Renold plc
Interim results for the half year ended 30 September 2010

Renold plc, a leading international supplier of industrial chains and related power transmission products, today announces its interim results for the half year ended 30 September 2010.

Financial Summary

	Half year ended 30 September	
	2010 £m	2009 £m
Revenue	**92.9**	75.5
Operating profit/(loss) before exceptional items	**3.1**	(2.3)
Operating profit/(loss)	**2.9**	(3.7)
Profit/(loss) before tax	**0.4**	(8.8)
Other information		
Basic and diluted earnings/(loss) per share	**0.1p**	(9.7)p
Adjusted[1] earnings/(loss) per share	**0.7p**	(3.1)p

Highlights

- Underlying[2] order intake 27% higher than the comparable period
- Underlying revenue growth of 17%, driven by 31% growth in the Chain division
- Significant £5.4 million turnaround in operating profit before exceptional items
- Torque Transmission margins improved due to restructuring benefits and changes in the product mix
- Drop through of incremental revenue to operating profit running at ~40%

Prospects

Matthew Peacock, Chairman of Renold plc, said:

"The business is now enjoying the combined benefits of previous work to reduce the cost base and strong revenue growth in the first half. Order books are being replenished and the outlook for second half sales continues the positive trend. Profits have been generated consistently throughout the period and this will continue as further improvements are made to our cost base. The Group is very well placed to take advantage of improving markets and gains in market share."

23 November 2010

[1] Throughout these interim results "adjusted" means after eliminating the effects of exceptional items, non-cash IAS 19 pensions charge, and any associated tax thereon.
[2] "Underlying" means after eliminating the effects of foreign exchange translation.

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Renold plc

Chairman's Statement

The results for the six months to 30 September 2010 exceeded the Board's expectations with an underlying 17% increase in sales as a result of recovering markets and new sales growth following recent investments in China and India. Actions taken by management to reduce costs and resize the manufacturing footprint of the business in the last two years have given the Group a strong operational base on which to grow the business.

Group Results

The Group delivered a strong set of results for the first half of 2010/11 with orders, sales and operating profit significantly up on 2009/10. Order intake has surpassed sales for five of the past six months (August being the small exception). Order intake was 27% higher than the comparable period last year and the underlying order book at the end of the period is 13% higher than the start. Underlying sales increased by 17%. The increase in sales was largely due to a significant 31% recovery in all geographies within the Chain division. Sales in the Torque Transmission division have remained relatively stable despite the completion of a major contract in the prior year.

Operating profit before exceptional items was £3.1 million compared to a loss of £2.3 million in the first half of 2009/10. Incremental revenue has therefore been converted to additional profit at an underlying rate of 39% highlighting the significant impact of operational gearing. The business has now had five consecutive months of operating profitability.

Net debt has increased by £5.7 million from 31 March 2010 principally due to increased working capital requirements (£7.0 million outflow compared to a £2.6 million inflow), and increasing capital expenditure by £2.1 million following a year of tight restraint. Cash financing costs are £2.2 million lower than the prior year which included the exceptional refinancing costs.

The increase in the Group's retirement benefit obligations from £73.0 million (£56.8 million net of deferred tax) at 31 March 2010 to £85.6 million (£66.5 million net of deferred tax) at 30 September 2010 is primarily due to the decrease in the discount rate assumption applied to the UK pension plans from 5.6% at 31 March 2010 to 5.0% at 30 September 2010 partially offset by a reduction in the inflation rate assumption from 3.7% to 3.2%. Discussions have commenced with the trustees of two of the UK pension schemes on the Triennial Review as at 31 March 2010. The discussions will include the subject of future funding requirements and are expected to conclude in 2011.

Business Review

Renold Chain

Renold Chain is the Group's largest segment generating 76% of Group revenue. Underlying sales have increased by 31% and the underlying order intake is 37% higher than at the same point last year.

Sales and profitability have improved across all regions. Sales growth was particularly strong in the various European, US, Chinese and Indian operations (growth rates above 30%). This has been due to a recovery in end user markets as well as gains in market share. The closing order book is now 12% higher than at the start of the year.

The restructuring activities in previous years in the Chain division combined with increased sales create significantly improved profitability. An underlying £3.3 million operating loss before exceptional items in 2009/10 has become a profit of £2.0 million.

As part of the ongoing review of costs and manufacturing operations, the Group has commenced formal discussions with employee representatives on the future of the manufacturing arm of our Seclin facility in France that could result in a cessation of those activities. That part of the business currently employs around 20 people. The discussions are expected to complete during the second half of the year. In addition, a warehouse consolidation project is underway in the US.

Torque Transmission

Torque Transmission is the smaller of the two operating divisions in terms of sales, representing 24% of total Group sales. Order intake is 3% ahead of last year and the order book is 14% higher than last year despite the completion in March 2010 of a major contract which generated sales of £10.5 million in its last twelve months of operation.

Torque Transmission sales fell 12% during the year with new sources of revenue significantly offsetting the 24% fall that would have resulted from the end of the contract noted above. Operating profit before exceptional items is 18% ahead of the comparable period in 2009/10, largely due to higher margins enjoyed in the power generation sector.

Dividend

The Board has recommended that no interim dividend be paid. The directors consider it unlikely that a final dividend will be paid this year but they will consider future dividend policy in the light of results from the business going forward.

Risks and uncertainties

The principal risks and uncertainties affecting the business activities of the Group, as well as the risk mitigating controls put in place, remain those detailed in the Annual Report for the year ended 31 March 2010. These include macro economic risks as well as various risks relating to Group treasury activities. In addition, key operational risks are raw material and other input cost prices and product liability claims. The impending implementation of a Group wide ERP system is a further non-recurring risk that is currently under management.

The Group's results have particular exposure to the movements in steel prices and the US Dollar/GB Pound/Euro exchange rate. Both risks are managed through diverse sourcing of supply and the forward hedging of net currency cash flows. The valuation of retirement benefit obligations can be significantly impacted by changes to the market based yields on corporate bonds and inflation prospects. However, it should be noted that the cash flows to support the pension schemes are more stable and subject to long term funding plans which are reviewed every three years. The Group's principal bank credit facility expires in June 2012 and is expected to be renewed in the normal course of business. The Group operates with adequate headroom on its facilities and covenants.

Outlook

Market conditions have improved across all of our areas of operation with additional incremental gains in market share during the first half. The strengthening order book therefore provides confidence for the second half of the year. We expect the sales trends established in the first half to continue. The Group continues to actively manage our cost base and global manufacturing footprint. The implementation of a world wide ERP system will also enhance the Group's ability to generate profits. The objectives now are to deliver a 10% Return on Sales margin and consistent cash generation.

Statement of directors' responsibilities

The directors confirm that to the best of their knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union;

- the interim management report includes a fair review of the information required by:

  (a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of interim financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

  (b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the Group during that period; and any changes in the related party transactions described in the last annual report that could do so.

The directors of Renold plc are listed in the Annual Report for the year ended 31 March 2010. Peter Bream resigned as a director on 27 September 2010. Brian Tenner was appointed Group Finance Director from 27 September 2010. A list of current directors is maintained on the Group website at www.renold.com.

By order of the Board

Robert Davies	**Brian Tenner**
Chief Executive	Finance Director
23 November 2010	23 November 2010

RENOLD PLC
Condensed Consolidated Income Statement
for the six months ended 30 September 2010 (unaudited)

	Note	First half 2010/11 £m	First half 2009/10 £m	Full year 2009/10 £m
Revenue	3	**92.9**	75.5	156.1
Operating costs		**(90.0)**	(79.2)	(160.9)
Operating profit/(loss)		**2.9**	(3.7)	(4.8)
Operating profit/(loss) before exceptional items		**3.1**	(2.3)	(2.1)
Exceptional items	4	**(0.2)**	(1.4)	(2.7)
Operating profit/(loss)		**2.9**	(3.7)	(4.8)
Financial costs		**(0.8)**	(1.1)	(2.8)
Financial revenue		**-**	-	0.6
Net IAS 19 financing costs		**(1.7)**	(1.7)	(3.8)
Exceptional refinancing costs	4	**-**	(2.3)	(2.8)
Net financing costs	5	**(2.5)**	(5.1)	(8.8)
Profit/(loss) before tax		**0.4**	(8.8)	(13.6)
Taxation	6	**(0.2)**	1.3	3.9
Profit/(loss) for the financial period		**0.2**	(7.5)	(9.7)
Attributable to:				
Equity holders of the parent		**0.3**	(7.5)	(9.6)
Non-controlling interests		**(0.1)**	-	(0.1)
		0.2	(7.5)	(9.7)
Earnings per share	7			
Basic earnings/(loss) per share		**0.1p**	(9.7)p	(8.0)p
Diluted earnings/(loss) per share		**0.1p**	(9.7)p	(8.0)p
Adjusted earnings/(loss) per share		**0.7p**	(3.1)p	(1.4)p
Diluted adjusted earnings/(loss) per share		**0.7p**	(3.1)p	(1.4)p

RENOLD PLC
Condensed Consolidated Statement of Comprehensive Income
for the six months ended 30 September 2010 (unaudited)

	First half		Full year
	2010/11	2009/10	2009/10
	£m	£m	£m
Profit/(loss) for the period	**0.2**	(7.5)	(9.7)
Other comprehensive income/(expense):			
Losses on cash flow hedges to the income statement	**-**	-	0.1
Net gains on cash flow hedges taken to equity	**0.2**	2.6	2.7
Foreign exchange translation differences	**(0.2)**	(0.7)	1.2
Foreign exchange losses on loans forming part of the net investment in foreign operations	**(0.7)**	(2.2)	(1.8)
Actuarial losses on retirement benefit obligations	**(12.2)**	(19.5)	(21.5)
Actuarial gains on pension fund surplus	**-**	-	1.5
Tax on components of other comprehensive income	**2.8**	5.5	4.9
Other comprehensive expense for the period	**(10.1)**	(14.3)	(12.9)
Total comprehensive expense for the period	**(9.9)**	(21.8)	(22.6)
Attributable to:			
Equity holders of the parent	(9.8)	(21.8)	(22.5)
Non-controlling interests	(0.1)	-	(0.1)
Total comprehensive expense for the period	(9.9)	(21.8)	(22.6)

RENOLD PLC
Condensed Consolidated Statement of Financial Position
as at 30 September 2010 (unaudited)

	Note	**30 September 2010 £m**	30 September 2009 £m	31 March 2010 £m
Assets				
Non-current assets				
Goodwill		**22.7**	22.1	23.5
Other intangible fixed assets		**2.5**	0.9	1.6
Property, plant and equipment		**48.9**	48.6	49.9
Investment property		**2.0**	2.2	2.1
Other non-current assets		**0.4**	0.5	0.4
Deferred tax assets		**25.6**	20.5	22.9
		102.1	94.8	100.4
Current assets				
Inventories		**45.6**	43.7	42.9
Trade and other receivables		**33.3**	27.4	28.3
Retirement benefit surplus	8	**1.5**	-	1.5
Current tax asset		**-**	0.2	-
Cash and cash equivalents	11	**4.5**	9.0	7.3
		84.9	80.3	80.0
Total assets		**187.0**	175.1	180.4
Liabilities				
Current liabilities				
Borrowings	11	**(16.2)**	(12.6)	(13.4)
Trade and other payables		**(34.0)**	(30.2)	(33.0)
Current tax		**(0.6)**	-	(0.2)
Derivative financial instruments		**-**	(0.3)	(0.2)
Provisions		**(0.4)**	(2.3)	(0.6)
		(51.2)	(45.4)	(47.4)
Net current assets		**33.7**	34.9	32.6
Non-current liabilities				
Borrowings	11	**(11.4)**	(35.5)	(11.3)
Provisions		**(0.5)**	(0.5)	(0.5)
Preference stock	11	**(0.5)**	(0.5)	(0.5)
Trade and other payables		**(0.1)**	(0.1)	(0.5)
Deferred tax liabilities		**(0.8)**	(0.9)	(0.9)
Retirement benefit obligations	8	**(87.1)**	(73.8)	(74.5)
		(100.4)	(111.3)	(88.2)
Total liabilities		**(151.6)**	(156.7)	(135.6)
Net assets		**35.4**	18.4	44.8
Equity				
Issued share capital		**26.4**	19.3	26.4
Share premium		**29.4**	9.6	29.4
Currency translation reserve		**6.1**	4.7	7.0
Other reserves		**1.1**	0.7	0.9
Retained earnings		**(29.6)**	(17.5)	(20.7)
Attributable to parent equity holders		**33.4**	16.8	43.0
Non-controlling interests		**2.0**	1.6	1.8
Total shareholders' equity		**35.4**	18.4	44.8

RENOLD PLC
Condensed Consolidated Statement of Cash Flows
for the six months ended 30 September 2010 (unaudited)

	First half		Full year
	2010/11 £m	2009/10 £m	2009/10 £m
Cash flows from operating activities (Note 9)			
Cash (absorbed)/generated by operations	**(2.2)**	(1.0)	0.9
Income taxes received	**-**	0.7	1.0
Net cash flows from operating activities	**(2.2)**	(0.3)	1.9
Cash flows from investing activities			
Acquisition of subsidiary	**(0.7)**	-	(0.5)
Purchase of property, plant and equipment	**(1.8)**	(0.8)	(3.3)
Purchase of intangible assets	**(1.1)**	-	(0.9)
Proceeds from non-controlling interests capital injection	**0.3**	-	0.3
Net cash flows from investing activities	**(3.3)**	(0.8)	(4.4)
Cash flows from financing activities			
Financing costs paid	**(0.8)**	(3.0)	(5.6)
Proceeds from borrowings	**4.0**	6.5	3.0
Repayment of borrowings	**(3.2)**	(5.6)	(24.0)
Issue of ordinary shares	**-**	-	26.9
Payment of finance lease obligations	**-**	-	(0.1)
Net cash flows from financing activities	**-**	(2.1)	0.2
Net decrease in cash and cash equivalents	**(5.5)**	(3.2)	(2.3)
Net cash and cash equivalents at beginning of period	**5.9**	8.6	8.6
Effects of exchange rate changes	**-**	(0.4)	(0.4)
Net cash and cash equivalents at end of period	**0.4**	5.0	5.9

Cash and cash equivalents	**4.5**	9.0	7.3
Overdrafts (included in borrowings – Note 11)	**(4.1)**	(4.0)	(1.4)
Net cash and cash equivalents at end of period	**0.4**	5.0	5.9

RENOLD PLC
Condensed Consolidated Statement of Changes in Equity
for the six months ended 30 September 2010 (unaudited)

	Share capital £m	Share premium account £m	Retained earnings £m	Currency translation reserve £m	Other reserves £m	Non-controlling interests £m	Total equity £m
Balance at 1 April 2009	19.3	9.6	3.9	7.6	(1.9)	1.6	40.1
Loss for the year	-	-	(9.6)	-	-	(0.1)	(9.7)
Other comprehensive income	-	-	(15.1)	(0.6)	2.8	-	(12.9)
Total comprehensive income for the year	-	-	(24.7)	(0.6)	2.8	(0.1)	(22.6)
Proceeds from share placing	7.1	21.4	-	-	-	-	28.5
Associated costs of placing	-	(1.6)	-	-	-	-	(1.6)
Share-based payment charge	-	-	0.1	-	-	-	0.1
Proceeds from non-controlling interests	-	-	-	-	-	0.3	0.3
Balance at 31 March 2010	26.4	29.4	(20.7)	7.0	0.9	1.8	44.8
Profit for the year	-	-	0.3	-	-	(0.1)	0.2
Other comprehensive income	-	-	(9.4)	(0.9)	0.2	-	(10.1)
Total comprehensive income for the year	-	-	(9.1)	(0.9)	0.2	(0.1)	(9.9)
Share-based payment charge	-	-	0.2	-	-	-	0.2
Proceeds from non-controlling interests	-	-	-	-	-	0.3	0.3
Balance at 30 September 2010	26.4	29.4	(29.6)	6.1	1.1	2.0	35.4
Balance at 1 April 2009	19.3	9.6	3.9	7.6	(1.9)	1.6	40.1
Loss for the year	-	-	(7.5)	-	-	-	(7.5)
Other comprehensive income	-	-	(14.0)	(2.9)	2.6	-	(14.3)
Total comprehensive income for the year	-	-	(21.5)	(2.9)	2.6	-	(21.8)
Share-based payment charge	-	-	0.1	-	-	-	0.1
Balance at 30 September 2009	19.3	9.6	(17.5)	4.7	0.7	1.6	18.4

Notes to the Interim Condensed Consolidated Financial Statements

1 **Corporate information**

The condensed consolidated interim financial statements for the six months to 30 September 2010 were approved by the Board on 23 November 2010. These statements have not been audited or reviewed by the Group's Auditors pursuant to the Auditing Practices Board guidance on the Review of Interim Financial Information.

Renold plc is a limited liability company, incorporated and registered under the laws of England and Wales, whose shares are publicly traded. The principal activities of the Company and its subsidiaries are described in Note 3 and the performance in the half year is set out in the Interim Management Report.

These interim condensed consolidated financial statements do not constitute statutory accounts of the Group within the meaning of Section 434 of the Companies Act 2006. The statutory accounts for the year ended 31 March 2010 have been filed with the Registrar of Companies. The Auditors' report on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under Section 498(2) or Section 498(3) of the Companies Act 2006.

2 **Accounting policies**

Basis of preparation

The interim condensed consolidated financial statements for the six months ended 30 September 2010 have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with IAS 34 ("Interim Financial Reporting") as adopted by the European Union. It does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 March 2010.

Except as described below, the accounting policies, presentation and methods of computation applied by the Group in these condensed consolidated interim financial statements are the same as those applied in the Group's latest audited financial statements for the year ended 31 March 2010.

Changes in accounting policy

The following new standards, amendments to standards or interpretations are mandatory for the financial year ending 31 March 2011 and have been implemented in the period. None have had a material impact:

- IFRS 3 "Business combinations" (revised) has become effective from 1 January 2010. The revised standard has resulted in acquisition costs being expensed rather than being included in the cost of investment.

- Amendments to IFRS 2 "Group Cash-settled Share based Payment transactions", is effective from 1 January 2010;

- Improvements to IAS 17 "Leases", is effective from 1 January 2010;

- IAS 27 "Consolidated and Separate Financial statements" (revised);

- Amendments to IAS 39 "Financial Instruments: Recognition and Measurement – Eligible hedged items", is effective from 1 July 2009;

- Amendments to IAS 32 "Financial Instruments: Presentation – Classification of Rights Issue", is effective from 1 February 2010; and

- Improvements to IFRS (issued 2009).

The following standards and interpretations have been issued but not adopted as application was not mandatory for the period:

- IAS 24 “Related Party Disclosures” effective from 1 January 2011;
- IFRS 9 “ Financial Instruments: Classification and Measurement” effective from 1 January 2013;
- IFRIC 19 “Extinguishing Financial Liabilities with Equity Instruments” effective from 1 July 2010;
- Amendments to IFRIC 14 “Prepayments of a Minimum Funding Requirement” effective from 1 January 2011;
- Amendments to IFRS 7 “Financial Instruments Disclosures” effective from 1 January 2011; and
- Improvements to IFRS (issued 2010).

Going concern

The directors have a reasonable expectation that the business has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the condensed consolidated interim financial information.

Significant accounting judgements, estimates and assumptions

The preparation of these interim condensed consolidated financial statements, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were of the same type as those applied to the consolidated financial statements for the year ended 31 March 2010.

Financial risk management

The Group’s financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements for the year ended 31 March 2010.

3 Segment information

The Group is organised into business units according to the nature of their products and services. Having considered the management reporting and organisational structure of the Group, the directors have concluded that Renold plc has two reportable operating segments as follows:

- The Chain segment manufactures and sells power transmission and conveyor chain and also includes sales of Torque Transmission product through Chain National Sales Centres; and
- The Torque Transmission segment manufactures and sells torque transmission products such as gearboxes and couplings used in power transmission.

No operating segments have been aggregated to form the above reportable segments. Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment.

Previously, the Group disclosed two reportable operating segments, however the directors have concluded that corporate Head Office costs should not be allocated to the operating segments, and should be disclosed separately in the “Head Office and eliminations” column. As a result of this change, the comparative information has been restated. The impact of this change at 31 March 2010 is that head office costs for the Chain segment of £2.8 million (30 September 2009 - £1.4 million) and for the Torque Transmission segment of £1.1 million (30 September 2009 - £0.7 million) are now included in the Head Office costs and eliminations column. Additional disclosures to show changes in performance before the impact of foreign exchange differences have also been provided.

Period ended 30 September 2010	Chain £m	Torque Transmission £m	Head Office costs and eliminations £m	Consolidated £m
Revenue				
External sales	70.3	22.6	-	**92.9**
Inter-segment	0.2	3.4	(3.6)	**-**
Total revenue	70.5	26.0	(3.6)	**92.9**
Operating profit before exceptional items	2.0	3.3	(2.2)	**3.1**
Exceptional items	(0.2)	-	-	**(0.2)**
Segment operating profit/(loss)	1.8	3.3	(2.2)	**2.9**
Net financing costs				**(2.5)**
Profit before tax				**0.4**
Other disclosures				
Inventories	36.6	9.0	-	**45.6**
Capital expenditure	1.1	0.6	1.2	**2.9**
Depreciation and amortisation	1.8	0.5	0.2	**2.5**

Head Office costs for the period ended 30 September 2010 were £2.1 million.

The segment results for the period ended 30 September 2009 were as follows:

Period ended 30 September 2009	Chain £m	Torque Transmission £m	Head Office costs and eliminations £m	Consolidated £m
Revenue				
External sales	51.0	24.5	-	**75.5**
Inter-segment	0.1	2.2	(2.3)	**-**
Total revenue	51.1	26.7	(2.3)	**75.5**
Operating (loss)/profit before exceptional items	(3.2)	2.7	(1.8)	**(2.3)**
Exceptional items	(1.0)	(0.2)	(0.2)	**(1.4)**
Segment operating (loss)/profit	(4.2)	2.5	(2.0)	**(3.7)**
Net financing costs				**(5.1)**
Loss before tax				**(8.8)**
Other disclosures				
Inventories	34.6	9.1	-	**43.7**
Capital expenditure	0.2	0.6	-	**0.8**
Depreciation and amortisation	1.9	0.5	-	**2.4**

Head Office costs for the period ended 30 September 2009 were £2.1 million.

The Board reviews the performance of the business using information presented at consistent exchange rates. The prior year results have been restated using this year's exchange rates as follows:

Period ended 30 September 2009	Chain £m	Torque Transmission £m	Head Office costs and eliminations £m	Consolidated £m
Revenue				
External sales	51.0	24.5	-	**75.5**
Foreign exchange	2.7	1.1	-	**3.8**
Underlying external sales	53.7	25.6	-	**79.3**
Operating (loss)/profit before exceptional items	(3.2)	2.7	(1.8)	**(2.3)**
Foreign exchange	(0.1)	0.1	-	**-**
Underlying operating (loss)/profit before exceptional items	(3.3)	2.8	(1.8)	**(2.3)**

The segment results for the year ended 31 March 2010 have been restated to disclose Head Office costs separately in the "Head Office and eliminations" column rather than be allocated to the operating segments. The results were as follows:

Year ended 31 March 2010 (restated)	Chain £m	Torque Transmission £m	Head Office costs and eliminations £m	Consolidated £m
Revenue				
External sales	111.2	44.9	-	**156.1**
Inter-segment	0.4	5.3	(5.7)	**-**
Total revenue	111.6	50.2	(5.7)	**156.1**
Operating (loss)/profit before exceptional items	(4.6)	4.1	(1.6)	**(2.1)**
Exceptional items	(2.2)	(0.3)	(0.2)	**(2.7)**
Segment operating (loss)/profit	(6.8)	3.8	(1.8)	**(4.8)**
Net financing costs				**(8.8)**
Loss before tax				**(13.6)**
Other disclosures				
Inventories	33.8	9.1	-	**42.9**
Capital expenditure	3.3	0.9	-	**4.2**
Depreciation and amortisation	4.1	0.9	-	**5.0**

Head Office costs for the year ended 31 March 2010 were £3.9 million.

The Board reviews the performance of the business using information presented at consistent exchange rates. The prior year results have been restated using this year's exchange rates as follows:

Year ended 31 March 2010 (restated)	Chain £m	Torque Transmission £m	Head Office costs and eliminations £m	Consolidated £m
Revenue				
External sales	111.2	44.9	-	**156.1**
Foreign exchange	3.8	1.8	-	**5.6**
Underlying external sales	115.0	46.7	-	**161.7**
Operating (loss)/profit before exceptional items	(4.6)	4.1	(1.6)	**(2.1)**
Foreign exchange	0.1	-	-	**0.1**
Underlying operating (loss)/profit before exceptional items	(4.5)	4.1	(1.6)	**(2.0)**

4 **Exceptional items**

	First half		Full year
	2010/11 £m	2009/10 £m	2009/10 £m
Included in Operating costs:			
Reorganisation and redundancy costs	**0.2**	1.4	2.7
	0.2	1.4	2.7
Included in net Financing costs:			
Costs associated with refinancing	**-**	2.3	2.8
	-	2.3	2.8

5 **Net financing costs**

	First half		Full year
	2010/11	2009/10	2009/10
	£m	£m	£m
Financing costs:			
Interest payable on bank loans and overdrafts	**(0.8)**	(1.1)	(2.6)
Amortised financing costs	**-**	-	(0.2)
Total financing costs	**(0.8)**	(1.1)	(2.8)
Financing revenue:			
Ineffectiveness of net investment hedge	**-**	-	0.6
Total financing revenue	**-**	-	0.6
IAS 19 financing costs:			
Interest cost on plan assets	**(6.2)**	(6.3)	(12.9)
Expected return on pension plan assets	**4.5**	4.6	9.1
Net IAS 19 financing costs	**(1.7)**	(1.7)	(3.8)
Exceptional financing costs:			
Costs associated with refinancing	**-**	(2.3)	(2.8)
Total exceptional financing costs	**-**	(2.3)	(2.8)
Net financing costs	**(2.5)**	(5.1)	(8.8)

6 **Taxation**

	First half		Full year
	2010/11	**2009/10**	2009/10
	£m	**£m**	£m
Current tax:			
- UK	**-**	**-**	-
- Overseas	**0.3**	**(0.3)**	(0.2)
	0.3	**(0.3)**	(0.2)
Deferred tax:			
- UK	**(0.1)**	**-**	(0.5)
- Overseas	**-**	**(1.0)**	(3.2)
	(0.1)	**(1.0)**	(3.7)
Income tax expense/(credit)	**0.2**	**(1.3)**	(3.9)

Announcements were made in the Emergency Budget on 22 June 2010 that the main rate of corporation tax is to be reduced from 28% to 24% at a rate of 1% per year in the 2010 and subsequent Finance Acts.

Only the first 1% reduction of the announced 4% reduction in the corporation tax rate has been enacted or substantively enacted at the balance sheet date. This first reduction to a rate of 27% will be effective from 1 April 2011.

This has resulted in a £0.2 million deferred tax charge to the income statement and a £0.5 million deferred tax charge to the Statement of Other Comprehensive Income, due to the reduction in the value of the deferred tax assets recognised in the UK. Based on the closing deferred tax assets at the interim balance sheet date, the aggregate impact of the proposed reductions from 27% down to 24% would reduce the deferred tax asset by approximately £2.4 million. There will be a reduction of approximately £0.8 million per year, if only a 1% reduction in the corporation tax rate is enacted each year.

7 Earnings per share

Basic earnings per share is calculated by dividing the profit/(loss) for the period by the weighted average number of shares in issue during the period. Diluted earnings per share takes into account the dilutive effect of the options and awards outstanding under the Group's employee share schemes. The calculation of earnings per share is based on the following data:

	First half		Full year
	2010/11 Pence per share	2009/10 Pence per share	2009/10 Pence per share
Basic EPS	**0.1**	(9.7)	(8.0)
Diluted EPS	**0.1**	(9.7)	(8.0)
Adjusted EPS	**0.7**	(3.1)	(1.4)
Diluted adjusted EPS	**0.7**	(3.1)	(1.4)
	£m	£m	£m
Profit/(loss) for calculation of adjusted EPS			
Profit/(loss) for the financial period	**0.2**	(7.5)	(9.7)
Adjusted for exceptional items[3]:			
- Costs associated with refinancing	**-**	2.3	2.8
- Redundancy and restructuring costs	**0.2**	1.3	2.5
- Net IAS 19 pension financing costs	**1.2**	1.5	2.7
Profit/(loss) for the calculation of adjusted EPS	**1.6**	(2.4)	(1.7)
	Thousands	Thousands	Thousands
Weighted average number of ordinary shares			
For calculating basic earnings per share	**219,565**	77,065	120,520
Effect of dilutive securities:			
- employee share options	**444**	-	-
- warrants over shares	**609**	-	-
For calculating diluted earnings per share	**220,618**	77,065	120,520

[3] The adjusted earnings per share numbers have been provided in order to give a useful indication of underlying performance by the exclusion of exceptional items, the non-cash IAS19 charge and any tax thereon.

8 **Retirement benefit obligations**

The Group's retirement benefit obligations are summarised as follows:

	At 30 September 2010 £m	At 30 September 2009 £m	At 31 March 2010 £m
Funded plan obligations	**(227.9)**	(209.1)	(217.0)
Funded plan assets	**164.7**	158.6	165.2
Net funded plan obligations	**(63.2)**	(50.5)	(51.8)
Unfunded obligations	**(22.4)**	(23.3)	(21.2)
Total retirement benefit obligations	**(85.6)**	(73.8)	(73.0)

Analysed as follows:

Current assets			
Retirement benefit surplus	**1.5**	-	1.5
Non-current liabilities			
Retirement benefit obligations	**(87.1)**	(73.8)	(74.5)
Net retirement benefit obligation	**(85.6)**	(73.8)	(73.0)
Net deferred tax asset	**19.1**	16.5	16.2
Retirement benefit obligation net of deferred tax	**(66.5)**	(57.3)	(56.8)

The increase in the Group's liability from £73.0 million at 31 March 2010 to £85.6 million at 30 September 2010 is primarily due to the decrease in the discount rate assumption applied to the UK pension plans from 5.6% at 31 March 2010 to 5.0% at 30 September 2010 (approximately £20.0 million impact). This was partially offset by a reduction in the inflation rate assumption from 3.7% to 3.2% (approximately £9.5 million impact). Both assumptions are based on market conditions as at the period end.

9 **Cash generated by operations**

	First half		Full year
	2010/11 £m	2009/10 £m	2009/10 £m
Operating profit/(loss)	**2.9**	(3.7)	(4.8)
Depreciation and amortisation	**2.5**	2.4	5.0
Profit on plant and equipment disposals	**-**	-	0.5
Equity share plans	**0.2**	0.1	0.1
(Increase)/decrease in inventories	**(3.4)**	1.7	4.0
(Increase)/decrease in receivables	**(5.4)**	8.3	8.6
Increase/(decrease) in payables	**1.8**	(7.4)	(5.3)
Decrease in provisions	**(0.1)**	(0.5)	(2.2)
Movement on pension plans	**(0.7)**	(1.9)	(5.1)
Movement on derivative financial instruments	**-**	-	0.1
Cash (absorbed)/generated by operations	**(2.2)**	(1.0)	0.9

10. Reconciliation of the movement in cash and cash equivalents to movement in net debt

	At 30 September 2010 £m	At 30 September 2009 £m	At 31 March 2010 £m
Decrease in cash and cash equivalents	**(5.5)**	(3.2)	(2.3)
Change in net debt resulting from cash flows	**(0.8)**	(0.9)	21.0
Other non-cash movements	**-**	(0.1)	-
Foreign currency translation differences	**0.6**	1.8	0.6
Change in net debt during the period	**(5.7)**	(2.4)	19.3
Net debt at start of period	**(17.9)**	(37.2)	(37.2)
Net debt at end of period	**(23.6)**	(39.6)	(17.9)

11. Net Debt

	At 30 September 2010 £m	At 30 September 2009 £m	At 31 March 2010 £m
Cash and cash equivalents	**4.5**	9.0	7.3
Borrowings:			
Bank overdrafts	**(4.1)**	(4.0)	(1.4)
Bank loans – current	**(12.0)**	(8.5)	(11.9)
Obligations under finance leases – current	**(0.1)**	(0.1)	(0.1)
Sub-total – current borrowings	**(16.2)**	(12.6)	(13.4)
Bank loans – non-current	**(11.3)**	(35.4)	(11.2)
Obligations under finance leases – non-current	**(0.1)**	(0.1)	(0.1)
Sub-total – non-current borrowings	**(11.4)**	(35.5)	(11.3)
Preference stock	**(0.5)**	(0.5)	(0.5)
Net debt	**(23.6)**	(39.6)	(17.9)