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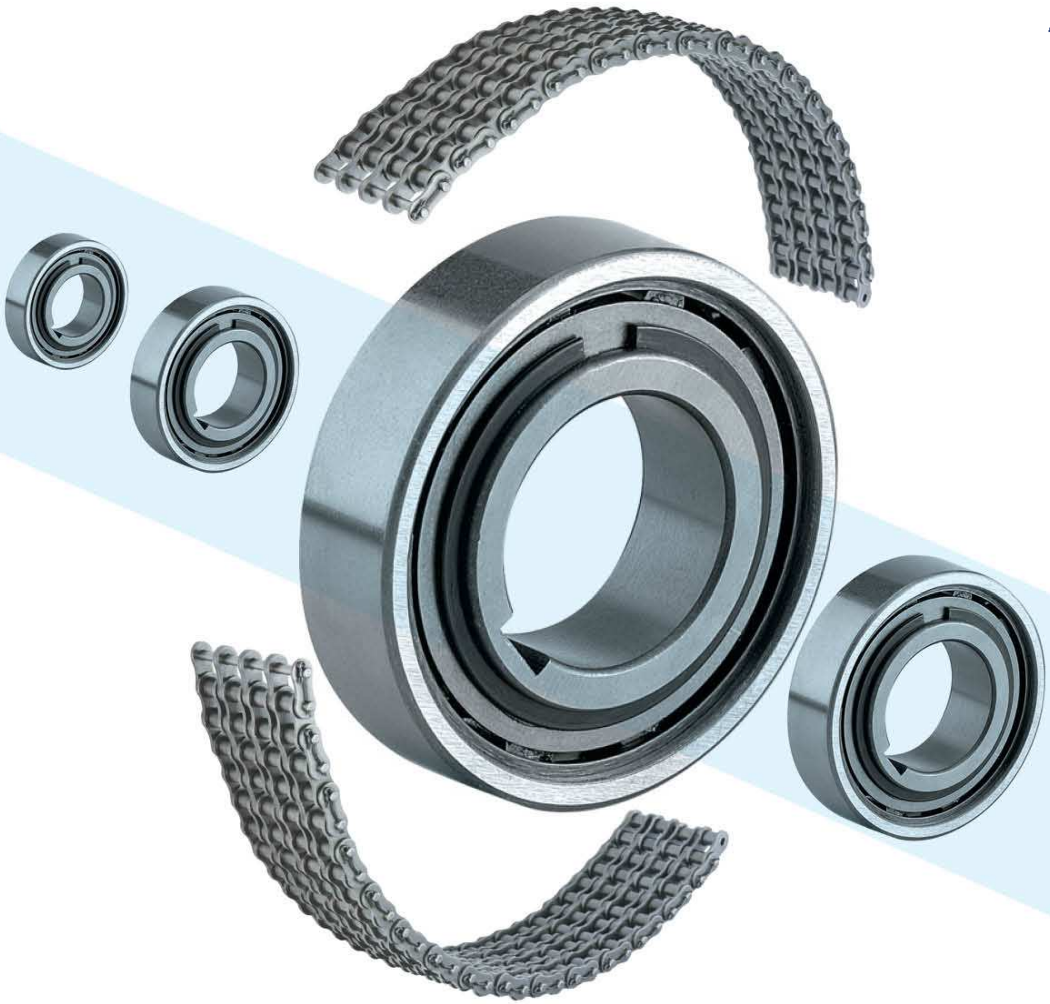

Re-engineering our future

Preliminary Results

Year ended 31 March 2013

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Chairman's Summary

Mark Harper

Executive Summary

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- New Chairman and Chief Executive in place
- Fundamental review of the Group business model underway resulting in the impairment of £9.4m of assets in the Chain division
- Group core debt facilities of £41m refinanced on improved terms for a four year period
- Net debt reduced on the prior year despite reduction in operating profit arising from 7% fall in underlying revenue
- Agreed merger of UK pension schemes and liquidation of South Africa pension surplus will boost cash generation in new financial year

Re-engineering the Group's future requires a fundamental re-evaluation and improvement of our basic processes and systems. The Group will then be able to leverage its clear brand strength to achieve sustainable performance gains.

*Throughout this document the use of 'Underlying' means after eliminating the impact of movements in foreign exchange rates and 'Adjusted' excludes exceptional items. Average working capital is a Key Performance Indicator in use in the business and is calculated as the average of each month's working capital value as a ratio of rolling 12 monthly sales.

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Financial Performance

Brian Tenner, CFO

Group Income Statement

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Self help measures in H2 offset the impact of further sales decline

	12/13 £'m	11/12 £'m	Var £'m
Revenue as reported	**190.3**	**209.5**	
Impact of FX	**-**	**(4.0)**	
Underlying Revenue	**190.3**	**205.5**	**(15.2)**
Operating profit as reported	**7.2**	**14.1**	
Impact of FX	**-**	**(0.4)**	
Underlying Operating Profit	**7.2**	**13.7**	**(6.5)**
Underlying Return on Sales %	**3.8%**	**6.7%**	
Exceptional items / JV	(11.9)	(2.2)	
External interest	(2.7)	(2.5)	
IAS19 financing costs	(0.3)	(1.8)	
(Loss) / Profit before tax	**(7.7)**	**7.2**	**(14.9)**
Adjusted earnings per share (pence)	**1.4**	**4.2**	**(2.8)**

- Underlying revenue fell by 7% in the year: Chain down 8% and Torque Transmission down 7%
- The 7% fall in revenue impacted operating profit at a rate of 43%
- Exceptional items driven by new CEO's review of the Chain business model and flat outlook for sales

Exceptional items

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Chain business model review identified excess production capacity

	12/13 £'m	11/12 £'m
Tangible fixed assets impairment	**(3.7)**	-
Stock and tooling impairment	**(2.8)**	-
Goodwill in Renold Hangzhou	**(1.5)**	-
ERP system – includes onerous licence costs	**(1.4)**	-
Chain business model review	**(9.4)**	**-**
Other restructuring charges	**(2.6)**	(1.7)
Abortive acquisition costs	**-**	(0.4)
Impairment of Joint Venture	**(0.1)**	-
Exceptional interest charges	**(0.2)**	-
Impairment of investment property	**(0.5)**	-
Insurance receivable	**1.0**	-
Other exceptional charges	**(2.4)**	(2.1)
Total exceptional charges	**(11.8)**	(2.1)

- Chain business model review identified surplus production assets, tooling and various stock lines
- Focus on margins and not growth reduces utilisation of Hangzhou (goodwill and ERP system impaired)
- Other restructuring charges primarily relate to head count reductions in the second half of the year
- Majority of the exceptional items (£10.2m) do not involve cash
- Total exceptional cash expenditure over the next two years estimated at c.50% of the gross charges above

Segmental Analysis - Chain

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Chain sales fell on economic weakness partly offset by cost reductions

	12/13 £'m	11/12 £'m	Var £'m
Revenue as reported	**141.9**	**157.5**	
Impact of FX	**-**	**(3.8)**	
Underlying Revenue	**141.9**	**153.7**	**(11.8)**
Operating profit as reported	**6.9**	**9.3**	
Impact of FX	-	**(0.3)**	
Underlying Operating Profit	**6.9**	**9.0**	**(2.1)**
Underlying Return on Sales %	**4.9%**	**5.9%**	

- Underlying Chain sales fell by 8% reflecting general economic weakness in most regions:
  - Europe: 11% decrease with quarterly declines moderating since Q2 (Q4 was down 4%)
  - Americas: 2% down with a particularly weak Q3
  - Australasia: 6% decrease with a very weak Q4
  - China and India improving Q4 compared to weak second and third quarters
- Impact of sales reductions on operating profit partly offset by overhead reductions in H2 of £2.0m
- Overall picture in Chain is of recently improving order trends and reducing rates of sales decline in Q4

Segmental Analysis – TT

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Torque Transmission impacted by softness in commodity markets and slow down in capital spend programmes

	12/13 £'m	11/12 £'m	Var £'m
Revenue as reported	**48.4**	**52.0**	
Impact of FX	**-**	**(0.2)**	
Underlying Revenue	**48.4**	**51.8**	**(3.4)**
Operating profit as reported	**5.3**	**8.3**	
Impact of FX	-	**(0.1)**	
Underlying Operating Profit	**5.3**	**8.2**	**(2.9)**
Underlying Return on Sales %	**11.0%**	**15.8%**	

- Underlying sales fell by 7% during the year with the H2 fall of 10% much weaker than the 3% in H1
- Order intake also weaker in H2 than H1 though Q4 began to show signs of moderating order declines
- Longer lead times in Torque Transmission do mean that a consistent six months of improving order intake is needed before a sales recovery is likely
- Gearing up for growth at the end of the previous year coupled with softness in demand for higher value products led to a disproportionate impact on operating margins
- Cost reduction initiatives implemented in H2 cut overhead by £0.5m compared to H1

Group Cash Flow Statement

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Net debt reduced despite lower operating profit

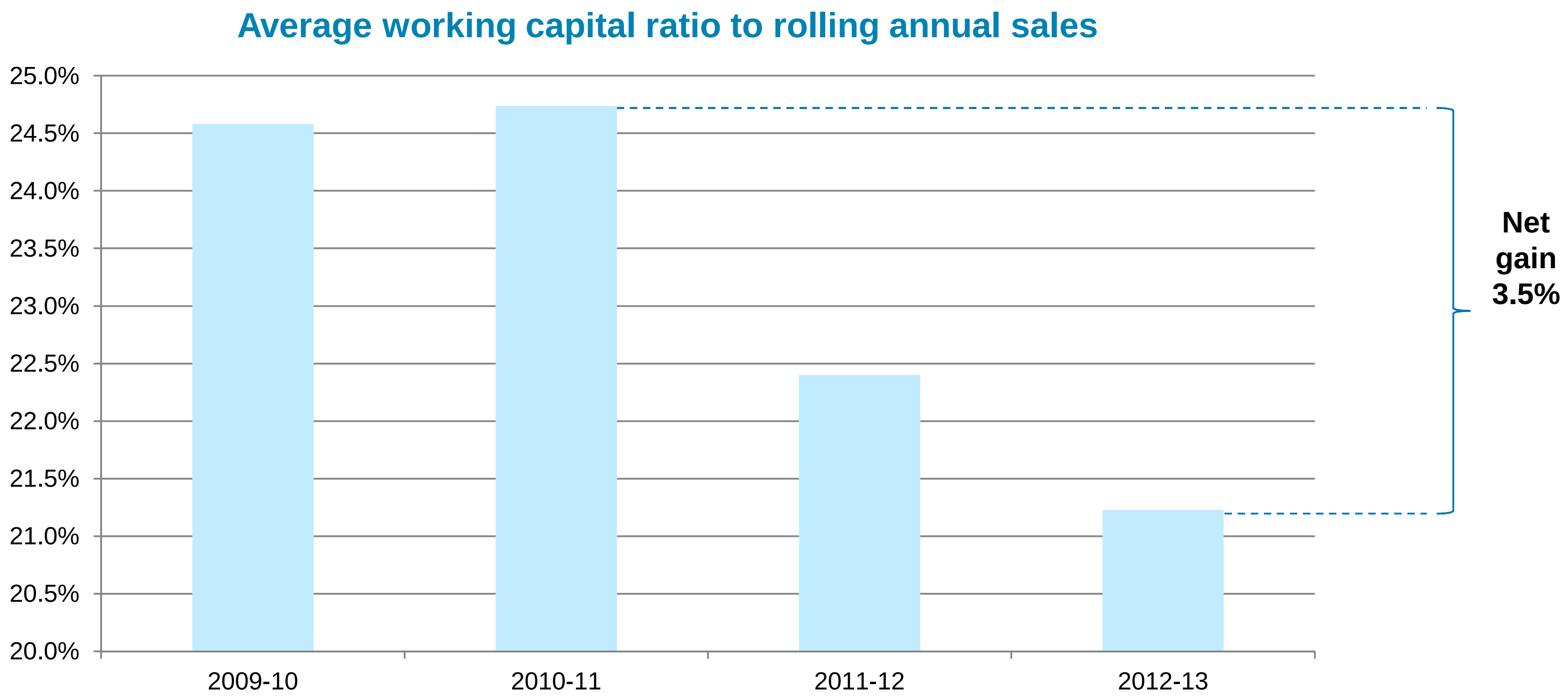
	12/13 £'m	11/12 £'m
EBITDA	11.8	18.7
Movement in working capital	4.2	(4.3)
Pensions	(5.8)	(6.5)
Restructuring spend	(1.3)	(2.0)
Taxes and other	(0.7)	(0.5)
Net cash from operating activities	**8.2**	**5.4**
Investing activities	(4.9)	(5.9)
Financing activities	(2.9)	(2.8)
Other movements	0.3	-
Impact of foreign exchange	(0.6)	0.4
Increase / (decrease) in cash	**0.1**	**(2.9)**
Closing net debt	**(22.8)**	**(22.9)**

	12/13 £'m	11/12 £'m
Inventory	2.8	(2.0)
Debtors	1.3	(1.2)
Payables	0.1	(1.1)
Movement in working cap	**4.2**	**(4.3)**

- Improvement in working capital excludes inventory impairment from Chain business model review
- Close working capital management generated £4.2m of cash
- Capital investment controlled to optimise cash

Group cash flow

Continuous improvement in working capital management



- Average working capital ratio has improved from 24.7% in 2011 to 21.2% in the current year
- Stock was reduced by an underlying £2.8m in the year (excluding the £2.8m impairment)
- Trade debtors unwound by £1.3m helped by lower sales – opportunities remain for further gains
- Internal target remains to deliver average annual working capital to sales ratio of 20%

Group Balance Sheet

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Excess trading assets and some intangibles written down

	31 March 2013 £'m	31 March 2012 £'m
Goodwill	21.8	22.3
Fixed assets	49.3	53.0
Deferred tax	25.3	17.3
Inventories	40.9	45.5
Receivables	32.8	33.4
Payables	(39.8)	(38.6)
Net working capital	**33.9**	40.3
Net Borrowings	**(22.8)**	(22.9)
Provisions	(1.9)	(1.5)
Retirement benefit obligations	(77.8)	(57.3)
Other assets	0.8	2.0
Net assets	**28.6**	**53.2**
Gearing (D/(D+E))	**44%**	**30%**

Deferred tax assets a source of enduring value in reducing cash tax payments. Growth reflects increase in pension deficit and impact of IFRIC 14 (£4.5m)

Small reduction in net debt despite lower profitability

Changes in UK discount rates and inflation main causes of deficit increase. Includes £6.9m in respect of notional tax charge on a potential return of funding surplus in 25 years (IFRIC 14)

- Leverage ended the year at 1.9 times net debt : EBITDA (covenant limit of 2.5 times)

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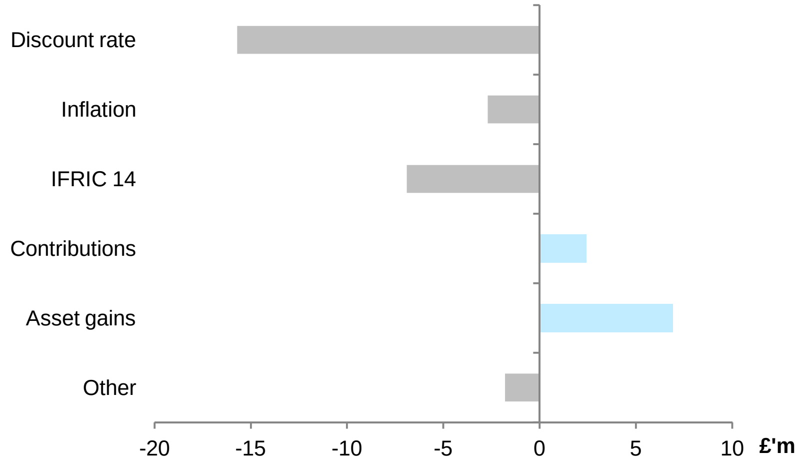
UK scheme merger will deliver £1m p.a. cash flow savings

Changes in UK deficit



Group annual pension cash costs

£'m	2014	2013	2012
UK deficit	(2.5)	(2.3)	(2.5)
UK admin & PPF	(0.2)	(1.1)	(0.9)
Germany	(1.2)	(1.2)	(1.1)
Other overseas	(1.1)	(1.2)	(1.0)
Other	0.8	-	-
Total	**(4.2)**	**(5.8)**	**(5.5)**

Deficit £77.8m (£60.1m post tax)

- Increase in deficit arose primarily in UK (90%)
- Key UK driver was the fall in discount rate from 4.9% to 4.3% which added £15.7m to the deficit
- UK inflation assumptions also added £2.7m to the deficit
- Assets returned £6.9m above the expected return
- IFRIC represents £6.9m being a tax rate of 35% on notional surplus refund in 25 years time (partly offset by a tax asset of £4.5m netted with the liability)

Cash flow

- UK merger delivers £1.0m annualised savings when complete (expected in H1) – combination of reduced admin costs and lower contributions
- German cash costs are actual pensions in payment, moving with inflation and changes in pensioners
- Other overseas schemes have a total net pre-tax deficit of £4.7m, mainly in the USA (£3.6m)
- Other is the net of the £1.4m surplus return in South Africa offset by merger costs

Re-engineering our future

Robert Purcell, CEO

Good platform to build value

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- Two divisions, Chain and Torque Transmission, with….
  - superior, differentiated product offering
  - market leading products, positions and brands
  - blue chip customers with geographic and sector diversity
  - low levels of customer concentration with no customer representing more than 5% of sales

- Inefficient operations and processes hampering progress in difficult end markets….
  - costs - and therefore breakeven point - too high
  - some assets no longer justify carrying book value (now impaired)
  - commercial activity needs to extract value from market leading products
  - service ethos needs to be established
  - manufacturing base needs targeted investment and to be managed in a consistent and integrated fashion
  - information systems and processes need consistency and relevance
  - everyday working practices across the Group need to “get smarter”

Conclusion: A business with a viable, long-term future; the first and most important phase of recovery will come from self-help

Priorities

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- Step change in Health and Safety culture
- Efficient, streamlined, forward-thinking operations across the Group
- Reduced cost base, right-sized capacity – lower breakeven point
- Exit less viable assets, interest maintained in growth geographies and sectors for development over time
- Material improvement in customer service performance
- Double digit operating margin (%) driven by market leading products in both Chain and TT

…..All achievable over the medium term with steady progress in self-improvement… even without substantial sales growth

Three-phase plan to deliver value

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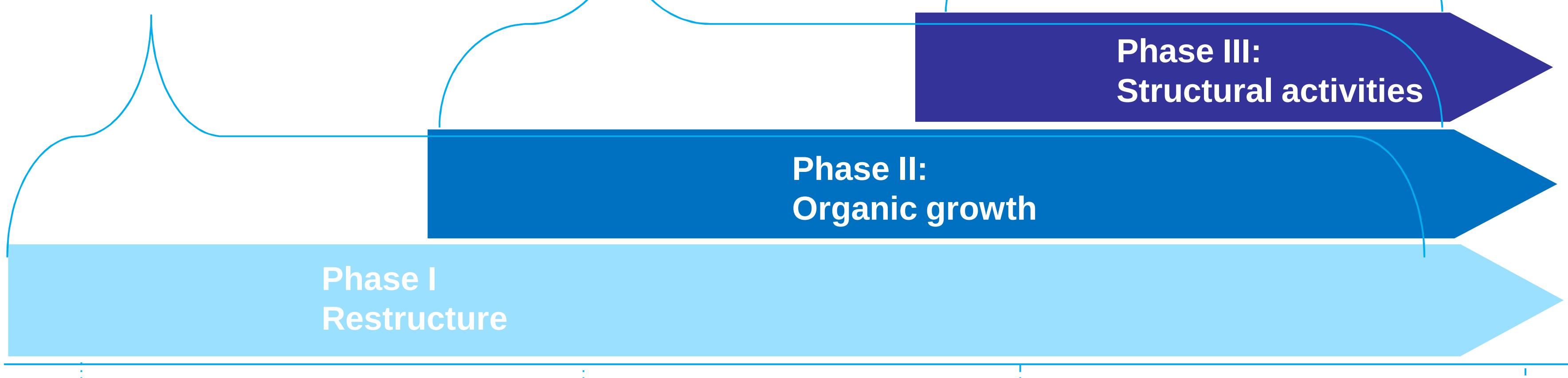
- ✓ Restructure unattractive segments
- ✓ Right-size capacity & cost base
- ✓ Fix product margins
- ✓ Establish uniform operating efficiencies & information systems across group
- ✓ Make right hires to drive growth

- ✓ Leverage superior product in Chain and TT
- ✓ Leverage market and brand leading positions
- ✓ Drive growth from improved sales and marketing practices

- ✓ Significant opportunities as competitors lack our scale
- ✓ Opportunities to drive growth through selective bolt-ons adding capability and market share



Comprehensive Review Complete

Achieve streamlined business fit for future

Achieving organic growth even without end markets recovery

Double digit margins
Boost in shareholder value
Deliverable over the medium term

Strong EPS growth as plan progresses

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Self help will be key to our success

- Flat year on year sales with small gains in Chain offset by reductions in Torque Transmission
  - Sales declines in most Chain regions showed early signs of moderating in Q4
  - Torque Transmission needs to deliver steady gains in orders to improve sales profile
  - More positive Q4 order trends continuing in the early months of the current financial year
- Cost reduction initiatives implemented during H2, with overheads c.£2.0m below H1
  - We are continuing to identify and implement further cost reduction opportunities
- Cash generation in the current financial year given a head start by prior year pensions initiatives
- Focus on delivering Phase 1 of the turnaround plan which includes reducing the break even point and generating cash

Over-riding objective is to deliver steady, continual improvement in EPS

Thank you.

Q&A

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