Hessle, East Yorkshire, HU13 0PW, UK
Fenner Drives Limited	England	100	Hesslewood Country Office Park, Ferriby Road, Hessle, East Yorkshire, HU13 0PW, UK
Fenner Dunlop Limited	England	100	Hesslewood Country Office Park, Ferriby Road, Hessle, East Yorkshire, HU13 0PW, UK
Fenner Dynamics Limited	England	100	Hesslewood Country Office Park, Ferriby Road, Hessle, East Yorkshire, HU13 0PW, UK
Hallite (France) Limited	England	100	Hesslewood Country Office Park, Ferriby Road, Hessle, East Yorkshire, HU13 0PW, UK
Hallite Limited	England	*100	Hesslewood Country Office Park, Ferriby Road, Hessle, East Yorkshire, HU13 0PW, UK
Hallite Polytek Limited	England	100	Hesslewood Country Office Park, Ferriby Road, Hessle, East Yorkshire, HU13 0PW, UK
Indico (Europe) Limited	England	100	Hesslewood Country Office Park, Ferriby Road, Hessle, East Yorkshire, HU13 0PW, UK
J.H. Fenner & Co. (Fenaplast) Limited	England	100	Hesslewood Country Office Park, Ferriby Road, Hessle, East Yorkshire, HU13 0PW, UK
J.H. Fenner & Co. (Special Belting) Limited	England	*100	Hesslewood Country Office Park, Ferriby Road, Hessle, East Yorkshire, HU13 0PW, UK
Norwegian Seals UK Limited	England	100	Hesslewood Country Office Park, Ferriby Road, Hessle, East Yorkshire, HU13 0PW, UK
Turner Belting Limited	England	100	Hesslewood Country Office Park, Ferriby Road, Hessle, East Yorkshire, HU13 0PW, UK
Vulcanisers International Limited	England	100	Hesslewood Country Office Park, Ferriby Road, Hessle, East Yorkshire, HU13 0PW, UK
Apex MasterBlast Trust	Australia	100	268 Geelong Road, West Footscray, VIC 3012, Australia
Australian Conveyor Technologies	Australia	100	70 Chivers Road, Somersby, NSW 2250, Australia
Control X Engineering	Australia	100	268 Geelong Road, West Footscray, VIC 3012, Australia
Transeals Pty Limited	Australia	100	1 Atlas Court, Welshpool, WA 6106, Australia
Fenner Dunlop Chile SpA	Chile	100	Isidora Goyenechea 3120, Piso 13, Las Condes, Santiago, Chile
Fenner Management (Shanghai) Company Limited	China	100	445 Waiqian Gong Road, Jiading, Shanghai 201823, China
Dunlop Conveyor Belting International B.V.	Netherlands	100	Oliemolenstraat 2, Drachten, 9203 ZN, Netherlands
Dunlop Sales & Marketing B.V.	Netherlands	100	Heemst 2, Klazienaveen, 7892 AL, Netherlands
Fenner Dunlop Steelcord B.V.	Netherlands	100	Oliemolenstraat 2, Drachten, 9203 ZN, Netherlands

* Held directly by Fenner PLC.

Alternative Performance Measures

The results of the Group include measures presented on an "underlying" basis, which excludes exceptional items, amortisation of intangible assets acquired and notional interest, as applicable. In addition, certain financial performance measures that are not defined under IFRS ("non-GAAP measures") are presented.

The underlying and non-GAAP measures are presented in order to provide a more meaningful measure of the underlying financial performance of the business, allowing users of financial statements to compare these measures with our peers, as well as being more consistent with the way that financial information is measured internally by management and presented to the Board.

Reconciliations of these amounts from the most directly comparable measures recognised under IFRS are detailed below.

Revenue: like-for-like and constant currencies [1]

	Advanced Sealing Technologies £m	Precision Polymers £m	Solesis Medical £m	Total AEP £m	Northern Hemisphere £m	Southern Hemisphere £m	Total ECS £m	Group £m
2017								
Revenue as reported	129.9	109.1	55.0	294.0	184.0	177.4	361.4	655.4
Impact of businesses sold or closed	(0.9)	-	-	(0.9)	-	-	-	(0.9)
Like-for-like revenue	**129.0**	**109.1**	**55.0**	**293.1**	**184.0**	**177.4**	**361.4**	**654.5**
2016								
Revenue as reported	105.1	92.7	52.9	250.7	171.4	150.4	321.8	572.5
Currency impact	12.6	9.1	7.1	28.8	21.1	26.4	47.5	76.3
Revenue at constant currencies	**117.7**	**101.8**	**60.0**	**279.5**	**192.5**	**176.8**	**369.3**	**648.8**
Impact of businesses sold or closed	(7.8)	-	(8.5)	(16.3)	(2.3)	-	(2.3)	(18.6)
Like-for-like revenue	**109.9**	**101.8**	**51.5**	**263.2**	**190.2**	**176.8**	**367.0**	**630.2**

Underlying operating profit: constant currencies [1]

	AEP £m	ECS £m	Corporate £m	Group £m
2016				
Underlying operating profit (as reconciled below) as reported	29.9	14.2	(7.0)	37.1
Currency impact	4.2	2.3	(0.1)	6.4
Underlying operating profit at constant currencies	**34.1**	**16.5**	**(7.1)**	**43.5**

[1] 2016 amounts stated at constant currencies are reported amounts retranslated at 2017 exchange rates.

Underlying operating profit

	2017 £m	2016 £m
Operating profit/(loss)	**53.4**	(14.7)
Amortisation of intangible assets acquired	**8.3**	11.0
Exceptional items	**(2.6)**	40.8
Underlying operating profit	**59.1**	37.1

Underlying profit before taxation

	2017 £m	2016 £m
Profit/(loss) before taxation	**38.1**	(30.3)
Amortisation of intangible assets acquired	**8.3**	11.0
Exceptional items	**(2.6)**	40.8
Notional interest	**1.5**	1.7
Underlying profit before taxation	**45.3**	23.2

Underlying earnings per share

A reconciliation is provided in note 12 to the Group financial statements.

Alternative Performance Measures continued

Operating cash flow

	2017 £m	2016 £m
Net cash from operations	**88.6**	62.0
Add back:		
Defined benefit post-retirement costs charged to operating profit	**(2.9)**	(0.8)
Cash contributions to defined benefit post-retirement schemes	**5.8**	5.2
Movement in provisions	**0.1**	0.8
Cash outflow on exceptional items (current year and prior year)	**2.2**	10.4
Other non-cash movements	**(0.7)**	(1.2)
Investing activities:		
Purchase of property, plant and equipment	**(11.2)**	(14.2)
Disposal of property, plant and equipment	**1.2**	1.9
Purchase of intangible assets	**(1.0)**	(1.1)
Finance leases	**(0.2)**	(0.8)
Operating cash flow	**81.9**	62.2

Free cash flow

	2017 £m	2016 £m
Net cash from operating activities	**92.7**	55.8
Add back:		
Cash outflow on exceptional items (current year and prior year)	**2.2**	10.4
Investing activities:		
Purchase of property, plant and equipment	**(11.2)**	(14.2)
Disposal of property, plant and equipment	**1.2**	1.9
Purchase of intangible assets	**(1.0)**	(1.1)
Finance leases	**(0.2)**	(0.8)
Interest received	**0.6**	0.5
Financing activities:		
Interest paid	**(15.3)**	(13.7)
Free cash flow	**69.0**	38.8

EBITDA

A reconciliation is provided in note 22 to the Group financial statements.

Net debt

A reconciliation is provided in note 20 to the Group financial statements.

Return on gross capital employed

Underlying operating profit divided by the average of opening and closing gross capital employed.

	2017 £m	2016 £m	2015 £m
Underlying operating profit (as reconciled above)	**59.1**	37.1	
Property, plant and equipment	**224.2**	228.8	208.4
Intangible assets	**175.3**	178.3	188.5
Inventories	**90.1**	75.3	76.0
Trade and other receivables	**113.7**	104.9	105.2
Assets held for sale	**0.9**	2.2	-
Trade and other payables	**(146.5)**	(118.3)	(114.6)
Liabilities held for sale	**-**	(1.0)	-
Gross capital employed at year end date	**457.7**	470.2	463.5
Average gross capital employed	**464.0**	466.9	
Return on gross capital employed	**12.7%**	7.9%	

Five Year Summary of the Group

	2017 £m	2016 £m	2015 £m	2014 £m	2013[1] £m
Revenue					
AEP	**294.0**	250.7	266.2	265.5	270.8
ECS	**361.4**	321.8	400.5	463.9	549.8
Group	**655.4**	572.5	666.7	729.4	820.6
Operating profit before amortisation of intangible assets acquired and exceptional items					
AEP	**43.9**	29.9	41.0	42.3	46.8
ECS	**24.1**	14.2	23.3	45.7	63.0
Corporate	**(8.9)**	(7.0)	(7.9)	(8.5)	(8.3)
Group	**59.1**	37.1	56.4	79.5	101.5
Amortisation of intangible assets acquired	**(8.3)**	(11.0)	(12.9)	(15.0)	(16.0)
Exceptional items	**2.6**	(40.8)	(34.4)	(19.7)	-
Operating profit/(loss)	**53.4**	(14.7)	9.1	44.8	85.5
Net finance costs	**(15.3)**	(15.6)	(14.4)	(15.6)	(19.1)
Profit/(loss) before taxation	**38.1**	(30.3)	(5.3)	29.2	66.4
Taxation	**(3.8)**	5.0	(4.4)	(4.5)	(18.4)
Profit/(loss) for the year	**34.3**	(25.3)	(9.7)	24.7	48.0

	2017	2016	2015	2014	2013[1]
Earnings/(loss) per share					
Underlying – Basic (before amortisation of intangible assets acquired, exceptional items and notional interest)	**17.7p**	8.4p	15.5p	23.3p	30.1p
Basic	**17.6p**	(13.6)p	(5.4)p	11.7p	22.9p

	2017	2016	2015	2014	2013[1]
Dividends paid to Company's shareholders	**5.8**	23.3	23.3	21.8	20.3
Dividend per ordinary share [2]	**4.2p**	3.0p	12.0p	12.0p	11.25p
Capital expenditure (including finance leases)	**12.4**	16.1	28.1	28.7	28.7
Total equity	**340.9**	278.7	301.2	336.2	363.1
Net debt	**(101.5)**	(150.0)	(138.0)	(117.3)	(121.1)
Average number of employees (number)	**4,189**	4,530	5,076	5,371	5,272

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

[2] Dividend per ordinary share is stated in respect of the period to which the dividends relate. Under International Financial Reporting Standards, this is not the same as the period in which the dividends are recognised in the financial statements.

Shareholder Information

Annual General Meeting

The 81st Annual General Meeting of the Company will be held in the Wedgwood & Lutyens Room at The Clubhouse St James, 8 St James's Square, London SW1Y 4JU on Thursday, 11 January 2018 at 10.30 am when the following business will be proposed:

Ordinary business

1 To receive the reports of the Directors and Auditors and the financial statements for the financial year ended 31 August 2017.
2 To approve the Board Remuneration Policy.
3 To approve the Board Annual Remuneration Report.
4 To declare a dividend.
5 To re-elect director.
6 To re-elect director.
7 To re-elect director.
8 To re-elect director.
9 To re-elect director.
10 To re-elect director.
11 To re-appoint auditors.
12 To authorise the Audit Committee to determine the auditors' remuneration.

Special business

13 To authorise the directors to allot shares.
14 To empower the directors to allot shares for cash.
15 To authorise the Company to buy back its own shares.
16 To reduce the notice period required for general meetings.

Note

This is a summary of the Notice of Annual General Meeting and shareholders should refer to the accompanying document which contains the full text of the Notice of Annual General Meeting together with an explanatory letter from the Chairman of the Company.

Dividend Information

The table below details the amounts of interim and final dividends declared in respect of each of the last five years.

	Interim dividend pence	Final dividend pence	Total dividend pence
2017	1.40	2.80*	4.20*
2016	1.00	2.00	3.00
2015	4.00	8.00	12.00
2014	4.00	8.00	12.00
2013	3.75	7.50	11.25

* Proposed

Advisors

Registrars
Link Asset Services, Huddersfield

Principal Solicitors
Addleshaw Goddard, Leeds
Ashurst, London
Pinsent Mason, Leeds
DLA Piper, Sheffield
Rollits, Hull
Shumaker, Loop & Kendrick, Toledo, USA

Independent Auditors
Deloitte LLP, Leeds

Brokers
Jefferies, London
Peel Hunt, London

Principal Bankers
Barclays Bank PLC, Leeds
Lloyds Banking Group plc, Hull
HSBC Bank plc, Leeds
Santander UK plc, London

Investment Bankers
N.M. Rothschild & Sons Limited, Leeds

Financial Calendar

Annual General Meeting – 11 January 2018

Half Year End – 28 February 2018

Half Year Results – 25 April 2018

Year End – 31 August 2018

Full Year Results – 14 November 2018

Fenner, Fenner Drives, Fenner Precision, Hallite, James Dawson, Apex Fenner, CDI, Cheetah, EGC, Patriot X, Secant, Mandals, ACE, Armadillo, ECS, B-LOC, Trantorque, Nu-T-Link, BTL, Tuff Breed, UsFlex, PowerTwist Plus, Fenaplast, Eagle, iBelt, Hythane, Ninjaflex, EagleEye, Dynaflight, SuperTLink, Rescan and Regenerez are Registered Trademarks of the Fenner Group.

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Tel: +44 (0)1482 626500
www.fenner.com

Registered Number: 329377

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@FennerPLC