

FENNER GROUP HOLDINGS LIMITED (FORMERLY FENNER PLC)

Report and Financial Statements

For the 16 Month Period ended 31 December 2018



FENNER GROUP HOLDINGS LIMITED (FORMERLY FENNER PLC)

Company Information

Directors

J G Alderman (appointed 31 May 2018)
S Artinian-Fredou (appointed 31 May 2018)
B Balmary (appointed 31 May 2018)
M Henry (appointed 31 May 2018)
S Lafon (appointed 31 May 2018)
K Rogerson (appointed 1 June 2019)
W J Pratt (resigned 1 June 2019)
M S Abrahams (resigned 31 May 2018)
C Surch (resigned 31 May 2018)
G Anderson (resigned 31 May 2018)
M Ducey (resigned 31 May 2018)
V Murray (resigned 31 May 2018)

Company secretary

A M Caley

Registered number

00329377

Registered office

C/O Michelin Tyre Plc
Campbell Road
Stoke-on-Trent
ST4 4EY
United Kingdom

Independent auditor

Deloitte LLP
1 City Square
Leeds
LS1 2AL
United Kingdom

FENNER GROUP HOLDINGS LIMITED (FORMERLY FENNER PLC)

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FENNER GROUP HOLDINGS LIMITED (FORMERLY FENNER PLC)

Strategic report

For the 16 Month Period ended 31 December 2018

Introduction

The directors present their Strategic report for the 16 month period ended 31 December 2018.

Fenner Group Holdings Limited was previously known as Fenner PLC. Fenner PLC was formerly registered as a public limited company and has been re-registered under the Companies Act 2006 as a private company limited by shares.

Business review and future developments.

The principal activity of the Company is that of an investment holding company.

The entire share capital of Fenner Group Holdings Limited was acquired by Compagnie Generale des Etablissements Michelin SCA ("Michelin") on 31 May 2018.

The year end was previously 31 August. This was changed to 31 December to align with that of the Michelin Group of companies. The comparatives in the Income statement and Statement of comprehensive income for 2017 are not therefore entirely comparable with 2018.

As an investment holding company, the Company's performance is principally related to the performance of its subsidiary undertakings through dividends received and interest income and any impairments to carrying values of investments in subsidiary undertakings. Overall the performance of the subsidiary undertakings during the period was considered to be satisfactory and showed improvement over the previous financial year. Further improvements are expected in 2019. The result for the period included net exceptional charges of £14,335,000. This comprises: costs associated with the acquisition of the Company by Michelin (£10,613,000 in respect of transaction costs and £1,509,000 in respect of accelerated share-based incentives); an estimated charge of £3,600,000 in respect of the guaranteed minimum pension equalisation following a change in UK legislation; impairments of £10,563,000 to investments in group undertakings; and gains of £11,950,000 relating to the write off of amounts owed to group undertakings. These are not expected to recur in 2019. There are no other significant future developments.

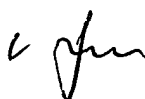
Principal risks and uncertainties

The principal risks and uncertainties facing the Company relate to the employee benefit scheme. Risks can arise from exposure to changes in legislation, interest rates, investment returns, dividends and life expectancy which can increase costs.

Financial key performance indicators

The key performance indicators that are measured by the Company are operating profit before exceptional items and net assets. Operating profit before exceptional items increased from £159,000 in 2017 to £399,000 in the 16 month period to December 2018. The net assets of the Company decreased from £208,822,000 at 31 August 2017 to £194,602,000 as at 31 December 2018, principally due to exceptional items recognised in the period.

This report was approved by the board on 26 June 2019 and signed on its behalf.



K Rogerson
Director

FENNER GROUP HOLDINGS LIMITED (FORMERLY FENNER PLC)

Directors' report

For the 16 month period ended 31 December 2018

The directors present their Directors' report and the audited financial statements for the 16 month period ended 31 December 2018.

Results and dividends

The loss for the 16 month period, after taxation, amounted to £3,806,000 (2017 - profit £8,013,000).

An interim dividend for the period ended 31 December 2018 of 2.1p (2017 - 1.4p) per share was paid during the period. The directors do not propose a final dividend (2017 - 2.8p per share).

Directors

The directors who served during the 16 month period and subsequently were:

K Rogerson (appointed 1 June 2019)
J G Alderman (appointed 31 May 2018)
S Artinian-Fredou (appointed 31 May 2018)
B Balmary (appointed 31 May 2018)
M Henry (appointed 31 May 2018)
S Lafon (appointed 31 May 2018)
W J Pratt (resigned 1 June 2019)
M S Abrahams (resigned 31 May 2018)
C Surch (resigned 31 May 2018)
G Anderson (resigned 31 May 2018)
M Ducey (resigned 31 May 2018)
V Murray (resigned 31 May 2018)

Going concern

After making enquiries, the directors have formed a judgement that there is a reasonable expectation the Company 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. The loss for the period was due to exceptional items which are not expected to recur next year. Accordingly, the Directors have assessed that the going concern basis of accounting is appropriate in preparing the financial statements.

Future developments

Principal activities and future developments are set out in the Strategic report on page 1.

Financial risk management

In the normal course of business, the Company is exposed to certain financial risks. These risks are managed 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 of Fenner Group Holdings Limited. None of these risks are considered to be significant due to the nature of the Company as an investment holding company.

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

FENNER GROUP HOLDINGS LIMITED (FORMERLY FENNER PLC)

Directors' report (continued)

For the 16 month period ended 31 December 2018

Post balance sheet events

There have been no significant events affecting the Company since the 16 month period end.

Auditor

Deloitte LLP were previously appointed as independent auditors to the company. In the absence of any notice proposing to terminate their appointment, Deloitte LLP will be deemed to be reappointed for the next financial year. Deloitte LLP have indicated their willingness to continue in office.

This report was approved by the board on 26 June 2019 and signed on its behalf.

A handwritten signature in black ink, appearing to be 'K Rogerson', written over a horizontal line.

K Rogerson
Director

FENNER GROUP HOLDINGS LIMITED (FORMERLY FENNER PLC)

Directors' responsibilities statement For the 16 month period ended 31 December 2018

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

Company law requires the directors to prepare audited financial statements for each financial period. Under that law the directors have elected to prepare the audited financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'. Under company law the directors must not approve the audited financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these audited financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

FENNER GROUP HOLDINGS LIMITED (FORMERLY FENNER PLC)

Independent auditor's report to the members of Fenner Group Holdings Limited (Formerly Fenner PLC)

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Fenner Group Holdings Limited (Formerly Fenner PLC) (the 'company'):

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its loss for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 24.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

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 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, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

FENNER GROUP HOLDINGS LIMITED (FORMERLY FENNER PLC)

Independent auditor's report to the members of Fenner Group Holdings Limited (Formerly Fenner PLC)

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual 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.

We have nothing to report in respect of these matters.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, 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 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 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.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by 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 period 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 company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

FENNER GROUP HOLDINGS LIMITED (FORMERLY FENNER PLC)

Independent auditor's report to the members of Fenner Group Holdings Limited (Formerly Fenner PLC)

Matters on which we are required to report by exception

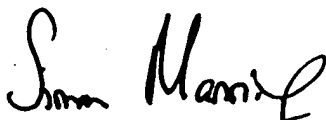
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

We have nothing to report in respect of these matters.

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.



Simon Manning FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
Leeds
United Kingdom
26 June 2019

FENNER GROUP HOLDINGS LIMITED (FORMERLY FENNER PLC)

Income statement

For the 16 month period ended 31 December 2018

		16 Month Period ended 31 December 2018 £000	12 Month Period ended 31 August 2017 £000
	Note		
Administrative expenses		399	159
Net exceptional administrative expenses	12	(14,335)	-
Operating (loss)/profit	3	(13,936)	159
Income from shares in Group undertakings	7	5,844	5,613
Interest receivable and similar income	8	3,773	2,929
Interest payable and similar expenses	9	(539)	(679)
(Loss)/profit before tax		(4,858)	8,022
Tax on (loss)/profit	10	1,052	(9)
(Loss)/profit for the financial period		(3,806)	8,013

The notes on pages 12 to 39 form part of these financial statements.

All results are derived from continuing operations.

FENNER GROUP HOLDINGS LIMITED (FORMERLY FENNER PLC)

Statement of comprehensive income
For the 16 month period ended 31 December 2018

		16 Month Period ended 31 December 2018 £000	12 Month Period ended 31 August 2017 £000
(Loss)/profit for the financial 16 month period		(3,806)	8,013
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Remeasurements on defined benefit post-retirement schemes	23	(3,230)	17,625
Tax on equity		959	(3,801)
		(2,271)	13,824
Total comprehensive (expense)/income for the period		(6,077)	21,837

FENNER GROUP HOLDINGS LIMITED (FORMERLY FENNER PLC)
Registered number: 00329377

Balance sheet
As at 31 December 2018

	Note	31 December 2018 £000	31 August 2017 £000
Fixed assets			
Tangible assets	13	2,371	2,543
Investments	14	69,445	78,064
		<u>71,816</u>	<u>80,607</u>
Current assets			
Debtors due within 1 year	15	137,358	149,522
Debtors due after more than 1 year	15	3,225	2,598
Cash at bank and in hand	16	1,210	5,006
		<u>141,793</u>	<u>157,126</u>
Creditors: amounts falling due within one year	17	(645)	(13,166)
Net current assets		<u>141,148</u>	<u>143,960</u>
Total assets less current liabilities		<u>212,964</u>	<u>224,567</u>
Provisions for liabilities			
Deferred tax	19	(407)	(460)
		<u>(407)</u>	<u>(460)</u>
Net assets excluding pension liability		<u>212,557</u>	<u>224,107</u>
Pension liability	23	(17,955)	(15,285)
Net assets		<u>194,602</u>	<u>208,822</u>
Capital and reserves			
Called up share capital	20	48,751	48,500
Revaluation reserve		858	858
Profit and loss account		144,993	159,464
		<u>194,602</u>	<u>208,822</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 26 June 2019.



K Rogerson
Director

The notes on pages 12 to 39 form part of these financial statements.

FENNER GROUP HOLDINGS LIMITED (FORMERLY FENNER PLC)

Statement of changes in equity

For the 12 month period ended 31 December 2018

	Called up share capital £000	Revaluation reserve £000	Profit and loss account £000	Total equity £000
At 1 September 2016	48,500	858	142,200	191,558
Comprehensive income for the year				
Profit for the year	-	-	8,013	8,013
Remeasurement on defined benefit post-retirement schemes	-	-	17,625	17,625
Tax on other comprehensive income	-	-	(3,801)	(3,801)
Other comprehensive income for the year	-	-	13,824	13,824
Total comprehensive income for the year	-	-	21,837	21,837
Contributions by and distributions to owners				
Dividends: Equity capital	-	-	(5,820)	(5,820)
Share-based payments	-	-	1,247	1,247
Total transactions with owners	-	-	(4,573)	(4,573)
At 1 September 2017	48,500	858	159,464	208,822
Comprehensive expense for the 16 month period				
Loss for the 16 month period	-	-	(3,806)	(3,806)
Remeasurements on defined benefit post-retirement schemes	-	-	(3,230)	(3,230)
Tax on other comprehensive expense	-	-	959	959
Other comprehensive expense for the 16 month period	-	-	(2,271)	(2,271)
Total comprehensive expense for the 16 month period	-	-	(6,077)	(6,077)
Contributions by and distributions to owners				
Dividends: Equity capital	-	-	(12,222)	(12,222)
Bonus issue	-	-	(251)	(251)
Shares issued during the 16 month period	251	-	-	251
Share-based payments	-	-	4,079	4,079
Total transactions with owners	251	-	(8,394)	(8,143)
At 31 December 2018	48,751	858	144,993	194,602

FENNER GROUP HOLDINGS LIMITED (FORMERLY FENNER PLC)

Notes to the financial statements

For the 16 month period ended 31 December 2018

1. General information

Fenner Group Holdings Limited was previously known as Fenner PLC. Fenner PLC was formerly registered as a public limited company and has been re-registered under the Companies Act 2006 as a private company limited by shares, incorporated in England with the registered number 00329377. The address of the registered office is given on the Company Information page. The nature of the Company's operations and its principle activities are set out in the Strategic report on page 1.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings and financial assets and liabilities (including derivative instruments) at fair value through profit or loss, unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework'.

The Company is itself a subsidiary company and is exempt from the requirement to prepare group financial statements by virtue of section 400 of the Companies Act 2006. These financial statements therefore present information about the Company as an individual undertaking and not about its group.

Critical accounting estimates and judgements

The application of the Company's accounting policies 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 testing for the carrying amount of investments is based on estimated recoverable amounts of subsidiary undertakings, 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 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 23.
- 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 19.

- Critical judgements in applying the Company's accounting policies

Critical judgments made in the process of applying the Company's accounting policies which have the most significant effect on amounts recognised in the financial statements are as follows:

Notes to the financial statements

For the 16 month period ended 31 December 2018

2. Accounting policies (continued)

2.1 Basis of preparation of financial statements (continued)

- Exceptional items

Certain items of income and expenses are classified as exceptional items due to their nature and size. These are presented separately on the face of the income statement in order to provide a better understanding of the Company's financial performance. Such exceptional items may include impairments of investments, business restructuring costs or profits or losses arising from the disposal of a business.

Accounting developments

There were no new standards, amendments or interpretations adopted by the Company and effective for the first time for the 16 month period ended 31 December 2018 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 16 month period ended 31 December 2018 and consequently have not yet been applied in preparing the financial statements. These include: IFRS 9 "Financial Instruments"; IFRS 15 "Revenue from Contracts with Customers"; and IFRS 16 "Leases". None of these are expected to have a material impact on the Company.

Notes to the financial statements

For the 16 month period ended 31 December 2018

2. Accounting policies (continued)

2.2 Financial reporting standard 101 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based payment
- the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations
- the requirements of paragraph 33(c) of IFRS 5 Non Current Assets Held For Sale and Discontinued Operations
- 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;
 - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
 - paragraph 118(e) of IAS 38 Intangible Assets;
 - paragraphs 76 and 79(d) of IAS 40 Investment Property; and
 - paragraph 50 of IAS 41 Agriculture
- 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 and 18A 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, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

2.3 Going concern

Details regarding the going concern basis can be found within the Directors' report on page 4.

2.4 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

FENNER GROUP HOLDINGS LIMITED (FORMERLY FENNER PLC)

Notes to the financial statements

For the 16 month period ended 31 December 2018

2. Accounting policies (continued)

2.4 Tangible fixed assets (continued)

Land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Freehold land and buildings	- 40 years
Leasehold land and buildings	- 15 years
Plant, machinery and equipment	- 5 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Income statement.

2.5 Valuation of investments

Investments held as fixed assets are shown at cost less provision for impairment.

The carrying amount investments 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. 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 is estimated to be less than its carrying amount, the carrying amount of the asset 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 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. Any reversal of an impairment loss is recognised in the income statement.

2.6 Financial instruments

The Company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The Company's accounting policies in respect of financial instruments transactions are explained below:

Financial assets

The Company classifies all of its financial assets as loans and receivables.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Company

FENNER GROUP HOLDINGS LIMITED (FORMERLY FENNER PLC)

Notes to the financial statements

For the 16 month period ended 31 December 2018

2. Accounting policies (continued)

2.6 Financial instruments (continued)

will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the Income statement. On confirmation that the trade receivable will not be collected, the gross carrying value of the asset is written off against the associated provision.

Financial liabilities

The Company classifies all of its financial liabilities as liabilities at amortised cost.

At amortised cost

Financial liabilities at amortised cost including bank borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried into the Balance sheet.

2.7 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income statement except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Income statement within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Income statement within 'other operating income'.

2.8 Finance costs

Finance costs are charged to the Income statement over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

FENNER GROUP HOLDINGS LIMITED (FORMERLY FENNER PLC)

Notes to the financial statements

For the 16 month period ended 31 December 2018

2. Accounting policies (continued)

2.9 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

Dividend income is recognised when received.

2.10 Post retirement benefits

The Fenner Group of companies 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.

2.11 Interest income

Interest income is recognised in the Income statement using the effective interest method.

2.12 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Income statement in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance sheet.

Notes to the financial statements

For the 16 month period ended 31 December 2018

2. Accounting policies (continued)

2.13 Current and deferred 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.

2.14 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the Company but are presented separately due to their size or incidence.

3. Operating (loss)/profit

The operating (loss)/profit is stated after charging:

	16 Month Period ended 31 December 2018 £000	12 Month Period ended 31 August 2017 £000
Depreciation of tangible fixed assets	172	131

4. Auditor's remuneration

There was no auditor's remuneration charged in the 16 month period (2017 - £NIL). Amounts borne by other Group companies on behalf of the Company are £10,000 (2017 - £10,000).

FENNER GROUP HOLDINGS LIMITED (FORMERLY FENNER PLC)

Notes to the financial statements

For the 16 month period ended 31 December 2018

5. Staff costs

Staff costs were as follows:

	16 Month Period ended 31 December 2018 £000	12 Month Period ended 31 August 2017 £000
Wages and salaries	218	239
Social security costs	23	50
Share-based payments	1,267	547
	<u>1,508</u>	<u>836</u>

Certain employees, including 2 directors included within the Directors remuneration disclosure in note 6, were remunerated by subsidiary undertaking J.H. Fenner & Co. Limited and therefore their costs are not included within the wages and salaries total above. It is not practicable to allocate their services on behalf of the Company and of other Group companies.

The average monthly number of employees, including the directors, during the 16 month period was as follows:

	16 Month Period ended 31 December 2018 No.	12 Month Period ended 31 August 2017 No.
Administration	<u>4</u>	<u>6</u>

FENNER GROUP HOLDINGS LIMITED (FORMERLY FENNER PLC)

Notes to the financial statements

For the 16 month period ended 31 December 2018

6. Directors' remuneration

	16 Month Period ended 31 December 2018 £000	12 Month Period ended 31 August 2017 £000
Directors' emoluments	2,435	1,795
	<u>2,435</u>	<u>1,795</u>

During the year retirement benefits were accruing to 1 director (2017 - 1) in respect of defined benefit pension schemes.

The highest paid director received emoluments of £1,058,000 (2017 - £634,000) and benefits obtained from long term incentive schemes of £2,551,000 (2017 - £NIL).

The total accrued pension provision of the highest paid director at 31 December 2018 amounted to £85,000 (2017 - £76,000).

5 (2017 - None) of the directors did not receive emoluments from the Company since they are employees of, and received remuneration from, other group companies. It is not practicable to allocate their remuneration between their services on behalf of the Company and of the other group companies.

7. Income from investments

	16 Month Period ended 31 December 2018 £000	12 Month Period ended 31 August 2017 £000
Dividends received from subsidiary undertakings	5,844	5,613
	<u>5,844</u>	<u>5,613</u>

8. Interest receivable

	16 Month Period ended 31 December 2018 £000	12 Month Period ended 31 August 2017 £000
Interest receivable from group companies	3,773	2,914
Other interest receivable	-	15
	<u>3,773</u>	<u>2,929</u>

FENNER GROUP HOLDINGS LIMITED (FORMERLY FENNER PLC)

Notes to the financial statements

For the 16 month period ended 31 December 2018

9. Interest payable and similar charges

	16 Month Period ended 31 December 2018 £000	12 Month Period ended 31 August 2017 £000
Bank interest payable	10	-
Other interest payable	529	679
	<u>539</u>	<u>679</u>

10. Taxation

	16 Month Period ended 31 December 2018 £000	12 Month Period ended 31 August 2017 £000
Corporation tax		
Current tax on profits for the period/year	(718)	38
Prior year adjustment	(213)	-
	<u>(931)</u>	<u>38</u>
Total current tax	<u>(931)</u>	<u>38</u>
Deferred tax		
Origination and reversal of timing differences	(97)	(29)
Prior year adjustment	(24)	-
	<u>(121)</u>	<u>(29)</u>
Taxation on (loss)/profit	<u>(1,052)</u>	<u>9</u>

Notes to the financial statements

For the 16 month period ended 31 December 2018

10. Taxation (continued)

Factors affecting tax charge for the 16 month period/year

The tax assessed for the 16 month period/year is higher than (2017 - lower than) the average standard rate of corporation tax in the UK of 19% (2017 - 19.58%). The differences are explained below:

	16 Month Period ended 31 December 2018 £000	12 Month Period ended 31 August 2017 £000
(Loss)/profit before tax	(4,858)	8,022
(Loss)/profit on ordinary activities multiplied by average standard rate of corporation tax in the UK of 19% (2017 - 19.58%)	(923)	1,571
Effects of:		
Expenses not deductible	1,841	117
Prior year adjustment	(237)	(4)
Income not taxable	(1,374)	(1,650)
Tax relief on share based payment	(370)	-
Difference between corporate and deferred tax rates	11	(25)
Total tax (credit)/charge for the 16 month period/year	(1,052)	9

Factors that may affect future tax charges

Finance Act No.2 2015, which was substantively enacted on 26 October 2015, includes provisions to reduce the corporation tax to 19% with effect from 1 April 2017 and 18% with effect from 1 April 2020. In addition, the Finance Act 2016 which was substantively enacted on 6th September 2016 introduced a further reduction in the main rate of corporation tax from 18% to 17% from 1 April 2020. Accordingly these rates have been applied when calculating deferred tax assets and liabilities.

FENNER GROUP HOLDINGS LIMITED (FORMERLY FENNER PLC)

Notes to the financial statements

For the 16 month period ended 31 December 2018

11. Dividends

	31 December 2018 £000	31 August 2017 £000
Interim dividend for the year ended 31 August 2017 of 1.4p (2016: 1.0p) per share	2,716	1,940
Final dividend for the year ended 31 August 2017 of 2.8p (2016: 2.0p) per share	5,432	3,880
Interim dividend for the 16 Month Period ended 31 December 2018 of 2.1p per share	4,074	-
	<u>12,222</u>	<u>5,820</u>

12. Exceptional items

	16 Month Period ended 31 December 2018 £000	12 Month Period ended 31 August 2017 £000
Costs associated with the acquisition of the company by Michelin	12,122	-
Pension costs	3,600	-
Impairment of investments in subsidiary undertakings	10,563	-
Write off of amount owed to group undertakings	(11,950)	-
	<u>14,335</u>	<u>-</u>

Costs associated with the acquisition of the Company by Michelin comprise £10,613,000 in respect of transaction costs and £1,509,000 in respect of accelerated share-based incentives.

Following a change in UK legislation, an estimated charge of £3,600,000 was made in respect of the guaranteed minimum pension equalisation for the Fenner UK pension scheme.

Ahead of the liquidation of certain subsidiary undertakings, the Company wrote off amounts due to Fenner Advanced Sealing Technologies Limited, J.H. Fenner & Co (Special Belting) Limited and Hallite Limited, resulting in a total gain of £11,950,000 and impaired the carrying values of the investments in these undertakings, resulting in a charge of £10,563,000.

FENNER GROUP HOLDINGS LIMITED (FORMERLY FENNER PLC)

Notes to the financial statements

For the 16 month period ended 31 December 2018

13. Tangible fixed assets

	Freehold land and buildings £000	Leasehold land and buildings £000	Plant, machinery and equipment £000	Total £000
Cost				
At 1 September 2017	3,899	216	153	4,268
At 31 December 2018	3,899	216	153	4,268
Depreciation				
At 1 September 2017	1,590	43	92	1,725
Charge for the 16 month period on owned assets	112	18	42	172
At 31 December 2018	1,702	61	134	1,897
Net book value				
At 31 December 2018	2,197	155	19	2,371
At 31 August 2017	2,309	173	61	2,543

Freehold land and buildings includes land at a cost of £661,000 (2017: £661,000) which is not subject to depreciation.

FENNER GROUP HOLDINGS LIMITED (FORMERLY FENNER PLC)

Notes to the financial statements For the 16 month period ended 31 December 2018

14. Investments

	Investments in subsidiary companies £000
Cost	
At 1 September 2017	168,464
Additions	1,944
At 31 December 2018	<u>170,408</u>
Impairment	
At 1 September 2017	90,400
Charge for the period	10,563
At 31 December 2018	<u>100,963</u>
Net book value	
At 31 December 2018	<u>69,445</u>
At 31 August 2017	<u>78,064</u>

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 8.2%.

Subsidiary undertakings

The following were subsidiary undertakings of the Company at 31 December 2018:

Name	Registered Address	Holding	Principal activity
Fenner Pension Scheme Trustee Limited*	Hesslewood Country Office Park, Ferriby Road, Hessle, East Yorkshire, HU13 0PW, UK	100 %	Pension Scheme Trustee
J.H.Fenner & Co Limited*	Hesslewood Country Office Park, Ferriby Road, Hessle, East Yorkshire, HU13 0PW, UK	100 %	Manufacturing, Distribution & Servicing
Fenner Dynamics Limited**	Hesslewood Country Office Park, Ferriby Road, Hessle, East Yorkshire, HU13 0PW, UK	100 %	Non-trading
CDI Energy Products UK Limited**	Hesslewood Country Office Park, Ferriby Road, Hessle, East Yorkshire, HU13 0PW, UK	100 %	Non-trading
BTL Limited**	Hesslewood Country Office Park, Ferriby Road, Hessle, East Yorkshire, HU13 0PW, UK	100 %	Non-trading
J.H.Fenner & Co (Fenaplast) Limited**	Hesslewood Country Office Park, Ferriby Road, Hessle, East Yorkshire, HU13 0PW, UK	100 %	Non-trading
Turner Belting Limited**	Hesslewood Country Office Park, Ferriby Road, Hessle, East Yorkshire, HU13 0PW, UK	100 %	Non-trading

FENNER GROUP HOLDINGS LIMITED (FORMERLY FENNER PLC)

Notes to the financial statements

For the 16 month period ended 31 December 2018

14. Investments (continued)

Fenner Dunlop Limited**	Hesslewood Country Office Park, Ferriby Road, Hessle, East Yorkshire, HU13 0PW, UK	100 %	Non-trading
Vulcanisers International Limited**	Hesslewood Country Office Park, Ferriby Road, Hessle, East Yorkshire, HU13 0PW, UK	100 %	Non-trading
James Dawson & Son Limited*	Hesslewood Country Office Park, Ferriby Road, Hessle, East Yorkshire, HU13 0PW, UK	100 %	Manufacturing, Distribution & Servicing
Fenner Drives Limited**	Hesslewood Country Office Park, Ferriby Road, Hessle, East Yorkshire, HU13 0PW, UK	100 %	Non-trading
Indico (Europe) Limited**	Hesslewood Country Office Park, Ferriby Road, Hessle, East Yorkshire, HU13 0PW, UK	100 %	Non-trading
Hallite Seals International Limited*	Hesslewood Country Office Park, Ferriby Road, Hessle, East Yorkshire, HU13 0PW, UK	100 %	Manufacturing, Distribution & Servicing
J.H.Fenner & Co (Special Belting) Limited* **	Hesslewood Country Office Park, Ferriby Road, Hessle, East Yorkshire, HU13 0PW, UK	100 %	Non-trading
Fenner Advanced Sealing Technologies Limited* **	Hesslewood Country Office Park, Ferriby Road, Hessle, East Yorkshire, HU13 0PW, UK	100 %	Non-trading
Hallite Limited* **	Hesslewood Country Office Park, Ferriby Road, Hessle, East Yorkshire, HU13 0PW, UK	100 %	Non-trading
Hallite Polytek Limited**	Hesslewood Country Office Park, Ferriby Road, Hessle, East Yorkshire, HU13 0PW, UK	100 %	Non-trading
Fenner International Limited*	Hesslewood Country Office Park, Ferriby Road, Hessle, East Yorkshire, HU13 0PW, UK	100 %	Investment
Dunlop Conveyor Belting Investments Limited	Hesslewood Country Office Park, Ferriby Road, Hessle, East Yorkshire, HU13 0PW, UK	100 %	Investment
Fenner Advanced Sealing Investments Limited**	Hesslewood Country Office Park, Ferriby Road, Hessle, East Yorkshire, HU13 0PW, UK	100 %	Non-trading
Fenner International Australia Limited	Hesslewood Country Office Park, Ferriby Road, Hessle, East Yorkshire, HU13 0PW, UK	100 %	Investment
Hall & Hall Limited	Hesslewood Country Office Park, Ferriby Road, Hessle, East Yorkshire, HU13 0PW, UK	100 %	Investment
Hallite (France) Limited**	Hesslewood Country Office Park, Ferriby Road, Hessle, East Yorkshire, HU13 0PW, UK	100 %	Non-trading
J.H. Fenner & Co (Advanced Engineered Products) Limited	Hesslewood Country Office Park, Ferriby Road, Hessle, East Yorkshire, HU13 0PW, UK	100 %	Investment
J.H. Fenner & Co (India) Limited	Hesslewood Country Office Park, Ferriby Road, Hessle, East Yorkshire, HU13 0PW, UK	100 %	Investment
James Dawson (China) Limited	Hesslewood Country Office Park, Ferriby Road, Hessle, East Yorkshire, HU13 0PW, UK	100 %	Investment
Norwegian Seals UK Limited**	Hesslewood Country Office Park, Ferriby Road, Hessle, East Yorkshire, HU13 0PW, UK	100 %	Non-trading
Fenner N.A. Limited	Hesslewood Country Office Park, Ferriby Road, Hessle, East Yorkshire, HU13 0PW, UK	100 %	Investment
Australian Conveyor Engineering Pty Limited	268 Geelong Road, West Footscray, VIC 3012, Australia	100 %	Manufacturing, Distribution & Servicing

FENNER GROUP HOLDINGS LIMITED (FORMERLY FENNER PLC)

Notes to the financial statements

For the 16 month period ended 31 December 2018

14. Investments (continued)

Belle Banne Conveyor Services Pty Limited	268 Geelong Road, West Footscray, VIC 3012, Australia	100 %	Manufacturing, Distribution & Servicing
Fenner (Pacific) Pty Limited	268 Geelong Road, West Footscray, VIC 3012, Australia	100 %	Investment
Fenner Australia Financing (Pty) Limited	268 Geelong Road, West Footscray, VIC 3012, Australia	100 %	Investment
Fenner Dunlop Australia Pty Limited	268 Geelong Road, West Footscray, VIC 3012, Australia	100 %	Manufacturing, Distribution & Servicing
Fenner Dunlop Conveyor Services Pty Limited	268 Geelong Road, West Footscray, VIC 3012, Australia	100 %	Investment
Fenner Investments Australia Limited Partnership	268 Geelong Road, West Footscray, VIC 3012, Australia	100 %	Investment
Hallite Seals Australia Pty Limited	Unit 2, 1A Bessemer Street, Blacktown, NSW 2148, Australia	100 %	Manufacturing, Distribution & Servicing
Transeals Pty Limited	1 Atlas Court, Welshpool, WA 6106, Australia	100 %	Manufacturing, Distribution & Servicing
Fenner Dunlop (Bracebridge), Inc	700 Ecclestone Drive, Bracebridge, ON P1L 1W1, Canada	100 %	Manufacturing, Distribution & Servicing
Hallite Seals (Canada) Limited	5630 Kennedy Road, Mississauga, ON L4Z 2A9, Canada	100 %	Manufacturing, Distribution & Servicing
Conveyor Services, SA	Nestor del Fierro 440, Sector Industrial La Negra, Antofagasta, Chile	66 %	Manufacturing, Distribution & Servicing
Fenner Dunlop Chile SpA	Isidora Goyenechea 3120, Piso 13, Las Condes, Santiago, Chile	100 %	Non-trading
Fenner International Chile Limitada	Isidora Goyenechea 3120, Piso 13, Las Condes, Santiago, Chile	100 %	Investment
Dawson Polymer Products (Shanghai) Company Limited	445 Waiqian Gong Road, Jiading, Shanghai 201823, China	100 %	Manufacturing, Distribution & Servicing
Dunlop Conveyor Belting (Shanghai) Co. Limited	445 Waiqian Gong Road, Jiading, Shanghai 201823, China	100 %	Manufacturing, Distribution & Servicing
Fenner Management (Shanghai) Company Limited	445 Waiqian Gong Road, Jiading, Shanghai 201823, China	100 %	Non-trading
Hallite Shanghai Company Limited	785 Xing Rong Road, Jiading, Shanghai 201807, China	100 %	Manufacturing, Distribution & Servicing
Shanghai Fenner Conveyor Belting Co Limited	445 Waiqian Gong Road, Jiading, Shanghai 201823, China	85 %	Manufacturing, Distribution & Servicing
Fenner Dunlop SARL	Saint Pierre, Elancourt, 78990, France	100 %	Manufacturing, Distribution & Servicing
Dichtelemente Hallite GmbH	Billwerder Ring 17, 21035 Hamburg, Germany	100 %	Manufacturing, Distribution & Servicing
Dunlop Conveyor Belting Ghana Limited	17 Alema Avenue, Airport Residential Area, Accra, Ghana	100 %	Manufacturing, Distribution & Servicing
Fenner Conveyor Belting Private Limited	Madurai-Dindigul Road, Nagari, Madurai, 625017, India	100 %	Manufacturing, Distribution & Servicing

FENNER GROUP HOLDINGS LIMITED (FORMERLY FENNER PLC)

Notes to the financial statements

For the 16 month period ended 31 December 2018

14. Investments (continued)

Hallite Sealing Solutions India Private Limited	Special Plot No.10, 3rd Main, 1st Stage, Peenya Industrial Estate, Bangalore, 560058, India	100 %	Manufacturing, Distribution & Servicing
Hallite Italia S.r.l.	Via Francia 21, Collesalveti, Livorno, 57017, Italy	100 %	Manufacturing, Distribution & Servicing
Fenner Dunlop Italia S.r.l.	Via Agnello 8, Milano (MI), 20121, Italy	100 %	Manufacturing, Distribution & Servicing
Fenner Dunlop Maroc SARL	6 sis Park Tawfic, Route Secondaire 111, Zenata-Ain Sebaa-Casablanca, Morocco	100 %	Manufacturing, Distribution & Servicing
De Bruin & Berends B.V.	Oliemolenstraat 2, Drachten, 9203 ZN, Netherlands	100 %	Investment
Dunlop Assets B.V.	Heemst 2, Klazienaveen, 7892 AL, Netherlands	100 %	Investment
Dunlop Conveyor Belting International B.V.	Oliemolenstraat 2, Drachten, 9203 ZN, Netherlands	100 %	Non-trading
Dunlop Enerka Netherlands B.V.	Oliemolenstraat 2, Drachten, 9203 ZN, Netherlands	100 %	Investment
Dunlop Enerka Netherlands Holding B.V.	Heemst 2, Klazienaveen, 7892 AL, Netherlands	100 %	Investment
Dunlop Manufacturing Holdings B.V.	Heemst 2, Klazienaveen, 7892 AL, Netherlands	100 %	Investment
Dunlop Sales & Marketing B.V.	Heemst 2, Klazienaveen, 7892 AL, Netherlands	100 %	Non-trading
Dunlop Service B.V.	Heemst 2, Klazienaveen, 7892 AL, Netherlands	100 %	Manufacturing, Distribution & Servicing
Dunlop Service International B.V.	Oliemolenstraat 2, Drachten, 9203 ZN, Netherlands	100 %	Investment
Fenner Dunlop B.V.	Oliemolenstraat 2, Drachten, 9203 ZN, Netherlands	100 %	Manufacturing, Distribution & Servicing
Fenner Dunlop Steelcord B.V.	Oliemolenstraat 2, Drachten, 9203 ZN, Netherlands	100 %	
Fenner US Financing B.V.		100 %	Investment
Fenner Mandals AS	Nordre Banegate 26, 4515 Mandal, Norway	100 %	Manufacturing, Distribution & Servicing
Dunlop Conveyor Belting Polska sp.oz.o	Ul. Zwirki I Wigury 54, 43-190 Mikolow, Poland	100 %	Manufacturing, Distribution & Servicing
CDI Multiseals Pte. Limited	10 Tuas South St 5, 637792, Singapore	100 %	Manufacturing, Distribution & Servicing
Fenner Singapore Pte. Limited	16 Collyer Quay, 17 – 00, Hitachi Tower, 049318, Singapore	100 %	Investment
Fenner Dunlop SL	1 Tres Rieres Poligon Industrial Magarola, 08292 Esparreguera, Spain	100 %	Manufacturing, Distribution & Servicing
Fenner Conveyor Belting (South Africa) (Pty) Limited	21 Diesel Road, Isando 1600, South Africa	71 %	Manufacturing, Distribution & Servicing
Fenner (South Africa) (Pty) Limited	21 Diesel Road, Isando 1600, South Africa	100 %	Investment

FENNER GROUP HOLDINGS LIMITED (FORMERLY FENNER PLC)

Notes to the financial statements

For the 16 month period ended 31 December 2018

14. Investments (continued)

Dunlop Conveyor Belting Distribution FZE	Showroom No S3B2WH01, Jebel Ali, Dubai, 33413, United Arab Emirates	100 %	Manufacturing, Distribution & Servicing
Dunlop Service Middle East LLC	Showroom No S3B2SR01, Jebel Ali, Dubai, 33413, United Arab Emirates	100 %	Manufacturing, Distribution & Servicing
American Industrial Plastics, LLC	C T Corporation System, 1200 South Pine Island Road, Plantation, FL 33324, USA	100 %	Manufacturing, Distribution & Servicing
CDI Energy Products, LLC	C T Corporation System, 1999 Bryan Street, Suite 900, Dallas, TX 75201-	100 %	Manufacturing, Distribution & Servicing
Charter Medical, Limited	Lake Court, Suite 200, Raleigh, NC 27615-6417, USA	100 %	Manufacturing, Distribution & Servicing
Fenner Advanced Sealing Technologies, LLC	The Corporation Trust Company, 1209 Orange Street, Wilmington, DE 19801, USA	100 %	Investment
Fenner, Inc.	The Corporation Trust Company, Corporation Trust Centre, 1209 Orange Street, Wilmington, Delaware 19801	100 %	Manufacturing, Distribution & Servicing
Fenner America, Inc	The Corporation Trust Company, 1209 Orange Street, Wilmington, DE 19801, USA	100 %	Investment
Fenner Dunlop Americas, LLC	C T Corporation System, 600 North 2nd Street, Suite 401, Harrisburg, PA 17101-1071, USA	100 %	Manufacturing, Distribution & Servicing
Fenner Dunlop Conveyor Systems and Services, LLC	C T Corporation System, 600 North 2nd Street, Suite 401, Harrisburg, PA 17101-1071, USA	100 %	Manufacturing, Distribution & Servicing
Fenner Dunlop (Port Clinton), LLC	C T Corporation System, 4400 Easton Commons Way, Suite 125, Columbus, OH 43219, USA	100 %	Manufacturing, Distribution & Servicing
Fenner Dunlop (Toledo), LLC	C T Corporation System, 4400 Easton Commons Way, Suite 125, Columbus, OH 43219, USA	100 %	Manufacturing, Distribution & Servicing
Fenner U.S., Inc.	Delaware Trust Company, 103 Foulk Road, Suite 200, Wilmington, DE 19803, USA	100 %	Investment
Hallite Seals Americas, LLC	The Corporation Company, 40600 Ann Arbor Road East, Suite 201, Plymouth, MI 48170-4675, USA	100 %	Manufacturing, Distribution & Servicing
SanaVita Medical, LLC	C T Corporation System, 600 North 2nd Street, Suite 401, Harrisburg, PA 17101-1071, USA	100 %	Manufacturing, Distribution & Servicing
The Secant Group, LLC	C T Corporation System, 600 North 2nd Street, Suite 401, Harrisburg, PA 17101-1071, USA	100 %	Manufacturing, Distribution & Servicing
Solesis Medical Technologies, Inc.	C T Corporation System, 600 North 2nd Street, Suite 401, Harrisburg, PA 17101-1071, USA	100 %	Investment

Notes to the financial statements

For the 16 month period ended 31 December 2018

14. Investments (continued)

*Held directly by Fenner Group Holdings Limited.

**Companies were liquidated after the balance sheet date.

All investments are in ordinary shares.

The registered address for all companies in the UK changed after the year end date, to: C/O Michelin Tyre Plc, Campbell Road, Stoke-on-Trent ST4 4EY, UK.

The impairments in the period relate to Fenner Advanced Sealing Technologies Limited, J.H. Fenner & Co (Special Belting) Limited and Hallite Limited. Further details can be found in note 12.

In the directors' opinion the value of the Company's investments in subsidiary undertakings is not less than the amounts at which they are included in the balance sheet.

All companies are incorporated in the country of the registered address. For the companies that have a registered address in the UK, these are all incorporated in England.

FENNER GROUP HOLDINGS LIMITED (FORMERLY FENNER PLC)

Notes to the financial statements

For the 16 month period ended 31 December 2018

15. Debtors

	31 December 2018 £000	31 August 2017 £000
Due after more than one year		
Deferred tax asset	3,225	2,598
	<u>3,225</u>	<u>2,598</u>
Due within one year		
Amounts owed by group undertakings	137,297	149,491
Other debtors	61	31
	<u>137,358</u>	<u>149,522</u>

Amounts owed by group undertakings principally relate to various unsecured interest bearing loans. They are either at fixed rates and repayable within periods of up to 10 years or at floating rates based on a margin over LIBOR and repayable on demand.

16. Cash and cash equivalents

	31 December 2018 £000	31 August 2017 £000
Cash at bank and in hand	1,210	5,006
	<u>1,210</u>	<u>5,006</u>

FENNER GROUP HOLDINGS LIMITED (FORMERLY FENNER PLC)

Notes to the financial statements

For the 16 month period ended 31 December 2018

17. Creditors: Amounts falling due within one year

	31 December 2018 £000	31 August 2017 £000
Amounts owed to group undertakings	-	11,957
Corporation tax	-	1,055
Accruals and deferred income	645	154
	<u>645</u>	<u>13,166</u>

Amounts owed to Group undertakings were interest free and repayable on demand.

18. Financial instruments

	31 December 2018 £000	31 August 2017 £000
Financial assets		
Financial assets measured at fair value through profit or loss	1,210	5,006
Financial assets that are debt instruments measured at amortised cost	137,358	149,522
	<u>138,568</u>	<u>154,528</u>
Financial liabilities		
Financial liabilities measured at amortised cost	(645)	(12,111)
	<u>(645)</u>	<u>(12,111)</u>

19. Deferred taxation

	2018 £000	2017 £000
At the beginning of the period/year	2,138	5,910
Credited to profit or loss	121	29
Charged to other comprehensive income	559	(3,801)
At the end of the period/year	<u>2,818</u>	<u>2,138</u>

FENNER GROUP HOLDINGS LIMITED (FORMERLY FENNER PLC)

Notes to the financial statements

For the 16 month period ended 31 December 2018

19. Deferred taxation (continued)

	31 December 2018 £000	31 August 2017 £000
Accelerated tax depreciation	(120)	(185)
Revaluation of tangible fixed assets	(198)	(182)
Retirement benefit obligations	3,051	2,598
Other short term timing differences	(89)	(93)
Losses	174	-
	<u>2,818</u>	<u>2,138</u>
Comprising:		
Asset - due after one year	3,225	2,598
Liability	(407)	(460)
	<u>2,818</u>	<u>2,138</u>

20. Share capital

	31 December 2018 £000	31 August 2017 £000
Shares classified as equity		
Allotted, called up and fully paid		
195,007,399 (2017 - 194,002,741) ordinary shares of £0.25 each	<u>48,751</u>	<u>48,500</u>

During the 16 month period 1,004,658 (2017 - NIL) ordinary shares of 25p were issued under the Fenner Group's Performance Share Plan, amounting to £251,165 (2017 - £NIL).

The Company has one class of ordinary shares of 25p which carry no right to fixed income.

Notes to the financial statements

For the 16 month period ended 31 December 2018

21. Share based payments

Conditional awards of shares were made to certain employees within the Company. The conditional award was made to each employee at the start of a three year performance period and was based on a percentage of the basic annual salary of each employee. The awards were subject to the satisfaction of performance criteria.

The proportion of the conditional share awards were based on a combination of the Total Shareholder Return ("TSR") measure, an Earnings Per Share ("EPS") measure and a Return on Gross Capital Employed ("ROGCE") measure. For the 18 November 2014 scheme, the TSR measure accounted 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 accounted for 50% of the conditional award and the EPS measure for 50%. For the 18 January 2018 scheme, the TSR measure accounted for 25% of the conditional award, the EPS measure for 50% and the ROGCE measure for 25%. The TSR element of the award was based on relative TSR compared to the FTSE 250 (excluding investment trusts) and the EPS performance target was set against underlying EPS growth in the Company, both measured over the three year performance period.

During the period all conditional share awards were awarded upon acquisition of the Company by Michelin.

Details of movements are as follows:

	Number of shares
At 1 September 2017	1,116,496
Conditional awards during the period	273,779
Dividend roll up awards applied	6,552
Lapsed during the period	(277,992)
Final awards in the period	(1,118,835)
31 December 2018	-

No conditional share awards are outstanding at 31 December 2018.

22. Contingent liabilities

The Company has guaranteed the borrowings of certain subsidiary undertakings. At 31 December 2018, these borrowings amounted to £138,075,000 (2017 - £177,765,000).

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For the 16 month period ended 31 December 2018

23. Retirement benefit obligations

The Company operates a Defined benefit pension scheme for certain employees in the UK. The Company is the principal employer of the 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 was performed at 31 March 2017. The results of the valuation were rolled forward to 31 December 2018 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.

The weighted average duration of the Fenner Pension Scheme liabilities is 16.0 years (2017: 15.2 years).

Movements in the net retirement benefit obligation in the Company balance sheet are as follows:

	2018 £000	2017 £000
Reconciliation of present value of plan liabilities		
At the start of the period/year	191,062	205,801
Current service cost	1,494	1,114
Past service - settlement of schemes	-	(636)
Past service - plan amendment	3,600	-
Interest cost	6,155	4,039
Remeasurements	(5,818)	(11,105)
Benefits paid	(11,890)	(8,151)
At the end of the period/year	184,603	191,062

Notes to the financial statements
For the 16 month period ended 31 December 2018

23. Retirement benefit obligations (continued)

	2018	2017
	£000	£000
Reconciliation of fair value of plan assets		
At the start of the period/year	175,777	170,151
Administration expenses	(939)	(454)
Past service - settlement of schemes	-	(445)
Interest income	5,626	3,360
Remeasurements	(9,048)	6,520
Employer contributions	7,122	4,796
Benefits paid	(11,890)	(8,151)
At the end of the period/year	166,648	175,777

Active members of the scheme make contributions to the scheme but, due to a salary sacrifice arrangement, these are treated as contributions directly from the respective employer.

The fair value of assets of the scheme are as follows:

	31	31 August
	December	2017
	2018	2017
	£000	£000
Quoted		
Equities	19,347	21,362
Global return funds	21,859	32,230
Dynamic asset allocation fund	16,598	16,739
Bonds	19,305	19,485
Loan funds	37,624	28,387
	114,733	118,203
Not Quoted		
Liability Driven Investment solution	49,712	56,115
Cash and cash equivalents	2,203	1,459
	51,915	57,574
Total assets of the schemes	166,648	175,777

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23. Retirement benefit obligations (continued)

The Company'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.

	31 December 2018 £000	31 August 2017 £000
Fair value of plan assets	166,648	175,777
Present value of plan liabilities	(184,603)	(191,062)
Net pension scheme liability	(17,955)	(15,285)

Amounts charged/(credited) to the income statement are as follows:

	31 December 2018 £000	31 August 2017 £000
Current service cost	1,494	1,114
Administration expenses	939	454
Past service - settlement of schemes	-	(191)
Past service - plan amendment	3,600	-
Net interest cost	529	679
Total	6,562	2,056

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 - 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 relates to the estimated impact of the guaranteed minimum pension equalisation ruling for the Fenner Pension Scheme. These are classified as exceptional items.

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23. Retirement benefit obligations (continued)

Amounts recognised in the statement of changes in equity are as follows:

	31 December 2018 £000	31 August 2017 £000
Actual return on plan assets	(3,422)	9,880
Less interest on plan assets	(5,626)	(3,360)
	<u>(9,048)</u>	<u>6,520</u>
Other actuarial remeasurements due to:		
- changes in financial and demographic assumptions and experience on obligations	5,818	11,105
Total remeasurements	<u>(3,230)</u>	<u>17,625</u>

Remeasurements are recognised in other comprehensive income in the period in which they are incurred.

	2018 %	2017 %
Actuarial assumptions		
Discount rate	2.6%	2.4 %
Inflation rate - RPI	3.2%	3.4 %
Inflation rate - CPI	2.2%	2.4 %
Rate of increase in salaries	4.2%	4.4 %
Rate of increase in benefits in payment subject to Limited Price Indexation increase:		
- capped at 5.0% (based on RPI)	3.1%	3.2%
- capped at 2.5% (based on RPI)	2.0%	2.1%
- capped at 3.0% (based on CPI)	1.9%	2.0%

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23. Retirement benefit obligations (continued)

The principal assumptions of the schemes are determined using appropriate expert advice and available market data. 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.

The principal assumptions used to determine the assets and liabilities of the schemes along with the expected future lifetime of average members currently at age 65 in 20 years time (i.e. members currently aged 45 years) are as follows:

	31 December 2018	31 August 2017
Current pensioner at age 65:		
- men	21.8 years	21.7 years
- women	23.6 years	23.6 years
Future pensioner at age 65 (current age 45):		
- men	23.2 years	23.1 years
- women	25.2 years	25.1 years

Sensitivity analysis

Changes to the principal assumptions can have an effect on the reported retirement benefit obligation for 2018. The effects of these changes are as follows:

	Half percentage point increase £	Half percentage point decrease £
Discount rate	(12,564,000)	14,769,000
Inflation	4,689,000	(4,368,000)

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.

24. Ultimate parent undertaking and controlling party

The immediate parent undertaking and controlling party is Compagnie Generale des Etablissements Michelin SCA.

The ultimate parent undertaking and the smallest and largest group to consolidate these financial statements is Compagnie Generale des Etablissements Michelin SCA. Copies of Compagnie Generale des Etablissements Michelin SCA's consolidated financial statements can be obtained from the company's registered office address which is 12 Cours Sablon, Clermont-Ferrand, Puy de Dome, France.