



Renold plc
Final results for the year ended 31 March 2024

("Renold", the "Company" or, together with its subsidiaries, the "Group")

Record trading performance, significant earnings growth and strong cash generation, dividend resumed

Renold (AIM: RNO), a leading international supplier of industrial chains and related power transmission products, is pleased to announce its audited results for the year ended 31 March 2024 ("FY24").

Financial highlights

£m	2024	2023	Change	Change (constant currency) ¹
Revenue	241.4	247.1	-2.3%	+0.9%
Adjusted operating profit ²	29.7	24.2	+22.7%	+27.3%
Return on sales ²	12.3%	9.8%	+250bps	+260bps
Adjusted profit before tax ²	22.1	18.6	+18.8%	
Net debt ³	24.9	29.8		
Adjusted earnings per share ²	7.8p	6.5p	+20.0%	
Ordinary dividend per share	0.5p	-		

Additional statutory measures

Operating profit	30.5	22.9	+33.2%
Profit before tax	22.9	17.3	+32.4%
Basic earnings per share	8.3p	5.7p	+45.6%

- Revenue of £241.4m, 2.3% lower year on year due to currency headwinds, (up 0.9% at constant exchange rates) (FY23: £247.1m)
- Adjusted operating profit of £29.7m (FY23: £24.2m), up 22.7% as a result of significantly increased margins with return on sales of 12.3%, up 250bps
- Reported operating profit up 33.2% to £30.5m (FY23: £22.9m)
- Net debt as at 31 March 2024 of £24.9m, a reduction of £4.9m, after acquisition payments of £5.2m, EBT purchases of £4.5m and deferred capital expenditure of £2.2m
- Year end net debt of 0.6x adjusted EBITDA (31 March 2023: 0.8x)
- Adjusted EPS up 20.0% to 7.8p (FY23: 6.5p); Basic EPS 8.3p (FY23: 5.7p)
- Resumption of dividends, with a full year dividend proposed of 0.5p per share; the first dividend announced since 2005

Business highlights

- The Group delivered record results, with both Chain and TT divisions performing strongly, notwithstanding the difficult inflationary, trading and macroeconomic backdrop
- Order intake of £227.5m (FY23: £257.5m), impacted by a shortening in duration of the order book in H1, reflecting improved supply chain conditions. H2 order intake up 7.5% over H1 (8.4% at constant exchange rates)
- Closing order book consistent with the half year position at £83.6m
- Acquisition of Davidson Chain in September 2023, for AU\$6.0m, increases the Group's access to the Australian conveyor and adapted transmission chain markets. The integration process is progressing to plan
- Increased capital investment during the year has improved the efficiency, productivity and capability of manufacturing locations, reflected in the strong market progression

¹ See below for reconciliation of actual rate, constant exchange rate and adjusted figures

² See Note 19 for definitions of adjusted measures and the differences to statutory measures

³ See Note 17 for a reconciliation of net debt which excludes lease liabilities

Robert Purcell, Chief Executive, commented:

"I am pleased that the Group continued to perform strongly throughout the year reflecting the hard work, strategically, commercially and operationally that has been undertaken over recent years by our employees across the world. The business is now at an inflection point where we are starting to see the compounding impact of the many recent exciting initiatives as they come to fruition. We have a very clear strategy and are executing it diligently. Our continuous improvement initiatives are building an increasingly efficient, productive and resilient business and are providing an ever improving platform to support our commercial initiatives."

Meeting for analysts and institutional investors

A virtual meeting for institutional investors and analysts will be held today at 9.30am BST. If you wish to attend this meeting please contact renold@investor-focus.co.uk or call Tim Metcalfe of IFC Advisory Limited (020 3934 6632) before 8.45am to be provided with access details.

Retail investor presentation and Q&A session

Renold management will be hosting an online presentation and Q&A session at 5.30pm BST today, 17 July 2024. This session is open to all existing and prospective shareholders. Those who wish to attend should register via the following link and they will be provided with access details:

https://us02web.zoom.us/webinar/register/WN_9KfZYYnqRS6RgoVKiXvybQ

Participants will have the opportunity to submit questions during the session, but questions are welcomed in advance and may be submitted to: renold@investor-focus.co.uk.

Reconciliation of reported and adjusted results

	Revenue		Operating profit		Earnings per share	
	2024	2023	2024	2023	2024	2023
	£m	£m	£m	£m	pence	pence
Statutory reported	241.4	247.1	30.5	22.9	8.3	5.7
Amortisation of acquired intangible assets	-	-	1.0	0.7	0.5	0.3
Acquisition costs	-	-	0.5	0.6	0.2	0.3
- Deferred tax triggered on acquisition	-	-	-	-	(0.5)	-
Assignment of lease and cost of closed sites	-	-	(2.3)	-	(1.1)	-
- Tax on assignment of lease and cost of closed sites	-	-	-	-	0.4	-
Tax adjustments relating to prior year	-	-	-	-	-	0.2
Adjusted	241.4	247.1	29.7	24.2	7.8	6.5
Exchange impact	7.9	-	1.1	-	0.1	-
Adjusted at constant exchange rates	249.3	247.1	30.8	24.2	7.9	6.5

ENQUIRIES:

Renold plc

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Cautionary statement regarding forward-looking statements

Some of the information in this document may contain projections or other forward-looking statements regarding future events or the future financial performance of Renold plc and its subsidiaries (the Group). You can identify forward-looking statements by terms such as “expect”, “believe”, “anticipate”, “estimate”, “intend”, “will”, “could”, “may” or “might”, the negative of such terms or other similar expressions. Renold plc (the Company) wishes to caution you that these statements are only predictions and that actual events or results may differ materially. The Company does not intend to update these statements to reflect events and circumstances occurring after the date hereof or to reflect the occurrence of unanticipated events. Many factors could cause the actual results to differ materially from those contained in projections or forward-looking statements of the Group, including, among others, general economic conditions, the competitive environment as well as many other risks specifically related to the Group and its operations. Past performance of the Group cannot be relied on as a guide to future performance.

NOTES FOR EDITORS

Renold is a global leader in the manufacture of industrial chains and also manufactures a range of torque transmission products which are sold throughout the world to a broad range of original equipment manufacturers and distributors. The Company has a reputation for quality that is recognised worldwide. Its products are used in a wide variety of industries including manufacturing, transportation, energy, metals and mining.

Further information about Renold can be found on our website at: www.renold.com

Chair's statement

I am pleased to report that FY24 was another excellent year for Renold in which we delivered further improvements over what was a record financial performance in the prior financial year, while completing a bolt-on acquisition in Australia, which strengthens our position in that market.

I also continue to be impressed by the engagement, flexibility and adaptability of our teams across the world, who have delivered an outstanding result despite the various geopolitical challenges and the effects of cost inflation.

Strategic developments

During the year, the Renold strategic change programmes across the Group once again delivered meaningful benefits, particularly in standardising and simplifying the business.

The completion of several major strategic restructuring initiatives in prior years, together with the reducing debt levels and strong balance sheet puts the Group in a strong position to capitalise on accretive acquisitions that augment our existing market position. This will allow us to accelerate growth in revenue, including for our existing products, in adjacent sectors and by entry into under-represented applications and geographies. Most importantly, the Group will also benefit from significant production synergies by integrating acquired businesses.

The continuing review of our capabilities throughout the Group is identifying opportunities for the upgrade and development of existing manufacturing processes across our international locations to create higher specification, higher performance products. This review will also facilitate standardisation across more product lines which, in turn, will enable us to benefit more comprehensively from our geographic footprint and economies of scale. In addition, flexibility between manufacturing locations will support increasing customer expectations for supply chain diversification, for risk mitigation and a changing tariff environment, improving even further our value proposition.

Sustainability

During the year, the Group continued to develop a strategy for long-term sustainability, including reduced energy consumption, raw material waste, packaging use and carbon dioxide emissions, whereby Renold is ensuring sustainability is one of its guiding principles. Renold is focussed on making a difference through real actions which, over a period of time, will deliver discernible benefits for the environment, our customers and the business. Our leader for sustainability is helping the Board to develop policies and strategies in this area. This year the new climate-related disclosure requirements under the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022 were considered and applied by the Group, and the new disclosures are built into the appropriate sections of the Annual Report.

Dividend

The Board fully recognises the importance of dividends as part of the overall value creation proposition for shareholders. The Board has carefully reviewed its capital allocation priorities, and believes that significant organic and inorganic investment opportunities remain available to the Group. We are also aware of the continued and sustainable progress in terms of profitability, and free cash flow generation that the Group has made over recent years, and we now believe that the Group can both capitalise on these investment opportunities, whilst also reintroducing dividend payments to shareholders.

Accordingly, the Board is recommending the payment of a dividend on the ordinary shares of the Company for the year ended 31 March 2024 of 0.5p per ordinary share. The dividend, if approved by shareholders at the 2024 Annual General Meeting, will be paid on 17 September 2024 to shareholders on the register as at 9 August 2024. The shares will be marked ex-dividend on 8 August 2024.

Summary

The Group has performed admirably in the face of continued supply chain and inflationary pressures. However, the strong and improving trading and financial performance of the Group, particularly increased cash flow generation, is providing greater flexibility to exploit future organic and acquisition-related growth opportunities, while re-introducing the payment of a dividend to shareholders. I would like to thank all our employees around the world for their diligence and commitment, which have been key to delivering the strong results for the Group.

DAVID LANDLESS

CHAIR

17 July 2024

Chief Executive's review

This year saw a continuation of the Group's strong momentum and the Group's FY24 adjusted operating profit of £29.7m is some 22.7% higher than the previous record adjusted operating profit in the prior year.

Revenue for the year was £241.4m, a year on year increase of 0.9% at constant exchange rates, or a 2.3% reduction when currency headwinds are taken into account.

Group order intake during the year was £227.5m (FY23: £257.5m), a reduction of 11.7% on a reported basis and 8.8% at constant exchange rates over the prior year. Excluding the impact of the large military contract of £8.9m for the Australian Navy recorded in FY23, the underlying reduction in order intake was 5.6%, as the order book shortened following normalisation of supply chains in the first half of the year.

Encouragingly, order intake in the second half increased over the first half by 7.5%, or 8.4% at constant exchange rates. The closing order book at 31 March 2024 of £83.6m remains close to record levels and was unchanged from the half year position (30 September 2023: £83.6m).

Group adjusted operating profit¹ of £29.7m (FY23: £24.2m) was 22.7% ahead of prior year on a reported basis, and 27.3% ahead on a constant exchange rates basis. Profitability was strong in the second half of the financial year, where the Group reported a return on sales margin of 12.6%. Statutory operating profit increased to £30.5m (FY23: £22.9m).

The Group continued to benefit from the impact of the significant efforts undertaken in the year, and previous years, to lower the fixed cost base whilst increasing flexibility and operational leverage. The Group has successfully managed a period of significant supply chain disruption to materials and transportation, in terms of availability, lead times and increased input costs. Cost increases have been successfully passed through whilst simultaneously running cost reduction, simplification and standardisation programmes. We expect cost pressure on material, labour, energy and transportation to persist in the current financial year.

Renold continues to drive increased operational performance through specific projects aimed at better levels of efficiency and productivity, through automation, improved design, standardisation of products, better utilisation of machinery and people, including more flexible working practices, and leveraging the benefits of improved procurement strategies. The Group's capital investments returned to more normal levels following a period of lower spend in the prior year as a result of the supply chain disruption, and have concentrated on increased automation within all of our facilities. The Group's operational capabilities are steadily improving as consistent levels of investment bear fruit and we continue to develop ever better technologies and processes, allowing us to make higher specification and better performing products that maintain and enhance our market leadership.

In September 2023, the Group acquired Davidson Chain for AU\$6m, which increases the Group's access to the Australian CVC market, building on Renold's existing strong market position. The business is performing in line with the Board's expectations at the time of the acquisition, and the integration of the business into the wider Australian business is progressing well.

A strong focus on free cash flow generation remains a key priority for management. Closing net debt was £24.9m (31 March 2023: £29.8m), a £4.9m reduction in the year, even after making payments related to current and prior year acquisitions of £5.2m, deferred payments on the Chinese factory building of £2.2m and the purchase of £4.5m of Renold shares by the Employee Benefit Trust ("EBT").

¹ See Note 19 for definitions of adjusted measures and the differences to statutory measures

Chain performance review

The high levels of activity seen within the Chain division in the prior year continued. Turnover on a constant exchange rates basis reduced by 1.6%, 4.7% when currency headwinds are taken into account, and finished the year at £192.8m. In September 2023 the Group acquired the trading assets of Davidson Chain in Australia, and during the period of ownership the unit contributed turnover of £0.9m, in line with expectations. Progress continues to be made with the Group's productivity and efficiency programmes, which are driving sustainable margin and profit improvement. Adjusted operating profit increased by 15.8%, 19.1% at constant exchange rates to £32.4m. Return on sales improved by 290 basis points, to 16.3% (FY23: 13.4%) at constant exchange rates. Statutory operating profit was £32.8m (FY23: £26.5m), £6.3m higher than the prior year level.

	2024	2023
	£m	£m
External revenue	191.9	201.5
Inter-segment revenue	0.9	0.9
Total revenue	192.8	202.4
Foreign exchange	6.3	-
Revenue at constant exchange rates	199.1	202.4
Operating profit	32.8	26.5
Assignment of lease and costs relating to closed sites	(2.3)	-
Amortisation of acquired intangibles	1.0	0.7
Adjusted operating profit	31.5	27.2
Foreign exchange	0.9	-
Adjusted operating profit at constant exchange rates	32.4	27.2

Order intake in the Chain division reduced by 13.1% year on year, or 10.4% at constant exchange rates, as extremely high order intake seen in the prior year reduced to more normal levels, driven by a shortening in order books following normalisation of international supply chains. Activity in both the US (-18.4%) and China (-41.9%) showing the main impacts.

Pleasingly, external order intake in Europe (+10.9%) and India (+37.9%) increased over the levels seen in the first half year, although the Indian increase was off a low base. External order intake in Australasia was broadly flat year on year. Closing order books for the division finished the year at £47.0m (FY23: £60.6m).

Chain Europe, which is our largest Chain business, continued the strong sales performance experienced in the prior year. In FY23 sales revenues had increased year on year by 25%, in FY24 revenue on a constant exchange rates basis reduced by 1.4%, a creditable performance given the normalisation of order intake, the general slowdown in the wider European economy and the unwinding of various sales surcharges. Operating profit in the region increased year on year by 7.7% at constant exchange rates, as the business concentrated on gaining production efficiencies, through both increased automation, and the use of our global manufacturing footprint to better advantage.

The integration of the YUK acquisition is progressing well, underlying revenues for the unit increased by £5.5m or 51.4% using constant exchange rates, as the Group saw the benefit of owning the business for a full 12 month period. Incremental operating profits to the Group derived from the insourcing of production and cross selling opportunities for both Conveyor Chain ("CVC") sales by our wider European sales network and our traditional Transmission Chain ("TRC") sales within the Iberian market, which are ahead of expectations.

Renold's new Service Centre in Turkey opened its doors during the period. The location of the business close to Istanbul should, when coupled with the YUK location within Spain, allow reduced delivery times and increased customer service, and hence encourage sales throughout southern Europe.

In the Americas, activity remained at the record high levels seen last financial year. Turnover at £85.7m was marginally ahead of the levels in FY23, on a constant exchange rate basis, while external order intake at £75.3m was the second largest order intake on record (at constant exchange rates), only surpassed by the FY23 figure of £92.3m.

Improved production technology, which together with a positive mix towards own manufactured engineering chain, especially for the marine, food machinery, theme parks, utilities and industrial warehouse sectors, saw operating profits at constant exchange rates increase, for the second year running, to a new record high, an increase year on year of 20.2%, which improved return on sales by 300 bps.

Sales to OEM customers grew steadily, especially in the escalator and forklift truck market, while increased sales of transmission chain products sold through distributors progressively increased. New business opportunities, especially in the ethanol, grain handling and forestry markets, were enhanced by the introduction of new products. Production capabilities were continually enhanced with further investment in automated equipment and development projects, and a large infrastructure project is being undertaken to see that the Morristown facility is positioned to take advantage of future growth opportunities.

In Australasia we continued to deliver revenue growth with turnover on a constant exchange rates basis increasing year on year by 12.6%. In September 2023, the Group acquired the trading assets of Davidson Chain, and excluding the impact of the acquisition underlying revenues increased by 7.1% using constant exchange rates. The Davidson acquisition increases the Group's access to the Australian CVC market, building on Renold's existing strong market position. Davidson was the only other domestic Australian chain manufacturer, who like Renold specialise in providing a quick turn-around high quality service offering to customers. Following integration of the business within the Renold facility, it is envisaged that this service philosophy will help to grow Renold's Australian sales more widely.

Within Australia, the underlying business had a good year with external turnover increasing by 2.7% using constant exchange rates, with continued improvement seen in a number of sectors including mining and sugar. The recent trend of customers increasingly buying more domestically produced goods appears to be continuing, despite the impact of supply chain disruption to imported products reducing in the year. Customers are increasingly seeing the benefits of our product-enhancing engineering capabilities that deliver real value through better performance and longer chain life. We continue to invest in the production capabilities of our Melbourne factory, with the recent purchase of further automated equipment. Sales in New Zealand were stable during the year, while Malaysia and Indonesia saw growth in revenue, using constant exchange rates, of 15.7% and 5.6% respectively. Thailand recovered from the reduced turnover seen in the prior financial year, recording revenue growth of 66.4% (using constant exchange rates), albeit from a low base. We remain focussed on expanding our sales into more industries and geographies in South East Asia, with this year recording the Group's first sales within the Vietnamese market.

Revenues in India, using constant exchange rates, reduced by 18.9% during the year. Increased domestic and Chinese competition, encouraged by the slow Chinese market, led to lower levels of demand, while some of the reduction in sales is attributed to a two week closure of the main production site for the introduction of a new fully integrated ERP system. The unit is well placed to benefit from the increased visibility and efficiency that the new ERP system will bring, and it is anticipated that both sales and profitability will recover strongly within the new financial year. The first in a series of regional warehouses, in Nagpur, which offers our customers and distributors much better and quicker supply should also increase sales activity. Plans are in place for a further three regional distribution centres to help provide significantly improved delivery times to all parts of India over the coming years. Investment plans for the Indian factory include the introduction of the same state-of-the-art technology used elsewhere in the Group for the manufacture of many component types and assembly. This will allow India to better support external customers with higher quality products and Group customers with premium quality components.

Revenues in China reduced by 9.2% during the year at constant exchange rates, driven by a reduction in both domestic Chinese demand and a slowdown in demand from Group customers, especially from Europe. The initial impact was experienced in the latter half of FY23, where intra-group order patterns were adjusted to take into account the improving delivery times to Western markets. This trend continued into the new financial year, with the ongoing softness in the Group's European markets. Chinese factory demand is expected to improve in FY25 as European demand stabilises and Chinese domestic economic activity recovers.

Projects and investments focussed on improving the quality and specification of products manufactured in China bore fruit during the year, allowing the Jintan site to manufacture several mid-tier Renold standard products and components for international markets.

During the year, our Chinese team commissioned increasing amounts of state-of-the-art extrusion technology, while making significant investment in automated assembly lines to facilitate high volume sales growth in both domestic and overseas markets.

The Chain division continues to develop and evolve through investment in equipment, processes, training and development of our people, engineering and sales, and this provides us with an excellent base from which to build benefits derived from the many opportunities that are available in this market.

Torque Transmission performance review

Divisional revenues of £53.5m were £4.7m or 9.6% higher than in the prior year due to the continued recovery in demand in our North American markets. Our North American manufacturing and distribution business, based in Westfield NY, saw turnover grow by 12.9% year on year using constant exchange rates. In FY23, the Group announced it had secured an £8.9m long-term agreement to supply large Hi-Tec couplings for the initial phase of a military contract for the Royal Australian Navy, this agreement followed a similar military contract to supply the second phase of a contract for the Royal Navy in FY22. Both these contracts were progressed during the year, and contributed to a 27.0% increase in the Renold Couplings business, using constant exchange rates. In May 2024, the Group announced a further military contract for £10.3m for the Royal Canadian Navy.

Divisional adjusted operating profit increased by 55.6% to £8.4m in the year due to the effects of operational gearing, increased profit recognition on the long term military contracts as the work progresses, and the benefits of increased automation and operational efficiency. Return on sales for the division was 15.7% (FY23: 11.1%), an increase of 460bps during the year. On a constant exchange rates basis adjusted operating profit increased by 61.1%.

Momentum in this division, which has a later trading cycle and generally larger orders than our Chain business, continues to be positive and improving.

	2024 £m	2023 £m
External revenue	49.5	45.6
Inter-segment revenue	4.0	3.2
Total revenue	53.5	48.8
Foreign exchange	1.7	-
Revenue at constant exchange rates	55.2	48.8
Operating profit (and adjusted operating profit)	8.4	5.4
Foreign exchange	0.3	-
Adjusted operating profit at constant exchange rates	8.7	5.4

Order intake for the year reduced by 10.4% to £47.7m (FY23: £53.3m), a reduction of 7.4% at constant exchange rates. Excluding the impact of the £8.9m long-term military contract announced in FY23, underlying order intake increased by 7.5% or 11.1% at constant exchange rates.

The North American business unit benefitted from a significant increase in demand for gears and couplings supplied intra-group from the UK, but also experienced a significant uptick in demand for own manufactured gear spindles and shakers, both in the US domestic market and internationally. Demand for gear couplings to the US mass transit market also strengthened significantly. Operating profits recorded within the US TT business increased by 83% year on year.

Demand for Group-supplied products through the Australian distribution and service centre was broadly flat year on year, while sales within the Chinese market reduced by 21.4% following both a broad reduction in demand resulting from a slowdown in the Chinese market, and a selective withdrawal from various lower margin product segments.

The Couplings business unit delivered a 27.0% increase in turnover year on year at constant exchange rates. As expected, revenue in the marine business, which manages the long-term military contracts, increased year on year, as work continued on the second phase of the UK military contract, and commenced on the initial phase of the Australian military contract. Sales in the industrial market also increased markedly, improving by 20.9% using constant exchange rates, while sales in the Spanish market increased year on year by 106.8% using constant exchange rates.

Product development in the Couplings business continued with new designs for couplings that expand the performance envelope of current products whilst adding new features and benefits, while sales of the RBI rubber in compression product continued apace.

The Gears business made good progress in order intake, turnover and margins despite facing significant inflationary pressures, with turnover increasing by 10.6% during the year. Notable product developments include new products aimed at the escalator market, especially relating to metro systems, and a number of specialist niche products aimed at the water treatment market. Demand from OEM customers, particularly for larger projects in the US and UK which are our key geographic markets, remained strong during the year.

Sustainability

Renold takes a pragmatic approach to sustainability. Our focus is on making an actual difference through continual work programmes reducing both energy consumption and environmental impact, involving customers, our local communities, workforce and stakeholders. We have not, and do not plan to make far reaching statements on future carbon neutrality but instead are working to be better each year. Alongside our own direct work on sustainability, we are already manufacturing products that will assist our customers to improve their own sustainability performance. Development programmes have started improving our products even further so that customers have even more opportunities to reduce their environmental impact.

The Group Sustainability Committee has driven a number of projects throughout the year and is constantly assessing and promoting new opportunities. One particular project aimed at producing new standard transmission chain packaging designs, which are made from recycled material and are themselves fully recyclable, is coming to fruition. All adhesives, inks and labels used in these new designs, which will be common across the world, are also recyclable. The new designs have been produced in such a way that they have significantly reduced the amount of packaging lines that individual plants are required to keep in stock.

At a regional level, our businesses across the world have been asked to develop their own sustainability project roadmaps, seeking to ensure that our efforts are relevant to the highly diverse regions within which we operate. Projects are running on waste reduction, elimination of various chemicals, and reducing water and energy usage. More detailed information on climate-related financial disclosures is found in our sustainability section in the Annual Report.

Strategic Plan – STEP2 progress

Having created a stronger operational platform for the Group in recent years, and with a robust balance sheet, we have increased our focus on our strategy to accelerate performance through value-enhancing acquisitions which will allow us to benefit from both increased geographical and product coverage, and leverage synergies from increasing the throughput of our existing facilities. As a

result, we have developed a pipeline of acquisition opportunities which we believe have the ability to meet our financial and operational criteria. Such acquisitions will allow us to expand our product and service offering as well as our customer base, further expand our already diverse product portfolio into adjacent market sectors, and allow us to capitalise on our ability to provide customers with high specification products that deliver real benefits to enhance their own business performance.

The Board has a disciplined approach to appraising acquisition opportunities, ensuring that potential targets will enhance the Group's wider strategy and earnings. Additionally, the Board is mindful of retaining a conservative capital structure, and will ensure that the long-term net debt to EBITDA ratio is maintained at an acceptable level.

During the year, Renold built on the prior year's acquisition of YUK in Spain with the acquisition of Davidson Chain in Australia. The Davidson acquisition will add to the existing Renold capabilities in Australia and is being integrated into the current Renold site in Melbourne later in calendar year 2024, which will achieve overhead synergies. In keeping with the proven approach from previous acquisitions, a very methodical integration plan is in place, to deliver margin improvement including the in-sourcing of third party purchases. The previous owners of the Davidson business have transferred with the business and we are delighted that they and their team continue to work with us.

Organic growth and continual business improvements are fundamental drivers of the Group strategy. Renold is consistently enhancing its operational capabilities through upgrading equipment and processes, reflected in the increased capital expenditure, funded by improving cash generation, whilst prioritising projects with a short payback period. We are focussing new product development in larger, faster growing market segments, whilst leveraging manufacturing cost improvements to penetrate new markets. Capital equipment suppliers are increasingly solving their pandemic era supply chain problems and so equipment is available in a sensible timescale.

Our international manufacturing footprint is a major competitive advantage in the current world of supply chain risk and geo-political tensions. We continue to expand our capabilities to manufacture our products across multiple locations giving our customers, and Renold, increasing flexibility and risk mitigation. There is still a long way to go to completely achieve our ambition but good progress is being made.

Our Indian business is a particular focus for capital investment and development in the next few years. We aim to expand the capability of the business in terms of range, volume output and product specification. As tariffs on Chinese product remain in place or get greater in many countries our Indian business will see major opportunities develop internationally and in its domestic market.

These projects highlight our capital allocation priorities, and the resulting investment decisions for the Group. With the large infrastructure projects complete, capital allocation decisions are now less frequently limited purely by a site's domestic requirements but are focussed on customer service, upgrading product specification capabilities and optimising revenue growth and profitability for the Group. For the Chain Division especially, this allows us to access economies of scale and offer a truly global service with increasing relevance to large OEM customers. Renold is increasingly an integrated international supplier and less a series of regional businesses.

The strategic progress made by the Group over recent years has been significant. Investments in both our production capabilities and our IT environment have resulted in significant benefits, with:

- Improvements in productivity and operational efficiency as evidenced by growing sales per employee;
- Greater insight into the performance and opportunities in the business due to better and more complete data;
- Improvements in the specification and quality of products we are able to make across our multiple manufacturing sites; and
- Greater flexibility in the cost base as we continue to automate production processes.

With the ongoing recovery of our end markets, the financial benefits of these improvements will increasingly come to the fore. Renold is well positioned to capitalise on these developments in the years ahead.

Current operating environment

The effects of the war in Ukraine, especially in terms of higher prices for energy and materials as seen in the UK and mainland Europe were less marked in FY24, only to be replaced with new economic uncertainties brought about by geopolitical factors, such as de-globalisation and re-shoring, increasing trade tariffs and the continuing impact of general inflation, higher interest rates, and growing pressure on labour rates around the world. The volatile operating environment the Group has faced over recent years abated slightly during FY24, however we remain conservative around our timing expectations of a full return to normal, and expect further headwinds to persist to differing degrees in the new financial year.

Macroeconomic landscape and business positioning

The underlying fundamentals of the Group and the markets we serve provide the Board with confidence that Renold is well placed to continue to develop and deliver sustainable profitable growth. Many of these intrinsic qualities have remained consistent over many years but we are now proactively building on these fundamentals. They include:

- **Valued and recognised brand with well-respected engineering expertise**
The Renold brand has been built up over our 150-year history and is trusted by customers to deliver exceptional products due to our world-class engineering and product knowledge.
- **Global market position and unique geographical manufacturing capability**
The global market position of Renold has existed for many years, but following significant strategic investments in both divisions, the geographic manufacturing footprint and capabilities we have are unique, permitting us to service customer demand with increasing levels of flexibility – a critical factor in a rapidly changing market environment.
- **Relatively low cost, but business critical products**
Chain and Torque Transmission products are fundamental elements of the systems into which they are incorporated. Our products are often a small proportion of the cost of the entire system, but critical to its operation.
- **Broad base of customers and end-user markets**
Renold products are used in an extremely diverse range of end applications, sectors, markets and geographies, resulting in a huge spread of customers and industries served. Markets and applications will change and vary in the ever-altering environment we operate in but, with its wide spread of products, geographies, applications and customers, Renold is well positioned.
- **High specification products delivering environmental benefits for our customers**
Renold products have always been high specification premium products which deliver exceptional benefits to customers. Whether through greater efficiency leading to lower power usage, longer life providing lower lifetime usage of materials and energy in their manufacture and logistics, or lower lubrication requirements, Renold products are well placed for an increasingly environmentally aware marketplace. Our products are capable of helping our customers meet their sustainability objectives whilst saving them money.

Outlook

I am pleased that the Group continued to perform strongly throughout the year reflecting the hard work, strategically, commercially and operationally, that has been undertaken over recent years by our employees across the world. The business is now at an inflection point where we are starting to see the compounding impact of the many recent exciting initiatives as they come to fruition. We have a very clear strategy and are executing it diligently. Our continuous improvement initiatives are building an increasingly efficient, productive and resilient business and are providing an ever improving platform to support our commercial initiatives.

We have been carefully developing our acquisitive growth strategy and opportunity pipeline. The scale of the highly fragmented industrial chain market is clear and this is the sole area that we are focussed on for acquisitions, providing us with many appropriately sized and relatively low risk opportunities.

Over recent years the business performance has been on an improving trend despite the many economic and geo-political difficulties. Renold continues to demonstrate the strength and resilience of its business, its market position and its business model. We expect the new financial year to be no less challenging, and we remain vigilant as to the environment within which we operate. However, we start the year from a positive position with good momentum and confidence in the capabilities and fundamentals of the Renold business and the markets we serve.

ROBERT PURCELL

CHIEF EXECUTIVE

17 July 2024

Finance Director's review

For the second year running, Renold delivered a record performance with Group adjusted operating profit increasing by 22.7% to £29.7m. The business produced an adjusted operating margin of 12.3% (FY23: 9.8%) and achieved a significant reduction in net debt of £4.9m during the year to £24.9m (31 March 2023: £29.8m).

Reconciliation of reported to adjusted results	2024			2023		
	Order intake £m	Revenue £m	Operating profit £m	Order intake £m	Revenue £m	Operating profit £m
Reported	227.5	241.4	30.5	257.5	247.1	22.9
Assignment of lease and cost of closed sites	-	-	(2.3)	-	-	-
Acquisition costs	-	-	0.5	-	-	0.6
Amortisation of acquired intangible assets	-	-	1.0	-	-	0.7
Adjusted	227.5	241.4	29.7	257.5	247.1	24.2
Impact of foreign exchange	7.3	7.9	1.1	-	-	-
Adjusted at constant exchange rates	234.8	249.3	30.8	257.5	247.1	24.2

REVENUE AND OPERATING PROFIT

Despite the normalisation of order intake, Group revenue at constant exchange rates grew by 0.9%, a reduction of 2.3% when currency headwinds are accounted for. Group revenues for the year were £241.4m (FY23: £247.1m). During the year the Chain division recorded a 1.6% reduction in turnover at constant exchange rates to £199.1m, while the Torque Transmission division, which is a larger order and longer cycle business, increased by 13.1% at constant exchange rates.

The Group generated an adjusted operating profit for the year of £29.7m (FY23: £24.2m), excluding the impact of adjusting items as detailed below. Reported operating profit for the year was £30.5m (FY23: £22.9m). Operating profit margin, calculated on a statutory basis, was 12.6% (FY23: 9.3%) and return on sales increased by 250 bps during the year to 12.3% (FY23: 9.8%).

ADJUSTING ITEMS

Adjusting items for FY24 comprise acquisition-related intangible asset amortisation of £1.0m (FY23: £0.7m), acquisition and re-organisation costs of £0.5m (FY23: £0.6m) and an exceptional profit on the assignment to a third party of the lease and costs relating to a closed UK site of £2.3m (FY23: £nil). Adjusting taxation items comprise a tax charge of £0.8m (FY23: £nil) in relation to the assignment to a third party of the lease and costs relating to a closed UK site and a deferred tax credit of £1.0m (FY23: £nil) arising from the Davidson acquisition.

FOREIGN EXCHANGE RATES

The majority of Renold's business is denominated in US Dollars and Euros. The movements in both of these currencies during the year generated currency headwinds which reduced sales, adjusted operating profit and net assets when translated into Sterling in the consolidated financial statements, with sales reduced by £7.9m and adjusted operating profit by £1.1m.

Phasing of movements over the current and prior year mean the weighted average exchange rate used to translate the Euro and US Dollar varies to the movement in the closing rates. The weighted average exchange rates were 1.26 for the US Dollar and 1.16 for the Euro for the year ended 31 March 2024 (FY23: 1.20 and 1.15 respectively).

FX rates (% of Group sales)	31 Mar 23	31 Mar 24	31 Mar 24	2023	2024	2024
	FX rate	FX rate	Var %	Average FX rate	Average FX rate	Var %
GBP/Euro (30%)	1.14	1.17	3%	1.15	1.16	1%
GBP/US\$ (37%)	1.24	1.26	2%	1.20	1.26	5%
GBP/C\$ (5%)	1.67	1.71	2%	1.60	1.70	6%
GBP/A\$ (5%)	1.85	1.94	5%	1.77	1.91	8%

If the year-end exchange rates had applied throughout the year, there would be an estimated decrease of £2.1m to revenue and £0.3m to operating profit.

FINANCE COSTS

Total finance costs in the year were £7.6m (FY23: £5.6m).

Total loan finance costs include external interest on bank loans and overdrafts of £3.7m (FY23: £2.3m), amortisation of arrangement fees of £0.3m (FY23: £0.3m), and £0.8m (FY23: £0.7m) of interest expense on lease liabilities.

The increase in interest payable on external bank loans and overdrafts was driven by three factors, firstly the acquisition of YUK for €24.0m during August 2022 (cash of €20.0m paid in FY23, and a further €2.0m during the current year), secondly, the impact of successive increases in the UK base rate during the second half of the prior financial year, and finally the impact of a small increase in margin following the refinancing in May 2023.

The net IAS 19 finance charge, which is a non-cash item, was £2.7m (FY23: £2.1m).

Finance costs also include £0.1m (FY23: £0.2m), resulting from the unwind of discounts on the deferred build costs of the Chinese factory. A payment of £2.2m was made during the year in relation to this.

PROFIT BEFORE TAX

Profit before tax was £22.9m (FY23: £17.3m), an increase of 32.4% during the year.

TAXATION

Excluding the tax effect of the non-recurring items described above, the effective tax rate on adjusted earnings was 27% (FY23: 27%), and is expected to be broadly at this level in FY25.

The total tax charge in the year of £5.8m (FY23: £5.5m) is made up of a current tax charge of £6.5m (FY23: £4.2m) and a deferred tax credit of £0.7m (FY23: charge of £1.3m). The increase in the current tax charge is attributable to increased taxable profits in jurisdictions where the headline statutory tax rate is higher than the prevailing UK tax rate. For further details see Note 4.

The deferred tax credit in the year primarily relates to the continued utilisation of tax losses in jurisdictions for which deferred tax is recognised.

The effective tax rate for the year was 25% (FY23: 32%), which is the same as the prevailing UK tax rate of 25% (FY23: 19%). The change from the prior year effective tax rate is primarily driven by the increase in deferred tax recognition on losses in jurisdictions where we have an increase in projected future profitability.

EARNINGS PER SHARE

Profit after tax for FY24 was £17.1m (FY23: £11.8m). Adjusted earnings per share were 7.8p (FY23: 6.5p). Basic earnings per share were 8.3p compared to 5.7p for the year ended 31 March 2023.

	2024 £m	2023 £m
Adjusted profit after taxation	16.1	13.5
Effect of adjusting items, after tax:		
- Assignment of lease and cost of closed sites	1.5	-
- Acquisition costs	(0.5)	(0.6)
- Amortisation of acquired intangible assets	(1.0)	(0.7)
- Deferred tax triggered on acquisition	1.0	
- Tax adjustments relating to prior year	-	(0.4)
Profit after taxation	17.1	11.8
Basic adjusted earnings per share	7.8p	6.5p
Basic earnings per share	8.3p	5.7p

BALANCE SHEET

Net assets at 31 March 2024 were £50.2m (31 March 2023: £39.1m). A net profit of £17.1m was delivered for the year which, together with the impact of the favourable valuation of the Group's pension liabilities and the retranslation of overseas operations, resulted in an increase in net assets of £11.1m.

CASH FLOW AND NET DEBT

	FY24	FY23
	£m	£m
Adjusted operating profit	29.7	24.2
Add back depreciation and amortisation	9.8	10.4
Add back loss on disposal of property, plant and equipment	-	0.3
Add back share-based payments	1.4	1.3
Adjusted EBITDA ¹	40.9	36.2
Movement in working capital	1.6	(10.5)
Net capital expenditure	(10.1)	(8.4)
Operating cash flow ¹	32.4	17.3
Income taxes	(3.8)	(2.7)
Pensions cash costs	(6.0)	(5.8)
Repayment of principal under lease liabilities	(2.5)	(2.9)
Finance costs paid	(4.8)	(3.3)
Consideration paid for acquisition	(5.2)	(18.0)
Own shares purchased for the EBT	(4.5)	-
Other movements	(0.7)	(0.6)
Change in net debt	4.9	(16.0)
Closing net debt ¹	24.9	29.8

¹ Adjusted EBITDA and operating cash flow are alternative performance measures as defined in Note 19.

In the financial year the Group reduced net debt by £4.9m to £24.9m (31 March 2023: £29.8m). The Group invested £5.2m (FY23: £18.0m) in acquisitions, primarily the acquisition of Davidson Chain in Australia, but also made the first deferred consideration payment for the acquisition of Industrias YUK (now Renold Iberia) of £1.7m. The Group also acquired £4.5m of shares to satisfy potential LTIP commitments made through the Employee Benefit Trust, and also made a payment of £2.2m in respect of the Jintan factory building in China. Next financial year, the Group will make the final payment on this building of £2.7m, and make the final payment of deferred consideration for the YUK acquisition of €2.0m. Net debt at 31 March 2024 comprised cash and cash equivalents of £17.8m (31 March 2023: £19.3m) and borrowings of £42.7m (31 March 2023: £49.1m).

Inventory levels remained broadly flat in FY24 (FY23: increased by £4.5m). Trade receivables reduced by £2.9m (FY23: increased by £2.8m) and payables decreased by £2.7m (FY23: £4.2m).

Net capital expenditure of £10.1m (FY23: £8.4m) increased during the financial year, reflecting further investment in productivity enhancing equipment. The Group expects to continue investments in the coming year, in support of our strategy, aimed at improving heat treatment facilities, broadening manufacturing capabilities, and product assembly automation, especially in our Indian and Chinese facilities. Additionally, the installation of the standard Group ERP system continued as planned.

In September 2023 the Group acquired the trading assets of Davidson Chain a conveyor chain manufacturer based close to our existing facilities in Melbourne, Australia. The total consideration was £3.1m, of which £0.1m is deferred and is to be paid following completion of the merger of the acquired business into our existing facilities. Professional fees and reorganisation costs associated with the acquisition amounted to £0.5m. During the prior financial year, the Group acquired the business of Industrias YUK S.A., based in Valencia, Spain for a total consideration of €24.0m, of which €20.0m was paid during FY23, €2.0m was made in FY24 and the final instalment of €2m is scheduled for FY25.

Pension deficit recovery plan cash costs of £6.0m in FY24 were broadly the same as in the prior year.

Corporation tax cash paid was £3.8m (FY23: £2.7m), and was paid in accordance with normal payment on account rules in the countries where the Group has operations.

Net cash flow from operating activities, shown in a statutory format, was £32.2m (FY23: £16.7m).

DEBT FACILITY AND CAPITAL STRUCTURE

During the year the Group renewed its borrowing facilities which now principally include an £85m multi-currency revolving credit facility until May 2026, with an option to extend the term for a further two years, together with a £20.0m accordion option. The net debt/EBITDA covenant was improved from 2.5 times EBITDA to 3.0 times EBITDA, with other key terms remaining unchanged.

At 31 March 2024, the Group had unused credit facilities totalling £47.1m (31 March 2023: £17.3m) and cash balances of £17.8m (31 March 2023: £19.3m). Total Group credit facilities amounted to £90.0m (31 March 2023: £65.9m), all of which were committed.

The Group has operated well within agreed covenant levels throughout the year ended 31 March 2024 and expects to continue to operate comfortably within covenant limits in the coming year.

The net debt/adjusted EBITDA multiple as at 31 March 2024 was 0.6x (31 March 2023: 0.9x), calculated in accordance with the banking agreement. The adjusted EBITDA/interest cover as at 31 March 2024 was 11.1x (FY23: 13.7x).

GOING CONCERN

The financial statements have been prepared on a going concern basis. In determining the appropriate basis of preparation of the financial statements, the Directors are required to consider whether the Group can continue in operational existence for the foreseeable future.

Further information in relation to the Group's business activities, together with the factors likely to affect its future development, performance and financial position, liquidity, cash balances and borrowing facilities is set out in the Chair's statement, the Chief Executive's review, the Finance Director's review and in the section on principal risks and uncertainties. Additional details of the Group's cash balances and borrowings and facility are included in Notes 13, 14 and 17.

The key covenants attached to the Group's multi-currency revolving credit facility at year end relate to leverage, net debt to EBITDA, maximum 3.0x and interest cover (minimum 4.0x). The Group regularly monitors its financial position to ensure that it remains within the terms of its banking covenants, and has remained within those covenants for the whole of the financial year.

Given the current level of macroeconomic uncertainty stemming from inflation and geopolitical risks, and being also mindful of the risks discussed in the section on principal risks and uncertainties, the Group has performed financial modelling of future cash flows. The Board has reviewed the cash flow forecasts which cover a period of 12 months from the approval of the 2024 Annual Report, and which reflect forecast changes in revenue across the Group's business units. A reverse stress test has been performed on the forecasts to determine the extent of a downturn which would result in a breach of covenants. Revenue would have to reduce by approximately 46% over the period under review for the Group to be likely to breach the leverage covenant under the terms of its borrowing facility. The reverse stress test does not take into account further mitigating actions which the Group would implement in the event of a severe and extended revenue decline, such as reducing discretionary spend and capital expenditure. This assessment indicates that the Group can operate within the level of its current increased facilities, as set out above, without the need to obtain any new facilities for a period of not less than 12 months from the date of this report.

Following this assessment, the Board of Directors is satisfied that the Group has sufficient resources to continue in operation for a period of not less than 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in relation to this conclusion and preparing the consolidated financial statements. There are no key sensitivities identified in relation to this conclusion.

TREASURY AND FINANCIAL INSTRUMENTS

The Group's treasury policy, approved by the Board, is to manage its funding requirements and treasury risks without taking any speculative risks. Treasury and financing matters are assessed further in the section on principal risks and uncertainties.

To manage foreign currency exchange impact on the translation of net investments, certain US Dollar denominated borrowings taken out in the UK to finance US acquisitions are designated as a hedge of the net investment in US subsidiaries. At 31 March 2024 this hedge was fully effective. The carrying value of these borrowings at 31 March 2024 was £2.4m (31 March 2023: £7.3m).

At 31 March 2024, the Group had £0.5m (31 March 2023: £0.5m) of its gross debt at fixed interest rates. Cash deposits are placed short-term with banks where security and liquidity are the primary objectives. The Group has no significant concentrations of credit risk, with sales made to a wide spread of customers, industries and geographies. Policies are in place to ensure that credit risk on individual customers is kept to a minimum.

PENSION ASSETS AND LIABILITIES

The Group has a mix of UK (87% of gross liabilities) and overseas (13% of gross liabilities) defined benefit pension obligations as shown below.

	2024			2023		
	Assets	Liabilities	(Deficit)/ surplus	Assets	Liabilities	Deficit
	£m	£m	£m	£m	£m	£m
UK scheme	100.3	(140.0)	(39.7)	101.6	(145.8)	(44.2)
German scheme	-	(17.5)	(17.5)	-	(17.7)	(17.7)
Other overseas schemes	3.1	(3.0)	0.1	12.9	(13.2)	(0.3)
	103.4	(160.5)	(57.1)	114.5	(176.7)	(62.2)
Deferred tax asset			3.0			5.1
Net deficit			(54.1)			(57.1)

The Group's retirement benefit deficit decreased from £62.2m (£57.1m net of deferred tax) at 31 March 2023 to £57.1m (£54.1m net of deferred tax) at 31 March 2024. All defined benefit schemes are closed to new members and, with the exception of one small scheme for workers under a union agreement at the Westfield plant in the US, are also closed for future accrual.

UK FUNDED SCHEME

The deficit of the UK scheme decreased in the year to £39.7m (31 March 2023: £44.2m).

A decrease in gross liabilities of £5.8m arose primarily due to an increase in the discount rate (5.00% FY24 compared with 4.85% in the prior year). The long-term CPI inflation assumption remained constant at 2.85%.

Contributions in the year ended 31 March 2024 were £4.6m (FY23: £4.1m). This includes payment of £0.6m per annum for five years until 2027 to cover a contribution deferral agreed during the Covid pandemic. The underlying contribution to the UK scheme increases annually by RPI plus 1.5% (capped at 5%).

OVERSEAS SCHEMES

The largest overseas scheme is in Germany, which is unfunded in line with normal practice in Germany, with a total liability and thus deficit of £17.5m (31 March 2023: £17.7m). Cash payments for this scheme were £1.1m (FY23: £1.2m).

Other overseas schemes are small and are funded, with a combined surplus of £0.1m (31 March 2023: deficit of £0.3m). Total contributions in the year for these schemes were £0.3m (FY23: £0.5m). During the year the Group progressed with the plan to buy-out overseas schemes with the exception of the Union plan in Westfield and the German scheme. The Canadian and US staff schemes are expected to be bought-out during FY25.

JIM HAUGHEY

GROUP FINANCE DIRECTOR

17 July 2024

PRINCIPAL RISKS AND UNCERTAINTIES

The Directors have reconsidered the principal risks and uncertainties of the Group.

Details of the risks and associated risk management processes, including financial risks, can be found in the 2024 Annual Report, which be made available at www.Renold.com.

The risks referred to and which could have a material impact on the Group's ongoing financial performance, are as follows:

- Macroeconomic and political volatility;
- Strategy execution;
- Product liability;
- Health and safety in the workplace;
- Security and effective deployment and utilisation of information technology systems;
- Prolonged loss of a major manufacturing site;
- People and change;
- Liquidity, foreign exchange and banking arrangements;
- Pension deficit; and
- Legal, financial and regulatory compliance

Consolidated Income Statement

for the year ended 31 March 2024

	Note	2024 £m	2023 £m
Revenue	1	241.4	247.1
Operating costs	2	(210.9)	(224.2)
Operating profit		30.5	22.9
Finance costs	3	(7.6)	(5.6)
Profit before tax		22.9	17.3
Taxation	4	(5.8)	(5.5)
Profit for the financial year		17.1	11.8
Earnings per share	5		
Basic earnings per share		8.3p	5.7p
Diluted earnings per share		7.3p	5.1p
Basic adjusted earnings per share ¹		7.8p	6.5p
Diluted adjusted earnings per share ¹		6.9p	5.9p

¹ Definitions of adjusted measures are provided in alternative performance measures in Note 19.

All results are from continuing operations.

Consolidated Statement of Comprehensive Income

for the year ended 31 March 2024

	2024 £m	2023 £m
Profit for the financial year	17.1	11.8
Items that may be reclassified to the income statement in subsequent years:		
Exchange differences on translation of foreign operations	(4.0)	2.7
Gain/(loss) on hedges of the net investment in foreign operations	0.5	(0.8)
Cash flow hedges:		
(Loss)/gain arising on cash flow hedges during the year	(0.3)	0.3
Less: Cumulative (loss)/gain arising on cash flow hedges reclassified to profit or loss	(0.2)	0.6
Income tax relating to items that may be reclassified subsequently to profit or loss	0.1	(0.2)
	(3.9)	2.6
Items not to be reclassified to the income statement in subsequent years:		
Remeasurement gains on retirement benefit obligations	1.4	22.2
Tax on remeasurement gains on retirement benefit obligations – excluding impact of statutory rate change	(0.4)	(5.8)
	1.0	16.4
Other comprehensive (loss)/income for the year, net of tax	(2.9)	19.0
Total comprehensive income for the year, net of tax	14.2	30.8

Consolidated Balance Sheet

as at 31 March 2024

	Note	2024 £m	2023 ¹ £m
ASSETS			
Non-current assets			
Goodwill	7	29.3	28.2
Intangible assets	8	11.5	10.9
Property, plant and equipment	9	56.1	56.8
Right-of-use assets	10	15.1	16.5
Deferred tax assets		7.7	8.4
		119.7	120.8
Current assets			
Inventories	11	60.6	61.8
Trade and other receivables	12	39.8	43.5
Current tax		0.1	0.6
Derivative financial instruments		-	0.3
Cash and cash equivalents	13	17.8	19.3
		118.3	125.5
TOTAL ASSETS		238.0	246.3
LIABILITIES			
Current liabilities			
Borrowings	14	(3.8)	(47.3)
Trade and other payables	15	(53.7)	(57.2)
Lease liabilities	10	(2.3)	(2.7)
Current tax		(8.6)	(6.6)
Derivative financial instruments		(0.3)	-
Provisions	16	(1.6)	(0.9)
		(70.3)	(114.7)
NET CURRENT ASSETS		48.0	10.8
Non-current liabilities			
Borrowings	14	(38.4)	(1.3)
Preference stock	14	(0.5)	(0.5)
Trade and other payables	15	-	(2.5)
Lease liabilities	10	(12.8)	(17.5)
Deferred tax liabilities		(3.7)	(4.4)
Retirement benefit obligations		(57.1)	(62.2)
Provisions	16	(5.0)	(4.1)
		(117.5)	(92.5)
TOTAL LIABILITIES		(187.8)	(207.2)
NET ASSETS		50.2	39.1
EQUITY			
Issued share capital		11.3	11.3
Currency translation reserve		8.0	11.5
Other reserves		(8.8)	(4.5)
Retained earnings		39.7	20.8
TOTAL SHAREHOLDERS' FUNDS		50.2	39.1

¹ See Note 17 of the Annual Report.

Approved by the Board on 17 July 2024 and signed on its behalf by:

Robert Purcell
CHIEF EXECUTIVE

Jim Haughey
FINANCE DIRECTOR

Consolidated Statement of Changes in Equity

for the year ended 31 March 2024

	Share capital £m	Retained earnings £m	Currency translation reserve £m	Other reserves £m	Total shareholders' funds £m
At 31 March 2022	11.3	(8.7)	9.8	(5.4)	7.0
Profit for the year	-	11.8	-	-	11.8
Other comprehensive income	-	16.4	1.7	0.9	19.0
Total comprehensive income for the year	-	28.2	1.7	0.9	30.8
Share based payments	-	1.3	-	-	1.3
At 31 March 2023	11.3	20.8	11.5	(4.5)	39.1
Profit for the year	-	17.1	-	-	17.1
Other comprehensive income/(loss)	-	1.0	(3.5)	(0.4)	(2.9)
Total comprehensive income/(loss) for the year	-	18.1	(3.5)	(0.4)	14.2
Own shares purchased	-	-	-	(4.5)	(4.5)
Settlement of share schemes	-	(0.6)	-	0.6	-
Share based payments	-	1.4	-	-	1.4
At 31 March 2024	11.3	39.7	8.0	(8.8)	50.2

Included in retained earnings is £3.9m (31 March 2023: £2.7m) relating to a share option reserve.

The other reserves include Renold shares held by the Renold plc Employee Benefit Trust. The Renold Employee Benefit Trust holds Renold plc shares and satisfies awards made under various employee incentive schemes when issuance of new shares is not appropriate.

At 31 March 2024 27,583,116 (31 March 2023: 16,888,938) ordinary shares of 5p each were held by the Renold Employee Benefit Trust and, following recommendations by the employer, are provisionally allocated to satisfy awards under employee incentive schemes. The market value of these shares at 31 March 2024 was £10.3m (31 March 2023: £4.3m).

Consolidated Statement of Cash Flows

for the year ended 31 March 2024

	Note	2024 £m	2023 £m
Cash flows from operating activities	17		
Cash generated from operations		36.0	19.4
Income taxes paid		(3.8)	(2.7)
Net cash flow from operating activities		32.2	16.7
Cash flows used in investing activities			
Proceeds from property disposals		0.1	-
Cash outflow on disposal of right-of-use assets		(0.6)	-
Purchase of property, plant and equipment		(8.3)	(7.0)
Purchase of intangible assets		(1.3)	(1.4)
Consideration paid for acquisitions net of cash acquired	18	(4.7)	(14.5)
Net cash flow used in investing activities		(14.8)	(22.9)
Cash flows from financing activities			
Repayment of principal under lease liabilities		(2.5)	(2.9)
Finance costs paid		(4.5)	(3.0)
Own shares purchased		(4.5)	-
Proceeds from borrowings		58.8	28.3
Repayment of borrowings		(67.4)	(8.3)
Net cash flow (used in)/from financing activities		(20.1)	14.1
Net (decrease)/increase in cash and cash equivalents		(2.7)	7.9
Net cash and cash equivalents at beginning of year		17.5	9.5
Effects of exchange rate changes		(0.7)	0.1
Net cash and cash equivalents at end of year	13	14.1	17.5

Accounting Policies

Basis of preparation

The financial information for the year ended 31 March 2024 and the year ended 31 March 2023 does not constitute the Company's statutory accounts for those years but is derived from those accounts. Statutory accounts for the year ended 31 March 2023 have been delivered to the Registrar of Companies. The auditor's report on those accounts was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The statutory accounts for the year ended 31 March 2024 have been authorised for issue and signed by the Board of Directors at the time of this announcement. They are expected to be published on or before 9 August 2024 and will be delivered to the Registrar of Companies following the Company's Annual General Meeting.

Going concern

The financial statements have been prepared on a going concern basis. In determining the appropriate basis of preparation of the financial statements, the Directors are required to consider whether the Group can continue in operational existence for the foreseeable future.

Further information in relation to the Group's business activities, together with the factors likely to affect its future development, performance and financial position, liquidity, cash balances and borrowing facilities is set out in the Strategic Report section of the Annual Report. In addition, the financial statements within the Annual Report include the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities and its exposure to foreign exchange, credit and interest rate risk.

The key covenants attached to the Group's multi-currency revolving credit facility relate to leverage (net debt to EBITDA, maximum 3.0x) and interest cover (minimum 4.0x), which are measured in line with definitions laid out within the banking covenants, and on a post IFRS 16 basis for both EBITDA and bank debt. The Group regularly monitors its financial position to ensure that it remains within the terms of its banking covenants. The Group's net debt decreased by £4.9m to £24.9m (31 March 2023: £29.8m). The Group has accordingly remained within the borrowing covenant levels throughout the year ended 31 March 2024.

Given the current level of macroeconomic uncertainty stemming from Covid-19, inflation, the global supply chain crisis and geopolitical risks, and being also mindful of the risk matrix disclosed in the section on principal risks and uncertainties, the Group has performed financial modelling of future cash flows. The Board has reviewed the cash flow forecasts, which cover a period of 12 months from the approval of the 2024 Annual Report, and which reflect forecasted changes in revenue across the Group's business units. A reverse stress test has been performed on the forecasts to determine the extent of downturn which would result in a breach of covenants. Revenue would have to reduce by 24% over the period under review for the Group to breach the leverage covenant under the terms of its borrowing facility. The reverse stress test does not take into account further mitigating actions which the Group would implement in the event of a severe and extended revenue decline, such as reducing discretionary spend and capital expenditure. This assessment indicates that the Group can operate within the level of its current facilities, as set out above, without the need to obtain any new facilities for a period of not less than 12 months from the date of this report.

Following this assessment, the Board of Directors are satisfied that the Group has sufficient resources to continue in operation for a period of not less than 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in relation to this conclusion and preparing the Consolidated Financial Statements. There are no key sensitivities identified in relation to this conclusion.

Notes to the Consolidated Financial Statements

1. Segmental information

For management purposes, the Group is organised into two operating segments according to the nature of their products and services and these are considered by the Directors to be the reportable operating segments of Renold plc as shown below:

- The Chain segment manufactures and sells power transmission and conveyor chain and also includes sales of torque transmission products through Chain National Sales Companies (NSCs); and
- The Torque Transmission segment manufactures and sells torque transmission products, such as gearboxes and couplings.

No operating segments have been aggregated to form the above reportable segments.

The Chief Operating Decision Maker (CODM) for the purposes of IFRS 8 'Operating Segments' is considered to be the Board of Directors of Renold plc. Management monitor the results of the separate reportable operating segments based on operating profit and loss which is measured consistently with operating profit and loss in the consolidated financial statements. The same segmental basis applies to decisions about resource allocation. Disclosure has been included in respect of working capital as opposed to operating assets of each segment as this is the measure reported to the CODM on a regular basis. However, Group finance costs, retirement benefit obligations and income taxes are managed on a Group basis and therefore are not allocated to operating segments. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

	Chain ² £m	Torque Transmission £m	Head office costs and eliminations £m	Consolidated £m
Year ended 31 March 2024				
Revenue				
External customer - transferred at a point in time	191.9	45.3	-	237.2
External customer - transferred over time	-	4.2	-	4.2
Inter-segment ¹	0.9	4.0	(4.9)	-
Total revenue	192.8	53.5	(4.9)	241.4
Operating profit/(loss)	32.8	8.4	(10.7)	30.5
Finance costs				(7.6)
Profit before tax				22.9
Taxation				(5.8)
Profit after tax				17.1
Other disclosures				
Working capital ³	43.4	11.0	(7.7)	46.7
Capital expenditure ⁴	5.3	2.4	1.3	9.0
Total depreciation and amortisation	7.1	1.7	2.0	10.8

1. Segmental information (continued)

Year ended 31 March 2023	Chain ² £m	Torque £m	Head office £m	Consolidated £m
Revenue				
External customer - transferred at a point in time	201.5	43.4	-	244.9
External customer - transferred over time	-	2.2	-	2.2
Inter-segment ¹	0.9	3.2	(4.1)	-
Total revenue	202.4	48.8	(4.1)	247.1
Operating profit/(loss)	26.5	5.4	(9.0)	22.9
Finance costs				(5.6)
Profit before tax				17.3
Taxation				(5.5)
Profit after tax				11.8
Other disclosures				
Working capital ³	44.0	10.9	(6.8)	48.1
Capital expenditure ⁴	5.6	2.2	1.2	9.0
Total depreciation and amortisation	6.9	1.6	2.6	11.1

1. Inter-segment revenues are eliminated on consolidation.
2. Included in Chain external sales is £6.9m (2023: £5.2m) of Torque Transmission product sold through the Chain NSCs, usually in countries where Torque Transmission does not have its own presence.
3. The measure of segment assets reviewed by the CODM is total working capital, defined as inventories and trade and other receivables, less trade and other payables. Working capital is also measured as a ratio of rolling annual sales.
4. Capital expenditure consists of additions to property, plant and equipment and intangible assets.

In addition to statutory reporting, the Group reports certain financial metrics on an adjusted basis (alternative performance measures, APMs). Definitions of adjusted measures, and information about the differences to statutory metrics are provided in Note 19. Current year adjusting items include a £1.0m (2023: £0.7m) of amortisation of acquired intangibles (Chain segment) and £0.5m (2023: £0.6m) of acquisition costs and £2.3m (2023: £nil) income relating to assignment of lease and costs of closed sites.

Constant exchange rate results are current period results retranslated using prior year exchange rates. A reconciliation is provided below and in Note 19.

Future performance obligations

The transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at 31 March 2024 is £83.6m (2023: £99.5m). This mostly comprises of the obligation to manufacture and supply standard Group products. The majority of this revenue is recognised at a point in time.

An amount of £13.3m (2023: £17.0m) relates to revenue from a small number of large customer contracts, for which revenue is recognised over time in line with progress against performance obligations. This revenue is expected to be recognised over the next seven years (2023: over the next eight years).

Year ended 31 March 2024	Chain £m	Torque Transmission £m	Head office costs and eliminations £m	Consolidated £m
Revenue				
External customer - transferred at a point in time	191.9	45.3	-	237.2
External customer - transferred over time	-	4.2	-	4.2
Inter-segment	0.9	4.0	(4.9)	-
Foreign exchange retranslation	6.3	1.7	(0.1)	7.9
Total revenue at constant exchange rates	199.1	55.2	(5.0)	249.3
Operating profit/(loss)	32.8	8.4	(10.7)	30.5
Foreign exchange retranslation	0.9	0.3	(0.1)	1.1
Operating profit/(loss) at constant exchange rates	33.7	8.7	(10.8)	31.6

Segmental information (continued)

Geographical analysis of external sales by destination, non-current asset location and average employee numbers

The UK is the home country of the parent company, Renold plc. The principal operating territories, the proportions of Group external revenue generated (customer location), external revenues, non-current assets (asset location) and average employee numbers in each are as follows:

	Revenue ratio		External revenues		Non-current assets		Average employee numbers	
	2024	2023	2024	2023	2024	2023	2024	2023
	%	%	£m	£m	£m	£m		
United Kingdom	9.1	7.7	21.9	19.1	13.8	13.3	293	280
Rest of Europe	29.7	29.6	71.8	73.2	39.1	42.1	571	585
US & Canada	42.0	42.1	101.1	103.9	33.7	33.5	281	282
Australasia	10.5	10.2	25.4	25.3	6.9	4.7	138	125
China	4.0	5.0	9.7	12.4	13.4	14.3	227	247
India	3.2	3.8	7.8	9.3	5.1	4.5	330	335
Other countries	1.5	1.6	3.7	3.9	-	-	-	-
	100.0	100.0	241.4	247.1	112.0	112.4	1,840	1,854

All revenue relates to the sale of goods and services. No individual customer, or group of customers, represents more than 10% of Group revenue (2023: None more than 10%).

Non-current assets consist of goodwill, other intangible assets, right-of-use assets and property, plant and equipment. Deferred tax assets are not included above.

Employees are categorised as direct or indirect. The split of average employee numbers are direct 981 (2023: 1,038) and indirect 859 (2023: 816).

2. Operating costs

Operating profit is stated after charging/(crediting):

	2024	2023
£m	£m	£m
Change in finished goods and work in progress	(0.5)	(3.0)
Raw materials and consumables	81.1	88.3
Other external charges	37.5	44.1
Employee costs		
Gross wages and salaries	67.0	67.9
Social security costs	9.7	8.8
Pension costs		
– defined benefit	-	0.1
– defined contribution	1.4	1.2
Share-based incentive plans (including related social security costs)	1.9	1.5
	80.0	79.5
Depreciation of property, plant and equipment		
– owned assets	6.1	6.1
– right-of-use assets	2.7	2.5
Amortisation of intangible assets	1.1	1.8
Amortisation of acquired intangible assets	1.0	0.7
Acquisition costs	0.5	0.6
Short-term leases and leases of low-value assets – plant and machinery	0.1	0.2
Loss on disposal of owned property, plant and equipment	-	0.3
Research and development expenditure	0.8	0.7
Auditor's remuneration	0.9	0.8
Impairment losses and gains (including reversals of impairment losses) on financial assets		
– trade receivables impairment	-	0.4
Net foreign exchange losses	0.7	0.5
Pension administration costs	1.2	0.7
Non-recurring profit on disposal of right-of-use asset and associated lease liability	(2.3)	-
Total operating costs	210.9	224.2

During the current year a non-recurring gain of £2.3m was recorded in relation to the reassignment of the Bredbury head lease on 21 July 2023. For further details refer to Note 10.

3. Finance costs

	2024	2023
£m	£m	£m
Finance costs:		
Interest payable on bank loans and overdrafts ¹	3.7	2.3
Interest expense on lease liabilities ¹	0.8	0.7
Amortised financing costs ¹	0.3	0.3
Loan finance costs	4.8	3.3
Net IAS 19 finance costs	2.7	2.1
Discount unwind on non-current trade and other payables	0.1	0.2
Finance costs	7.6	5.6

¹ Amounts arising on financial liabilities measured at amortised cost.

4. Taxation

Analysis of tax charge in the year

	2024 £m	2023 £m
United Kingdom		
UK corporation tax at 25% (2023: 19%)	0.8	(0.1)
Overseas taxes		
Corporation taxes	4.4	2.6
Movement in uncertain tax positions	-	0.7
Adjustments in respect of prior periods	1.0	0.7
Withholding taxes	0.3	0.3
Current income tax charge	6.5	4.2
Deferred tax		
UK – origination and reversal of temporary differences	1.3	0.2
Overseas – origination and reversal of temporary differences	1.1	1.5
Adjustments in respect of prior periods	(0.7)	(0.4)
Movement in unprovided deferred tax balances	(2.4)	-
Total deferred tax (credit)/charge	(0.7)	1.3
Tax charge on profit on ordinary activities	5.8	5.5

	2024 £m	2023 £m
Tax on items taken to other comprehensive income		
Deferred tax on changes in net pension deficits	0.4	5.8
Tax on fair value of derivatives direct to reserves	(0.1)	0.2
Tax charge in the statement of other comprehensive income	0.3	6.0

Factors affecting the Group tax charge for the year

The increase in the current tax charge is attributable to increased taxable profits in jurisdictions where the headline statutory tax rate is higher than the prevailing UK tax rate. The deferred tax credit in the year primarily relates to an increase in the deferred tax assets recognised in the Group across the period due to an increase in the estimated profitability of the Group for the 5-year period.

At 31 March 2024, the provision for open tax matters totalled £1.8m (31 March 2023: £1.8m).

The Group's tax charge in future years will be affected by the profit mix, effective tax rates in the different countries where the Group operates and utilisation of tax losses. No deferred tax is recognised on the gross unremitted earnings of £25.5m of overseas subsidiaries in accordance with IAS 12.39.

The actual tax on the Group's profit before tax differs from the theoretical amount using the UK corporation tax rate as follows:

	2024 £m	2023 £m
Profit on ordinary activities before tax	22.9	17.3
Tax charge at UK statutory rate of 25% (2023: 19%)	5.7	3.3
Effects of:		
Non-taxable income	(0.1)	-
Non-deductible expenditure	1.6	0.7
Other deductible	-	(0.1)
Movement in uncertain tax positions	-	0.7
Overseas tax rate differences	0.5	0.9
Adjustments in respect of prior periods	0.3	(1.0)
Movement in unrecognised deferred tax	(2.5)	0.7
Withholding taxes	0.3	0.3
Total tax charge	5.8	5.5

4. Taxation (continued)

Effective tax rate

The effective tax rate of 25% (2023: 32%) is the same as the prevailing UK tax rate of 25% (2023: 19%).

The change from the prior year effective tax rate is primarily driven by the increase in deferred tax recognition on losses in jurisdictions where there has been an increase in the projected future profitability based on updated information received by Management.

Tax payments

Cash tax paid in the year was £3.8m (2023: £2.7m). The year on year increase is attributable to higher taxable profits in full cash tax paying territories, including the closure of an historical tax enquiry.

5. Earnings per share

Earnings per share (EPS) is calculated by reference to the earnings for the year and the weighted average number of shares in issue during the year as follows:

	2024			2023		
	Earnings £m	Shares (thousands)	Per share amount (pence)	Earnings £m	Shares (thousands)	Per share amount (pence)
Basic EPS – Profit attributed to ordinary shareholders	17.1	206,908	8.3	11.8	207,242	5.7
Effect of adjusting items, after tax:						
Amortisation of acquired intangible assets	1.0		0.5	0.7		0.3
Acquisition costs	0.5		0.2	0.6		0.3
– Deferred tax triggered on acquisition ¹	(1.0)		(0.5)	-		-
Assignment of lease and cost of closed sites	(2.3)		(1.1)	-		-
– Tax on assignment of lease and cost of closed sites	0.8		0.4	-		-
Tax adjustments relating to prior year	-		-	0.4		0.2
Adjusted EPS	16.1	206,908	7.8	13.5	207,242	6.5

¹For the year ended 31 March 2024, £1.0m of deferred tax asset was recognised on brought forward tax losses for the Group's Australian entity, triggered by the acquisition of the trading assets of Davidson Chain PTY ("Davidson"). The acquisition resulted in a step change in the profitability of the Australian business such that it is now probable that taxable profits exist, against which previously unrecognised tax losses and temporary differences can be utilised. Consistent with the amortisation of acquired intangibles and other significant, non-recurring items, the deferred tax credit has been excluded for the purposes of calculating adjusted EPS as it represents a significant non-recurring and acquisition-related item.

Inclusion of the dilutive securities, comprising 27,488,748 (2023: 23,003,207) additional shares due to share options, in the calculation of basic and adjusted EPS changes the amounts shown above to 7.3p and 6.9p respectively (2023: basic EPS 5.1p, adjusted EPS 5.9p).

The adjusted EPS numbers have been provided in order to give a useful indication of underlying performance by the exclusion of adjusting items. Due to the existence of unrecognised deferred tax assets there were no associated tax credits on some of the adjusting items and in these instances adjusting items are added back in full.

6. Dividends

No ordinary dividend payments were paid in either the current or prior year.

The Board fully recognises the importance of dividends as part of the overall value creation proposition for shareholders. The Board has carefully reviewed its capital allocation priorities, and believes that both organic and inorganic investment opportunities remain available to the Group. We are also aware of the continued and sustainable progress in terms of profitability, and cash generation that the Group has made over recent years, and we now believe that the Group can capitalise on these investment opportunities, while also introducing a dividend payment to shareholders.

The Company seeks to pay a sustainable and affordable dividend having regard to the current financial circumstances of the business and the Company's operational cash requirements. Accordingly, the Board is recommending an ordinary dividend of 0.5p per share for the year ended 31 March 2024, with a total value of £1.0m. The dividend, if approved by shareholders at the 2024 Annual General Meeting, will be paid on 17 September 2024 to shareholders on the register as at 9 August 2024. The shares will be marked ex-dividend on 8 August 2024.

7. Goodwill

	2024 £m	2023 £m
Cost		
At 1 April	31.7	26.2
Acquisition of subsidiary (Note 18)	1.8	4.2
Exchange adjustment	(0.6)	1.3
At 31 March	32.9	31.7
Accumulated amortisation and impairment		
At 1 April	3.5	3.5
Exchange adjustment	0.1	-
At 31 March	3.6	3.5
Carrying amount	29.3	28.2

Impairment testing

The Group performed its annual impairment test of goodwill at 31 March 2024 which compares the current book value to the recoverable amount from the continued use or sale of the related business.

The recoverable amount of each Cash Generating Unit (CGU) has been determined on a value-in-use basis, calculated as the net present value of cash flows derived from detailed financial plans. All business units in the Group have submitted a budget for the financial year ending 31 March 2025 and strategic plan forecasts for the two financial years ending 31 March 2027. The budget and strategic forecasts, which are subject to detailed review and challenge, were approved by the Board. The Group prepares cash flow forecasts based on these projections for the first three years, with years four and five extrapolated based on known future events, recently observable trends and management expectations. A terminal value calculation is used to estimate the cash flows after year five. Sensitivity analysis has been performed including a zero revenue growth scenario (with current year revenue modelled for all future periods of the forecast) and a reverse stress test, to determine the extent of downturn which would result in a potential impairment. Revenue would have to reduce by 24% in the first year of the period under review (worse than the decline seen during the Covid pandemic) for the first CGU containing goodwill to require potential impairment. Under the reverse stress test the first CGU with headroom that eliminated was Europe & China. The forecasts used for the impairment review are consistent with those used in the Going Concern review.

The key assumptions used in the value-in-use calculations are:

- Sales: Forecast sales are built up with reference to expected sales prices and volumes from individual markets and product categories based on past performance, projections of developments in key markets and management's judgement;
- Margins: Forecast margins reflect historical performance and management's experience of each CGUs profitability at the forecast level of sales including the impact of all completed restructuring projects. The projections do not include the impact of future restructuring projects to which the Group is not yet committed;
- Discount rate: Pre-tax discount rates have been calculated based on the Group's weighted average cost of capital and risks specific to the CGU being tested; and
- Long-term growth rates: As required by IAS 36, cash flows beyond the period of projections are extrapolated using long-term growth rates published by the Organisation for Economic Co-operation and Development for the territory in which the CGU is based. The discount rates applied to the cash flows of each of the CGUs are based on the risk-free rate for long-term bonds issued by the government in the respective market. This is then adjusted to reflect both the increased risk of investing in equities and the systematic risk of the specific CGU (using an average of the betas of comparable companies). These rates do not reflect the long-term assumptions used by the Group for investment planning.

The Directors do not consider that any reasonably possible changes to the key assumptions would reduce the recoverable amount to its carrying value for any CGU. No impairment charge has been recognised in the current or prior period for any CGU. The goodwill acquired in the year relating to Davidson has been allocated to the Australia CGU.

7. Goodwill (continued)

	Growth rates		CGU discount rates (pre-tax)		Carrying values	
	2024	2023	2024	2023	2024	2023
	%	%	%	%	£m	£m
Americas (Jeffrey Chain)	2.1	2.0	12.7	15.0	20.8	21.4
Australia (Ace Chains, Davidson Chain)	2.3	2.2	10.4	12.1	2.2	0.5
India (Renold Chain)	6.3	6.4	15.9	20.4	1.7	1.6
Europe & China (Renold Tooth Chain, YUK)	1.2	1.7	15.1	15.5	4.6	4.7
					29.3	28.2

8. Intangible assets

	Customer orderbook £m	Customer relationships £m	Technical know-how £m	Non- compete agreements £m	Computer software £m	Total £m
Cost						
At 1 April 2022	0.3	4.6	0.2	-	19.9	25.0
Exchange adjustment	-	0.3	-	-	0.1	0.4
Additions	-	-	-	-	1.4	1.4
Acquisition of subsidiary	-	5.1	-	1.8	-	6.9
At 31 March 2023	0.3	10.0	0.2	1.8	21.4	33.7
Exchange adjustment	-	(0.2)	-	-	(0.3)	(0.5)
Additions	-	-	-	-	1.3	1.3
Recategorisation (Note 9)	-	-	-	-	0.5	0.5
Disposals	-	-	-	-	(0.1)	(0.1)
Acquisition of subsidiary (Note 18)	-	0.7	-	0.4	-	1.1
At 31 March 2024	0.3	10.5	0.2	2.2	22.8	36.0
Accumulated amortisation and impairment						
At 1 April 2022	0.3	4.2	0.2	-	15.2	19.9
Exchange adjustment	-	0.2	-	-	0.2	0.4
Amortisation charge	-	0.5	-	0.2	1.8	2.5
At 31 March 2023	0.3	4.9	0.2	0.2	17.2	22.8
Exchange adjustment	-	(0.3)	-	-	-	(0.3)
Amortisation charge	-	0.7	-	0.4	1.0	2.1
Disposals	-	-	-	-	(0.1)	(0.1)
At 31 March 2024	0.3	5.3	0.2	0.6	18.1	24.5
Net book amount						
At 31 March 2024	-	5.2	-	1.6	4.7	11.5
At 31 March 2023	-	5.1	-	1.6	4.2	10.9

During the year amounts have been recognised in accordance with IFRS 3 in relation to customer lists and non-compete agreements as a result of the acquisition of Davidson (Note 18). The customer relationships acquired have been valued using estimates of useful lives and discounted cash flows of expected income, and the non-compete agreements have been valued using the comparative income differential method.

The prior year acquisition of the Industrias YUK S.A. business resulted in the recognition of amounts in relation to customer lists and non-compete agreements. The remaining amounts recognised for customer relationships, customer orderbook and technical know-how were acquired with the acquisition of the Brooks business and the Tooth Chain (Germany) business, of which the latter is now fully depreciated.

No brand names have been acquired in the current year acquisition or previous acquisitions.

9. Property, plant and equipment

	Land and buildings £m	Plant and equipment £m	Total £m
Cost			
At 1 April 2022	25.1	123.6	148.7
Exchange adjustment	0.3	3.5	3.8
Additions	0.2	7.4	7.6
Disposals	-	(1.8)	(1.8)
Recategorisation	0.3	(0.3)	-
Acquisition of subsidiary	-	5.4	5.4
At 31 March 2023	25.9	137.8	163.7
Exchange adjustment	(0.9)	(3.6)	(4.5)
Additions	0.4	7.3	7.7
Disposals	(0.2)	(2.7)	(2.9)
Recategorisation (Note 8)	0.7	(1.2)	(0.5)
Acquisition of subsidiary (Note 18)	-	0.1	0.1
At 31 March 2024	25.9	137.7	163.6
Accumulated depreciation and impairment			
At 1 April 2022	8.1	91.3	99.4
Exchange adjustment	0.2	2.7	2.9
Charge for the year	0.6	5.5	6.1
Disposals	-	(1.5)	(1.5)
At 31 March 2023	8.9	98.0	106.9
Exchange adjustment	(0.2)	(2.5)	(2.7)
Charge for the year	0.6	5.5	6.1
Disposals	(0.2)	(2.6)	(2.8)
At 31 March 2024	9.1	98.4	107.5
Net book amount			
At 31 March 2024	16.8	39.3	56.1
At 31 March 2023	17.0	39.8	56.8

Property, plant and equipment pledged as security for liabilities amounted to £35.2m (2023: £34.5m).

Future capital expenditure

At 31 March 2024 capital expenditure contracted for but not provided for in these accounts amounted to £1.7m (2023: £2.6m).

10. Leasing and right-of-use assets

Right-of-use assets

	Land and buildings £m	Plant and equipment £m	Total £m
Cost			
At 1 April 2022	12.6	2.0	14.6
Exchange adjustment	0.1	-	0.1
Acquisition of subsidiary	9.5	0.1	9.6
Additions	1.0	0.4	1.4
Disposals	(0.4)	(0.8)	(1.2)
At 31 March 2023	22.8	1.7	24.5
Exchange adjustment	(0.5)	-	(0.5)
Additions	1.7	1.4	3.1
Recategorisation	-	(0.1)	(0.1)
Disposals	(4.4)	(0.5)	(4.9)
At 31 March 2024	19.6	2.5	22.1
Accumulated depreciation and impairment			
At 1 April 2022	5.4	1.2	6.6
Exchange adjustment	0.1	-	0.1
Charge for the year	2.0	0.5	2.5
Disposals	(0.4)	(0.8)	(1.2)
At 31 March 2023	7.1	0.9	8.0
Exchange adjustment	(0.1)	0.1	-
Charge for the year	2.0	0.6	2.6
Recategorisation	-	(0.1)	(0.1)
Disposals	(3.0)	(0.5)	(3.5)
At 31 March 2024	6.0	1.0	7.0
Net book amount			
At 31 March 2024	13.6	1.5	15.1
At 31 March 2023	15.7	0.8	16.5

Lease liabilities

	2024 £m	2023 £m
Maturity analysis – contractual undiscounted cash flows		
Less than one year	2.9	3.5
One to two years	2.6	3.1
Two to five years	4.4	6.6
More than five years	11.2	14.1
Total undiscounted lease liabilities at 31 March	21.1	27.3
Less: Interest allocated to future periods	(6.0)	(7.1)
Lease liabilities included in the Consolidated Balance Sheet	15.1	20.2
Current	2.3	2.7
Non-current	12.8	17.5

Amounts recognised in profit or loss

	2024 £m	2023 £m
Interest on lease liabilities	(0.8)	(0.7)
Non-recurring profit on disposal of right-of-use asset and associated lease liability	2.3	-
Expenses relating to short-term leases and leases of low-value assets	(0.1)	(0.2)

10. Leasing and right-of-use assets (continued)

Amounts recognised in the Consolidated Statement of Cash Flows

	2024 £m	2023 £m
Repayment of principal under lease liabilities	2.5	2.9
Repayment of interest on lease liabilities	0.8	0.7
Cash outflows in relation to short-term leases and leases of low-value assets	0.1	0.2
Total cash outflows for leases	3.4	3.8

11. Inventories

	2024 £m	2023 £m
Raw materials	8.9	9.1
Work in progress	7.2	5.8
Finished products and production tooling	44.5	46.9
	60.6	61.8

Inventories pledged as security for liabilities amounted to £42.7m (2023: £43.2m).

The Group expensed £81.1m (2023: £88.3m) of inventories during the period. In the year to 31 March 2024, £1.9m (2023: £3.5m) was charged for the write-down of inventory and £1.5m (2023: £0.2m) was released from inventory provisions no longer required.

12. Trade and other receivables

	2024 £m	2023 £m
Trade receivables	33.2	39.3
Less: Loss allowance	(0.4)	(0.8)
Trade receivables: net ¹	32.8	38.5
Other receivables	3.0	1.9
Contract assets	-	0.1
Prepayments	4.0	3.0
	39.8	43.5

¹ Financial assets carried at amortised cost.

The Group has no significant concentration of credit risk but does have a concentration of translational and transactional foreign exchange risk in both US Dollars and Euros; however, the Group hedges against these risks. The carrying amount of trade and other receivables approximates their fair value.

Trade receivables are non-interest bearing and are generally on 30–90 days terms. The average credit period on sales of goods is 51 days (2023: 49 days).

Other receivables largely relate to VAT and hence given that the counterparties are governments, no provision for loss allowance has been made.

Contract assets relate to consideration not yet received upon the completion of the associated performance obligation. Revenue recognised in the reporting period that was included in the contract assets at beginning of the year totalled £nil (2023: £0.1m).

The following table details the risk profile of trade receivables based on the Group's provision matrix. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further analysed:

At 31 March 2024	Trade receivables – days past due					Total
	Not past due	<30 days	30–60 days	60–90 days	>90 days	
Trade receivables: gross	27.8	3.6	0.5	0.5	0.8	33.2
Expected credit loss rate, %	0.3%	0.0%	0.2%	1.2%	43.1%	1.2%
Estimated gross carrying amount at default, £m	0.1	-	-	-	0.3	
Lifetime expected credit loss, £m						0.4

12. Trade and other receivables (continued)

At 31 March 2023	Trade receivables – days past due					Total
	Not past due	<30 days	30–60 days	60–90 days	>90 days	
Trade receivables: gross	34.0	3.3	0.6	0.4	1.0	39.3
Expected credit loss rate, %	0.2%	0.0%	1.0%	0.1%	67.7%	2.0%
Estimated gross carrying amount at default, £m	0.1	-	-	-	0.7	
Lifetime expected credit loss, £m						0.8

The following table shows the movement in the lifetime expected credit losses; there has been no change in the estimation techniques or significant assumptions made during the current reporting period:

	2024	2023
	£m	£m
Loss allowance		
At 1 April	0.8	0.5
Net remeasurement of loss allowance	-	0.4
Amounts written off as uncollectable	(0.4)	(0.1)
At 31 March	0.4	0.8

13. Cash and cash equivalents

In the Group cash flow statement, net cash and cash equivalents are shown after deducting bank overdrafts as follows:

	2024	2023
	£m	£m
Cash and cash equivalents	17.8	19.3
Less: Overdrafts (Note 14)	(3.7)	(1.8)
Net cash and cash equivalents	14.1	17.5

14. Borrowings

	2024	2023
	£m	£m
Current borrowings:		
Overdrafts (Note 13)	3.7	1.8
Capitalised costs	(0.3)	-
Bank loans	0.4	45.5
Current borrowings	3.8	47.3
Non-current borrowings:		
Bank loans	38.8	1.3
Capitalised costs	(0.4)	-
Non-current borrowings	38.4	1.3
Preference stock	0.5	0.5
	38.9	1.8
Total borrowings	42.7	49.1

The above loans form part of the Renold plc Group core banking facilities. The UK banking facility matures in May 2026, therefore is classed as non-current borrowings.

All financial liabilities above are carried at amortised cost.

Core banking facilities

On 09 May 2023 the Group renewed its £85.0m Multi-Currency Revolving Facility banking facilities with HSBC UK, Allied Irish Bank (GB), Citibank and Santander. The facility matures in May 2026 (with an option to extend the term for a further two years) and is fully committed and available until maturity.

At the year end, the undrawn core banking facility was £45.9m (2023: £16.1m). The Group also benefits from a UK overdraft and a number of overseas facilities totalling £5.0m (2023: £4.4m) with availability at year end of £1.2m. The Group pays interest at SONIA (or LIBOR prior to 20 December 2021) plus a variable margin in respect of the core banking facility. The average rate of interest paid

14. Borrowings (continued)

in the year was SONIA (20 December 2021 onwards) or LIBOR (prior to 20 December 2021) plus 1.60% for Sterling, Euro and US Dollar denominated facilities (2023: plus 1.85% for Sterling, Euro and US Dollar denominated facilities).

The core banking facility is subject to two covenants, which are tested semi-annually: net debt to EBITDA (leverage, maximum ratio 3.0 times) and EBITDA to net finance charges (interest cover, minimum ratio 4.0 times).

Secured borrowings

Included in Group borrowings are secured borrowings of £42.9m (2023: £48.6m). Security is provided by fixed and floating charges over assets (including certain property, plant and equipment and inventory) primarily in the UK, USA, Germany and Australia. Certain Group companies have provided cross-guarantees in respect of these borrowings

Preference stock

At 31 March 2024, there were 580,482 units of preference stock in issue (2023: 580,482).

All payments of dividends on the preference stock have been paid on the due dates. The preference stock has the following rights:

- i. a fixed cumulative preferential dividend at the rate of 6% per annum payable half yearly on 1 January and 1 July in each year;
- ii. rank both with regard to dividend (including any arrears on the commencement of a winding up) and return of capital in priority to all other stock or shares in the Company, but with no further right to participate in profits or assets;
- iii. no right to attend or vote, either in person or by proxy, at any general meeting of the Company or to have notice of any such meeting, unless the dividend on the preference stock is in arrears for six calendar months; and
- iv. no redemption entitlement and no fixed repayment date.

There is no significant difference between the carrying value of financial liabilities and their equivalent fair value.

15. Trade and other payables

	2024		2023	
	Current £m	Non-current £m	Current £m	Non-current £m
Trade payables ¹	16.2	-	22.1	-
Other taxation and social security ¹	3.3	-	2.5	-
Other payables ¹	7.9	-	8.9	2.5
Contract liabilities	-	-	0.3	-
Accruals ¹	26.3	-	23.4	-
	53.7	-	57.2	2.5

¹ Financial liabilities carried at amortised cost.

Trade payables are non-interest bearing and are normally settled within 60-day terms. The Group does have a concentration of translational foreign exchange risk in both US Dollars and Euros; however, the Group hedges against this risk. Non-current other payables relate to the deferred element of the construction costs for the Chinese factory in Jintan.

The Group did not operate supplier financing or reverse factoring programmes during the current or prior financial year.

The Directors consider that the carrying amount of trade payables approximates to their fair value.

Contract liabilities relate to consideration received in advance of the completion of the associated performance obligation. Revenue recognised in the reporting period that was included in the contract liability at beginning of the year totalled £0.3m (2023: £nil).

16. Provisions

	Business Restructuring £m	Dilapidations £m	Environmental and Other Provisions £m	Total provisions £m
At 1 April 2023	0.8	3.0	1.2	5.0
Arising during the year	0.1	0.2	2.0	2.3
Utilised in the year	(0.1)	-	-	(0.1)
Acquired/(disposed)	-	(0.5)	(0.1)	(0.6)
Charged/(released) during the year	0.1	-	(0.1)	-
At 31 March 2024	0.9	2.7	3.0	6.6

	2024 £m	2023 £m
Allocated as:		
Current provisions	1.6	0.9
Non-current provisions	5.0	4.1
	6.6	5.0

Business restructuring

During the year ended 31 March 2024, a provision was recognised for legal and redundancy costs in relation to the reduction of headcount within a number of the Groups locations, especially within mainland Europe. Despite a number of the legal processes involved with this restructuring being lengthy, it is anticipated that the provision will be utilised within the next 12 months (£0.9m).

Environmental and Other provisions

During the year ended 31 March 2024, a provision was recognised for Environmental costs in relation to a number of the Group's closed sites, including sites within both the UK and France. It is anticipated that the provision recorded will be utilised over a number of future years, accordingly the majority of the provision is recorded as non-current (£2.3m).

During the year ended 31 March 2024, a provision was recognised for anticipated costs relating to customer claim concerning products supplied by the Group. It is anticipated that the provision will be utilised within the next 12 months (£0.7m). The claims could result in a range of outcomes from £0.3m to £1.4m.

Dilapidations

Provisions are recognised in relation to contractual obligations to reinstate leasehold properties to the state of repair specified in the property lease. The provision includes costs, as required within the lease, to rectify or reinstate modifications to the property and to remediate general wear and tear incurred to the balance sheet date. The provision to rectify or reinstate modifications is recognised on inception, with a corresponding fixed asset that is depreciated in line with the underlying asset. The provision to rectify general wear and tear is recognised as it is incurred over the life of the lease.

The provision is assessed based on the expected cost at the balance sheet date, using recent cost estimates from suitably qualified property professionals. These estimates are adjusted to reflect the impact of inflation between the date of assessment and the expected timing of the payments, and are then discounted back to present value. A range of inflation and discount rates have been used in order to best reflect the circumstances of the lease to which the dilapidation obligation relates. The inflation rate applied ranges from 2.9% to 4.5% and the discount rate ranges from 1.6% to 9.8%. These rates are most notably impacted by the country of lease and length of lease.

The majority of the dilapidation provision relates to cash outflows which are expected to take place at the end of each respective lease term; none of which are expected to end within the next 12 months. The associated outflows are estimated to arise over a period of up to 21 years from the balance sheet date. As a result substantially all of the provision is classed as non-current (£2.7m).

17. Additional cash flow information

Reconciliation of operating profit to net cash flows from operations:

	2024	2023
	£m	£m
Cash generated from operations:		
Operating profit from continuing operations	30.5	22.9
Depreciation of property, plant and equipment – owned assets	6.1	6.1
Depreciation of property, plant and equipment – right-of-use assets	2.6	2.5
Amortisation of intangible assets	2.1	2.5
Loss on disposals of plant and equipment	-	0.3
Profit on disposals of right-of-use assets	(2.4)	-
Share-based payments	1.4	1.3
Increase in inventories	-	(4.5)
Decrease/(increase) in receivables	2.9	(2.8)
Decrease in payables	(2.7)	(4.2)
Increase in provisions	1.5	1.0
Cash contribution to pension schemes	(6.0)	(5.8)
Pension current service cost (non-cash)	-	0.1
Cash generated from operations	36.0	19.4

Reconciliation of net change in cash and cash equivalents to movement in net debt:

	2024	2023
	£m	£m
(Decrease)/increase in cash and cash equivalents (Consolidated Statement of Cash Flows)	(2.7)	7.9
Change in net debt resulting from cash flows		
- Proceeds from borrowings	(58.8)	(28.3)
- Repayment of borrowings	67.4	8.3
Foreign currency translation differences	(0.7)	(0.7)
Non-cash movement on capitalised finance costs	(0.3)	(0.3)
Net debt acquired as part of the business combination	-	(2.9)
Change in net debt during the period	4.9	(16.0)
Net debt at start of year	(29.8)	(13.8)
Net debt at end of year	(24.9)	(29.8)
Net debt comprises:		
Cash and cash equivalents (Note 13)	17.8	19.3
Total borrowings (Note 14)	(42.7)	(49.1)
	(24.9)	(29.8)

17. Additional cash flow information (continued)

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Assets and liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Opening balance	Accrued interest	Financing cash flows	New leases	Lease disposal	Net debt acquired	Other non-cash changes ¹	Closing balance
2024	£m	£m	£m	£m	£m	£m	£m	£m
Bank loans (Note 14)	46.8	3.7	(10.8)	-	-	-	(0.5)	39.2
Capitalised costs (Note 14)	-	-	(1.0)	-	-	-	0.3	(0.7)
Preference stock (Note 14)	0.5	-	-	-	-	-	-	0.5
Lease liabilities (Note 10)	20.2	0.8	(3.3)	3.1	(5.2)	-	(0.5)	15.1
Total liabilities from financing activities	67.5	4.5	(15.1)	3.1	(5.2)	-	(0.7)	54.1
Overdrafts (Note 14)	1.8							3.7
Less: Lease liabilities (Note 10)	(20.2)							(15.1)
Total borrowings (Note 14)	49.1							42.7
Add: Cash and cash equivalents (Note 13)	(19.3)							(17.8)
Net debt	29.8							24.9

¹ Non-cash changes include the amortisation of capitalised finance costs and foreign exchange translation.

	Opening balance	Accrued interest	Financing cash flows	New leases	Lease disposal	Net debt acquired	Other non-cash changes ¹	Closing balance
2023	£m	£m	£m	£m	£m	£m	£m	£m
Bank loans (Note 14)	22.8	2.3	17.7	-	-	2.9	1.1	46.8
Capitalised costs (Note 14)	-	-	-	-	-	-	-	-
Preference stock (Note 14)	0.5	-	-	-	-	-	-	0.5
Lease liabilities (Note 10)	12.0	0.8	(3.6)	11.0	-	-	-	20.2
Total liabilities from financing activities	35.3	3.1	14.1	11.0	-	2.9	1.1	67.5
Overdrafts (Note 14)	1.0							1.8
Less: Lease liabilities (Note 10)	(12.0)							(20.2)
Total borrowings (Note 14)	24.3							49.1
Add: Cash and cash equivalents (Note 13)	(10.5)							(19.3)
Net debt	13.8							29.8

¹ Non-cash changes includes the amortisation of capitalised finance costs and foreign exchange translation.

18. Business combinations

During the year the Group completed the acquisition of the trading assets of Davidson Chain PTY ("Davidson") for the total consideration of AU\$6.0m (£3.1m), of which AU\$5.7m (£3.0m) was paid on the date of the acquisition with the remaining AU\$0.3m (£0.1m) being deferred, to be paid in September 2024. Davidson is based in Melbourne, Australia, and is a manufacturer and distributor of high quality conveyor chain ("CVC").

The transaction has been accounted for as a business combination under IFRS 3 and is summarised below:

	Recognised values on acquisition £m
Fair value of net assets acquired:	
Intangible assets	1.1
Property, plant and equipment	0.1
Inventories	0.5
Trade and other receivables	0.3
Trade and other payables	(0.4)
Deferred tax liabilities	(0.3)
Net identifiable assets and liabilities	1.3
Goodwill	1.8
Total consideration	3.1
Consideration:	
Cash consideration	3.0
Deferred consideration	0.1
Total consideration transferred/to be transferred	3.1
Net cash outflow arising on acquisition:	
Cash consideration paid	(3.0)
Add: cash and cash equivalents acquired	-
	(3.0)
Increase in net debt arising on acquisition:	
Net cash outflow arising on acquisition	(3.0)
Less: Acquisition costs	(0.5)
	(3.5)

Acquisition related costs amounted to £0.5m and have been included in the Income Statement.

The gross contractual value of the trade and other receivables was £0.3m. The best estimate at the acquisition date of the contractual cash flows not expected to be collected was £nil.

Deferred consideration of £0.1m is payable within one year.

The goodwill arising on acquisition has been allocated to the Australia CGU and is expected to be deductible for tax purposes. The goodwill is attributable to:

- the anticipated profitability of the distribution of the Group's services in new markets; and
- the synergies that can be achieved in the business combination including management, processes and maximising site capacities.

The business was acquired on 1 September 2023 and contributed £0.9m revenue and £0.2m adjusted operating profit for the period between the date of acquisition and the balance sheet date.

If the acquisition had been completed on the first day of the financial period, the acquisition would have contributed £1.6m to Group revenue, £0.0m to Group operating profit and £0.4m adjusted operating profit (after adding back £0.2m acquisition costs and £0.2m amortisation of acquired intangibles).

18. Business combinations (continued)

During the year deferred consideration of €2.0m (£1.7m) was also paid in relation to the acquisition of the conveyor chain business of Industrias YUK S.A. in the prior year.

Total net cash outflow arising on acquisitions:

Davidson Chain PTY	(3.0)
Industrias YUK S.A.	(1.7)
	(4.7)

Total increase in net debt arising on acquisitions:

Davidson Chain PTY	(3.5)
Industrias YUK S.A.	(1.7)
	(5.2)

19. Alternative performance measures

In order to provide users of the accounts with a clear and consistent presentation of the performance of the Group's ongoing trading activity, the Group uses various alternative performance measures (APMs), including the presentation of the income statement in a three-column format with 'Adjusted' measures shown separately from statutory items. Amortisation of acquired intangibles, restructuring costs, discontinued operations and material one-off items or remeasurements are included in a separate column as management seek to present a measure of performance which is not impacted by material non-recurring items or items considered non-operational. Performance measures for the Group's ongoing trading activity are described as 'Adjusted' and are used to measure and monitor performance as management believe these measures enable users of the financial statements to better assess the trading performance of the business. In addition, the Group reports sales and profit measures at constant exchange rates. Constant exchange rate metrics exclude the impact of foreign exchange translation, by retranslating the comparative to current year exchange rates.

The APMs used by the Group include:

APM	Reference	Explanation of APM
• adjusted operating profit	A	Adjusted measures are used by the Group as a measure of underlying business performance, adding back items that do not relate to underlying performance
• adjusted profit before taxation	B	
• adjusted EPS	C	
• return on sales	D	
• operating profit gearing	D	
• revenue at constant exchange rates	E	Constant exchange rate metrics adjusted for constant foreign exchange translation and are used by the Group to better understand year on year changes in performance
• adjusted operating profit at constant exchange rates	F	
• adjusted return on sales at constant exchange rates	G	
• EBITDA	H	EBITDA is a widely utilised measure of profitability, adjusting to remove non-cash depreciation and amortisation charges
• adjusted EBITDA	H	
• operating cash flow	H	
• net debt	I	Net debt, leverage and gearing are used to assess the level of borrowings within the Group and are widely used in capital markets analysis
• leverage ratio	J	
• gearing ratio	K	
• legacy pension cash costs	L	The cost of legacy pensions is used by the Group as a measure of the cash cost of servicing legacy pension schemes
• average working capital ratio	M	Working capital as a ratio of rolling 12-month revenue is used to measure cash performance and balance sheet strength

19. Alternative performance measures (continued)

APMs are defined and reconciled to the IFRS statutory measure as follows:

(A) Adjusted operating profit

	Year ended 31 March 2024			
	Chain £m	Torque Transmission £m	Head office costs and eliminations £m	Consolidated £m
Operating profit	32.8	8.4	(10.7)	30.5
Add back/(deduct):				
Amortisation of acquired intangible assets	1.0	-	-	1.0
Acquisition costs	-	-	0.5	0.5
Assignment of lease and cost of closed sites	(2.3)	-	-	(2.3)
Adjusted operating profit	31.5	8.4	(10.2)	29.7

	Year ended 31 March 2023			
	Chain £m	Torque Transmission £m	Head office costs and eliminations £m	Consolidated £m
Operating profit	26.5	5.4	(9.0)	22.9
Add back/(deduct):				
Amortisation of acquired intangible assets	0.7	-	-	0.7
Acquisition costs	-	-	0.6	0.6
Adjusted operating profit	27.2	5.4	(8.4)	24.2

(B) Adjusted profit before taxation

	2024 £m	2023 £m
Profit before taxation	22.9	17.3
Add back/(deduct):		
Amortisation of acquired intangible assets	1.0	0.7
Acquisition costs	0.5	0.6
Assignment of lease and cost of closed sites	(2.3)	-
Adjusted profit before taxation	22.1	18.6

(C) Adjusted earnings per share

Adjusted EPS is reconciled to statutory EPS in Note 5.

(D) Return on sales and operating profit gearing

	Year ended 31 March 2024			
	Chain £m	Torque Transmission £m	Head office costs and eliminations £m	Consolidated £m
Adjusted operating profit	31.5	8.4	(10.2)	29.7
Total revenue (including inter-segment sales)	192.8	53.5	(4.9)	241.4
Return on sales %	16.3%	15.7%	-	12.3%

	Year ended 31 March 2023			
	Chain £m	Torque Transmission £m	Head office costs and eliminations £m	Consolidated £m
Adjusted operating profit	27.2	5.4	(8.4)	24.2
Total revenue (including inter-segment sales)	202.4	48.8	(4.1)	247.1
Return on sales %	13.4%	11.1%	-	9.8%

19. Alternative performance measures (continued)

	Year ended 31 March 2024			
	Chain £m	Torque Transmission £m	Head office costs and eliminations £m	Consolidated £m
Adjusted operating profit – 2024	31.5	8.4	(10.2)	29.7
Adjusted operating profit – 2023	27.2	5.4	(8.4)	24.2
Year on year change in adjusted operating profit (a)	4.3	3.0	(1.8)	5.5
Total revenue (including inter-segment sales) – 2024	192.8	53.5	(4.9)	241.4
Total revenue (including inter-segment sales) – 2023	202.4	48.8	(4.1)	247.1
Year on year change in total revenue (b)	(9.6)	4.7	(0.8)	(5.7)
Adjusted operating profit gearing % ((a)/(b))	-45%	64%	n/a	-96%

	Year ended 31 March 2023			
	Chain £m	Torque Transmission £m	Head office costs and eliminations £m	Consolidated £m
Adjusted operating profit – 2023	27.2	5.4	(8.4)	24.2
Adjusted operating profit – 2022	18.9	4.1	(7.7)	15.3
Year on year change in adjusted operating profit (a)	8.3	1.3	(0.7)	8.9
Total revenue (including inter-segment sales) – 2023	202.4	48.8	(4.1)	247.1
Total revenue (including inter-segment sales) – 2022	159.2	40.4	(4.4)	195.2
Year on year change in total revenue (b)	43.2	8.4	0.3	51.9
Adjusted operating profit gearing % ((a)/(b))	19%	15%	n/a	17%

(E), (F) & (G) Revenue, adjusted operating profit and adjusted operating profit margin at constant exchange rates

	Year ended 31 March 2024			
	Chain £m	Torque Transmission £m	Head office costs and eliminations £m	Consolidated £m
External customer - transferred at a point in time	191.9	45.3	-	237.2
External customer - transferred over time	-	4.2	-	4.2
Inter-segment	0.9	4.0	(4.9)	-
Foreign exchange retranslation	6.3	1.7	(0.1)	7.9
Revenue at constant exchange rates	199.1	55.2	(5.0)	249.3
Adjusted operating profit	31.5	8.4	(10.2)	29.7
Foreign exchange retranslation	0.9	0.3	(0.1)	1.1
Adjusted operating profit at constant exchange rates	32.4	8.7	(10.3)	30.8
Return on sales at constant exchange rates %	16.3%	15.8%	-	12.4%

19. Alternative performance measures (continued)

(H) EBITDA, adjusted EBITDA (earnings before interest, taxation, depreciation and amortisation) and operating cash flow

	2024 £m	2023 £m
Statutory operating profit from continuing operations	30.5	22.9
Depreciation and amortisation	10.8	11.1
Share-based payments	1.4	1.3
EBITDA¹	42.7	35.3
Add back/(deduct):		
Loss on disposals of plant & equipment	-	0.3
Acquisition Costs	0.5	0.6
Assignment of lease and cost of closed sites	(2.3)	-
Adjusted EBITDA¹	40.9	36.2
Inventories (Note 11)	-	(4.5)
Trade and other receivables (Note 12)	2.9	(2.8)
Trade and other payables (Note 15)	(2.7)	(4.2)
Provisions (Note 16)	1.5	1.0
Movement in working capital	1.7	(10.5)
Purchase of property, plant and equipment (Consolidated Statement of Cash Flows)	(8.3)	(7.0)
Purchase of intangible assets (Consolidated Statement of Cash Flows)	(1.3)	(1.4)
Proceeds from property disposals	0.1	-
Cash outflow on disposal of right-of-use assets	(0.6)	-
Net capital expenditure	(10.1)	(8.4)
Operating cash flow	32.5	17.3

¹ The calculation of EBITDA, adjusted EBITDA and operating cash flow deliberately excludes an add back for the non-cash share-based payment charge of £1.4m for the year (2023: £1.3m). This is done in order to ensure consistency with the metrics used to assess performance against the annual bonus plan targets.

(I) Net debt

Net debt is reconciled to the statutory balance sheet in Note 17.

(J) Leverage ratio

	2024 £m	2023 £m
Net debt (Note 17)	24.9	29.8
Adjusted EBITDA	40.9	36.2
Leverage ratio	0.6 times	0.8 times

(K) Gearing ratio

	2024		2023	
	£m	£m	£m	£m
Net debt (Note 17)		24.9		29.8
Equity attributable to equity holders of the parent	50.2		39.1	
Net debt (Note 17)	24.9		29.8	
Total capital plus net debt		75.1		68.9
Gearing ratio %		33%		43%

(L) Legacy pension cash costs

	2024 £m	2023 £m
Cash contributions to pension schemes	5.5	4.6
Pension payments in respect of unfunded schemes	1.1	1.2
Scheme administration costs	0.5	0.7
	7.1	6.5

19. Alternative performance measures (continued)

(M) Average working capital ratio

	2024	2023
	£m	£m
Inventories	60.6	61.8
Trade and other receivables	39.8	43.5
Trade and other payables	(53.7)	(57.2)
Total working capital	46.7	48.1
Average working capital ¹ (a)	47.4	41.9
Revenue (b)	241.4	247.1
Average working capital ratio ((a)/(b))	20%	17%

¹ Calculated as a simple average of the opening and closing balance sheet working capital.