

**RENOLD POWER TRANSMISSION LIMITED**

(Ultimate Parent Company: Renold plc  
incorporated in the United Kingdom)

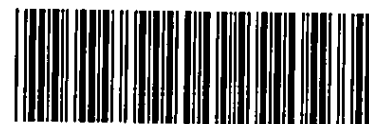
**DIRECTORS**

The present directors of Renold Power Transmission Limited are:

\* Robert John Davies  
\* Peter Edward Bream  
Margaret Hurt  
Colin Gibson (appointed 24 March 2009)  
Graham Conyers (appointed 24 March 2009)  
Michael Christmas (appointed 24 March 2009)

\* Directors of Renold plc as at 31st March 2009.

THURSDAY



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23/07/2009

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COMPANIES HOUSE

**REPORT OF THE DIRECTORS**

for the year ended 31st March 2009

To be presented to the Eighty-eighth Annual General Meeting of the Company to be held at the Registered Office on 14<sup>th</sup> August 2009.

**Results and review of the business**

The directors present the audited accounts for the financial year ended 31st March 2009. The results for the year were as follows:

	£000
The profit on ordinary activities before taxation was	2,534
Taxation charge for the year	(923)
Gives a profit for the financial year of	<u>1,611</u>

No dividend is proposed for the year.

Turnover remained stable at £59.6 million compared to £59.4m last year. The operating profit increased to £2.5m from £1.8m.

It is expected that the Company's performance will continue to benefit from the recent and continuing restructuring measures undertaken.

**Principal activities**

The principal activity of the Company continued to be the manufacture and sale of industrial chains and related power transmission products.

## **Principal risks and uncertainties**

The directors of Renold plc manage the Group's risks at a Group level, rather than at an individual business unit level. For this reason, the Company's directors believe that a discussion of the Group's risks would not be appropriate for an understanding of the development, performance or position of Renold Power Transmission Limited's business. The principal risks and uncertainties of Renold plc, which include those of the Company, are discussed on page 13 of the Group's annual report.

## **Employees and employment policies**

Arrangements for consulting and involving employees on matters affecting their interests at work, and informing them of the performance of their employing business and of the Renold Group, are developed in ways appropriate to each business. A variety of approaches is adopted aimed at encouraging the involvement of employees in effective communication and consultation, and the contribution of productive ideas at all levels.

Employment policies are designed to provide equal opportunities irrespective of race, caste, national origin, religion, age, disability, gender, marital status, sexual orientation or political affiliation.

The policy of the Company is to ensure that disabled applicants for employment are given full and fair consideration, and that existing disabled employees are given equal access to training, career development and promotion opportunities. In the event of employees becoming disabled whilst in the employment of the Company, all reasonable means are explored to achieve retention in employment in the same or an alternative capacity.

At 31st March 2009 the Company employed 630 people (31st March 2008 - 673 people).

## **Research and development**

The research and development activities of the Company continue to be principally directed towards the development of new products and manufacturing methods, and the improvement of performance and cost effectiveness of existing products.

## **Policy on payment of suppliers**

Individual operating units are responsible for the terms and conditions under which transactions with their suppliers are conducted, including the terms of payment. It is the Company's policy that payments to suppliers are made in accordance with these terms, provided that the supplier complies with all relevant terms and conditions.

At 31st March 2009 trade creditors of the Company represented 58 days' purchases, compared with 79 last year.

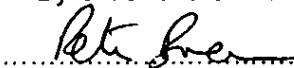
## **Disclosure of information to the auditors'**

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with this report, of which the auditor is unaware. Having made enquiries of fellow directors and the Company auditor, each director has taken all the steps that he/she is obliged to take as director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

## **Auditors**

A resolution to appoint Ernst & Young LLP as auditors to the Company will be proposed at the Annual General Meeting.

By Order of the Board

  
Director

Renold House  
Wythenshawe  
Manchester M22 5WL

17 July 2009

RENOLD POWER TRANSMISSION LIMITED  
STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RENOLD POWER TRANSMISSION LIMITED

We have audited the Company's financial statements for the year ended 31st March 2009 which comprise the Profit and Loss Account, the Balance Sheet, the Reconciliation of Movements in Shareholders' Funds, the Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed. We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

### Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31<sup>st</sup> March 2009 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

Ernst & Young LLP  
Registered auditor  
Manchester

*Ernst & Young LLP*

17.07.2009

**RENOLD POWER TRANSMISSION LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE FINANCIAL YEAR ENDED 31ST MARCH 2009**

	Note	2009 £000	Continuing operations 2008 £000	Discontinued operations 2008 £000	Total 2008 £000
<b>Turnover</b>	1	59,621	59,351	-	59,351
<b>Operating costs</b>	2	(56,659)	(57,125)	(46)	(57,171)
Exceptional items	2	(416)	(399)	-	(399)
<b>Operating profit/(loss)</b>		2,546	1,827	(46)	1,781
Profit on disposal of asset held for sale	2	-	4,857	-	4,857
<b>Profit/(loss) on ordinary activities before interest and taxation</b>		2,546	6,684	(46)	6,638
Net financing (costs)	3	(12)			(11)
<b>Profit on ordinary activities before tax</b>		2,534			6,627
Taxation	4	(923)			(924)
<b>Profit for the year</b>	10	1,611			5,703

The profit and loss account should be read in conjunction with the accounting policies and notes on pages 7 to 20.

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

	2009 £000	2008 £000
Profit for the financial year	1,611	5,703
Movement on reserves: Share Options	15	41
<b>Total recognised gains and losses relating to the financial year</b>	1,626	5,744

**RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	2009 £000	2008 £000
Profit for the financial year	1,611	5,703
Movement on reserves: share options	15	41
Movement in year	1,626	5,744
Opening shareholders' funds	15,193	9,449
<b>Closing shareholders' funds</b>	16,819	15,193

RENOLD POWER TRANSMISSION LIMITED  
BALANCE SHEET  
AS AT 31ST MARCH 2009

	Note	2009 £000	2008 £000
<b>Fixed assets</b>			
Tangible assets	5	9,254	9,075
<b>Current assets</b>			
Stocks	7	10,328	11,587
Debtors		24,256	23,407
		<u>34,584</u>	<u>34,994</u>
<b>Creditors - amounts falling due within one year</b>	8	<u>(26,942)</u>	<u>(28,513)</u>
<b>Net current assets</b>		<u>7,642</u>	<u>6,481</u>
<b>Total assets less current liabilities</b>		16,896	15,556
<b>Creditors - amounts falling due after more than one year</b>	9	(77)	(153)
<b>Provisions for liabilities and charges</b>	12	-	(210)
<b>Net assets</b>		<u>16,819</u>	<u>15,193</u>

Authorised  
Number of shares

**Called up equity share capital**

Ordinary Shares of £1 each

- issued and fully paid

17,495,973

- not issued

2,504,027

17,496

17,496

20,000,000

**Reserves - profit and loss account**

10

(677)

(2,303)

**Equity shareholders' funds**

16,819

15,193

Approved by the Board on 17 July 2009 and signed on its behalf by :

 Director

The balance sheet should be read in conjunction with the accounting policies and notes on pages 7 to 20.

## RENOLD POWER TRANSMISSION LIMITED

### NOTES ON THE ACCOUNTS FOR THE FINANCIAL YEAR ENDED 31ST MARCH 2009 ACCOUNTING POLICIES

A summary of the principal accounting policies is set out below. These have been applied consistently except where otherwise noted.

**Basis of accounting** - The accounts have been prepared in compliance with the Companies Act 1985 and in accordance with applicable accounting standards. They have been prepared under the historical cost convention but include some past revaluations of properties and equipment.

There is no material difference between the result disclosed in the profit and loss account on page 5 and the result on an unmodified historical cost basis and a note of historical cost profits and losses is not, therefore, included in these accounts.

**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 company can continue in operational existence for the foreseeable future.

On 13 July 2009, Renold plc reached agreement (subject to the completion of full documentation) to enter into a three year bank facility with the existing syndicate members led by The Royal Bank of Scotland plc, with Fortis Bank S.A/N.V. as a participant. The agreement is in the form of agreed heads of terms together with a letter of commitment and has received credit committee approval from the banks. It is expected that full documentation based on these heads of terms will be agreed and signed during July 2009. Further details are given in the Renold plc accounts which were signed on 13 July 2009.

The directors are of the opinion that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the financial statements.

**Investments** - Interests in subsidiaries are stated at cost in the balance sheet except where there is a permanent diminution in the value of the business.

**Foreign currencies** - Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the profit and loss account.

**Tangible assets** represented by properties and equipment are stated at cost, being purchase cost plus any incidental costs of acquisition, less accumulated depreciation. The book values of certain assets which were subject to past revaluations have been retained as permitted by the transitional arrangements of FRS 15 "Tangible Fixed Assets". The carrying value of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

During the year ended 31 March 2009, the Company has revised the useful lives of the following asset classes:

Plant and Equipment - 15 years (2008 – 10 years)

Precision Cutting and Grinding Machines - 10 years (2008 – 7 years)

Properties and Motor vehicles have not had their useful lives adjusted and are depreciated as follows:

Freehold properties - 50 years; land is not depreciated

Leasehold properties - 50 years or the period of the lease if less

Motor vehicles - 25% per annum for 3 years leaving 25% residual value.

The change in the useful lives has reduced the depreciation charge recorded in the income statement for the year ended 31 March 2009 by £220,000.

Where appropriate, adjustments are made to the remaining effective useful lives of assets to reflect changes in circumstances to those envisaged when the asset was brought into use.

## RENOLD POWER TRANSMISSION LIMITED

### NOTES ON THE ACCOUNTS FOR THE FINANCIAL YEAR ENDED 31ST MARCH 2009 ACCOUNTING POLICIES (Continued)

**Leasing** - Tangible assets held under finance leases, which are those where substantially all the risks and rewards of ownership of the asset have passed to the Company, are capitalised in the balance sheet and depreciated over their effective useful lives at the rates set out above. The corresponding liability to the leasing company is included as an obligation under finance leases in creditors. Finance lease costs are charged as interest based on a constant periodic rate as applied to the outstanding liabilities.

Annual rentals in respect of operating leases are charged against the profit of the year in which they are incurred.

**Stocks** are stated at the lower of cost and estimated net realisable value. Cost includes all direct expenditure and attributable overhead expenditure incurred in bringing goods to their current state under normal operating conditions. The first in, first out, or an average method of valuation is used.

**Deferred tax** is recognised on all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more, or a right to pay less, tax in the future have occurred at the balance sheet date, except that deferred tax assets are recognised only to the extent that, based on all available evidence, it is considered more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws enacted or substantively enacted by the balance sheet date.

**Turnover** comprises the invoiced value of goods provided to external customers after deducting value added tax or other sales related taxes and trade discounts. Revenue from the sale of goods is recognised when significant risks and rewards of ownership of goods are transferred to the buyer, which is normally the point of despatch.

**Pension costs** - Employees of the Company participate in the pension schemes operated by the Renold plc Group in the UK. These include pension schemes of the defined benefit and defined contribution types. However, the contributions paid by the Company are, in all cases, accounted for as defined contribution schemes. This is because the Company is unable to identify its share of the underlying assets and liabilities in the respective schemes, as required by Financial Reporting Standard 17 (Retirement Benefits). Therefore, contributions paid to the respective pension schemes are charged to the profit and loss account as incurred. Further details of the Renold Group defined benefit schemes are provided in the annual financial statements of Renold plc.

**Dividends** - Final dividend distributions to the Company's shareholders are recognised as a liability in the financial statements in the period in which the dividends are approved by the Company's shareholders, while interim dividend distributions are recognised in the period in which the dividends are declared and paid. Dividends receivable from subsidiary undertakings are similarly recognised on this basis.

**Research and development** - Expenditure other than that on tangible assets is charged against the profit of the year in which it is incurred.

**Provisions** are recognised when the Company has a present or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and a reliable estimate of the amount can be made. Where the Company expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Costs related to the ongoing activities of the Company are not provided in advance.



RENOLD POWER TRANSMISSION LIMITED

NOTES ON THE ACCOUNTS FOR THE FINANCIAL YEAR ENDED 31ST MARCH 2009  
ACCOUNTING POLICIES (Continued)

**Borrowing costs** are recognised in the profit and loss account in the period in which they are incurred.

**Share-based incentives** - The Company operates equity-settled share-based incentive plans as detailed in the annual financial statements of Renold plc. The fair value of Company employee services received in exchange for the grant of the options is recognised as an expense in the income statement, with the corresponding amount being recognised in equity. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions, using a Black-Scholes pricing model. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, an update is made of the estimates of the number of options that are expected to become exercisable. The impact of the revision of original estimates, if any, is recognised in the income statement, and a corresponding adjustment made to equity over the remaining vesting period.

As permitted under the transitional provisions of FRS 20, the Company has applied the standard only to equity-settled awards granted after 7 November 2002 and which vest on or after 1 January 2005.

RENOLD POWER TRANSMISSION LIMITED

NOTES ON THE ACCOUNTS FOR THE FINANCIAL YEAR ENDED 31ST MARCH 2009

**1 Turnover and analysis of activities**

Turnover classified by business segment:

	2009 £000	2008 £000
Power transmission	59,621	59,351
Turnover by geographical markets:		
United Kingdom	19,719	19,686
Europe	8,124	6,667
North and South America	532	552
Other countries	4,701	5,098
	33,076	32,003
Sales to fellow subsidiaries	26,545	27,348
	59,621	59,351

RENOLD POWER TRANSMISSION LIMITED  
NOTES ON THE ACCOUNTS FOR THE  
FINANCIAL YEAR ENDED 31ST MARCH 2009

**2 Operating costs and exceptional items**

	2009 £000	Continuing operations 2008 £000	Discontinued operations 2008 £000	Total 2008 £000
Change in stocks of finished goods and work in progress	720	(2,047)	-	(2,047)
Raw materials and consumables	29,213	29,124	-	29,124
Staff costs:				
Gross wages and salaries	18,147	18,853	-	18,853
Social security costs	1,486	1,582	-	1,582
Other pension costs	1,112	1,109	-	1,109
Cost of share based incentive schemes	21	41	-	41
Exceptional redundancy and restructuring costs	416	399	-	399
Depreciation and other amount written off tangible fixed assets:				
Owned assets	1,252	1,879	-	1,879
Assets acquired under finance leases	35	43	-	43
Operating lease rentals				
Equipment	71	28	-	28
Other	640	864	-	864
Remuneration of auditors	24	25	-	25
Other operating charges (including intra-group)	7,269	7,157	196	7,353
Other operating income	(3,331)	(1,533)	(150)	(1,683)
	<u>57,075</u>	<u>57,524</u>	<u>46</u>	<u>57,570</u>
Normal operating costs:	56,659	57,125	46	57,171
Exceptional costs:				
Redundancy and restructuring	-	258	-	258
-Burton conveyor	-	-	-	-
Redundancy and restructuring -Other	416	141	-	141
	<u>416</u>	<u>399</u>	<u>-</u>	<u>399</u>
Total operating costs	<u>57,075</u>	<u>57,524</u>	<u>46</u>	<u>57,570</u>

RENOLD POWER TRANSMISSION LIMITED  
NOTES ON THE ACCOUNTS FOR THE  
FINANCIAL YEAR ENDED 31ST MARCH 2009

**2 Operating costs and exceptional items (continued)**

In accordance with Financial Reporting Standard 3 ("Reporting Financial Performance") the results for the prior year of the Machine Tool business are reported as a discontinued activity.

On 4<sup>th</sup> January 2008 the former chain manufacturing facility located at Burton-upon-Trent was sold generating proceeds of £6,400,000, realising an exceptional gain in the profit and loss account of £4,857,000, after costs associated with the disposal of £370,000.

Remuneration of the auditors for non-audit work amounted to £Nil (2008 - £Nil).

Expenditure on research and development charged against operating profit amounted to £373,000 (2008 - £325,000).

The average number of persons employed by the Company during the year was 680, all in continuing operations (2008- 705)

**3 Net financing (costs) / income**

	2009 £000	2008 £000
Payable under finance leases	(12)	(12)
Interest receivable	-	2
Interest payable on borrowings	-	(1)
	<u>(12)</u>	<u>(11)</u>

RENOLD POWER TRANSMISSION LIMITED  
NOTES ON THE ACCOUNTS FOR THE  
FINANCIAL YEAR ENDED 31ST MARCH 2009

4 Taxation

(a) Analysis of tax charge / (credit) in the year

	2009 £000	2008 £000
<b>Current tax</b>		
- UK corporation tax at 28% (2008 - 30%) – includes (receipts) / payments for group relief	(258)	-
- Overseas tax – unrelieved	54	-
Total current tax	<u>(204)</u>	<u>-</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	1,165	924
Adjustments in respect of prior periods	(38)	-
Total deferred tax	<u>1,127</u>	<u>924</u>
Tax charge on profit on ordinary activities	<u>923</u>	<u>924</u>

A deferred tax movement of £6,000 in relation to share options was taken directly to reserves during the year.

(b) Factors affecting the tax charge for the year

The tax assessed for the year differs to the standard rate of corporation tax in the UK (28%). The differences are explained below:

	2009 £000	2008 £000
Profit on ordinary activities before tax	<u>2,534</u>	<u>6,627</u>
Tax on ordinary activities at 28% (2008 - 30%)	710	1,988
Effects of:		
Permanent differences	31	39
Gain on property disposal offset by capital losses	-	(1,457)
Depreciation and other timing differences	(999)	581
Losses utilised	-	(485)
Group relief received	-	(666)
Overseas tax unrelieved	54	-
Current tax (credit) for the year	<u>(204)</u>	<u>-</u>

**RENOLD POWER TRANSMISSION LIMITED**  
**NOTES ON THE ACCOUNTS FOR THE**  
**FINANCIAL YEAR ENDED 31ST MARCH 2009**

**5 Tangible assets**

	Freehold Properties	Leasehold Properties (Short-term)	Equipment	Total
	£000	£000	£000	£000
Cost				
At beginning of year	1,564	2,382	42,477	46,423
Additions at cost	-	-	1,506	1,506
Disposals	-	-	(657)	(657)
Group transfers	-	-	(192)	(192)
At end of year	1,564	2,382	43,134	47,080
Depreciation				
At beginning of year	(752)	(1,348)	(35,248)	(37,348)
Disposals	-	-	657	657
Depreciation for the year	(19)	(29)	(1,239)	(1,287)
Group transfers	-	-	152	152
At end of year	(771)	(1,377)	(35,678)	(37,826)
Net book value at end of year	793	1,005	7,456	9,254
Net book value at beginning of year	812	1,034	7,229	9,075

Net book value of equipment at the end of the year includes £50,000 (2008 - £295,000) in respect of assets held under finance leases.

Included in cost above is equipment of £1,644,000 (2008 - £1,644,000) revalued in 1974.

If all tangible assets had been determined under the historical cost convention, the values would not have been materially different from the figures shown above.

**Future Capital Expenditure**

At 31st March 2009 authorised capital expenditure not provided for in these accounts for which contracts have been placed amounted to £180,000 (2008 - £507,000).

**6 Investment in subsidiary companies**

At 31st March 2009 the interest in subsidiary companies comprised a 100% holding in the issued share capital and voting rights of Anchor Chain & Power Transmission Company Limited and Renold (1997) Limited, both of which are registered in England. The interest in subsidiaries is carried at nil in the current and prior year.

Group accounts are not submitted (Section 228 of the Companies Act 1985), as Renold Power Transmission Limited is itself a wholly owned subsidiary of Renold plc, which is a company registered in England and is the immediate and ultimate parent company and controlling party. Therefore, the financial information is presented for Renold Power Transmission Limited as an individual company and not for its group.

Group accounts of Renold plc, which include the accounts of the Company and its subsidiaries, can be obtained from the Company Secretary, Renold House, Styal Road, Wythenshawe, Manchester M22 5WL.

RENOLD POWER TRANSMISSION LIMITED  
NOTES ON THE ACCOUNTS FOR THE  
FINANCIAL YEAR ENDED 31ST MARCH 2009

7 **Current assets**

	2009 £000	2008 £000
<b>Stocks</b>		
Materials	2,098	2,675
Work in progress	3,362	4,168
Finished products	4,868	4,744
	<u>10,328</u>	<u>11,587</u>
<b>Debtors</b>		
Trade debtors	5,942	6,129
Amounts owed by group undertakings	13,092	10,585
Deferred tax	4,426	5,559
Value added tax recoverable	133	462
Other debtors	235	259
Prepayments and accrued income	428	413
	<u>24,256</u>	<u>23,407</u>
<b>Current assets</b>	<u>34,584</u>	<u>34,994</u>

The analysis of the deferred tax asset recognised above is as follows:

	2008 £000	Recognised in Profit & Loss Account £000	Recognised Directly in Equity £000	2009 £000
Accelerated capital allowances	5,203	(1,077)	-	4,126
Tax losses	159	92	-	251
Other timing differences	197	(142)	(6)	49
	<u>5,559</u>	<u>(1,127)</u>	<u>(6)</u>	<u>4,426</u>

A deferred tax asset of £2,503,000 (2008 - £2,789,000) consisting of £2,503,000 in respect of losses (2008 - £2,702,000) and £Nil in respect of other timing differences (2008 - £87,000), has not been recognised, as it is considered unlikely that these will be recovered in the foreseeable future.

8 **Creditors - amounts falling due within one year**

	2009 £000	2008 £000
Bank overdraft	12,613	13,046
Trade creditors	5,669	8,256
Amounts owed to group undertakings	6,411	4,988
Taxation and social security	642	571
Obligations under finance leases (Note 9)	78	81
Accruals and deferred income	1,529	1,571
	<u>26,942</u>	<u>28,513</u>

RENOLD POWER TRANSMISSION LIMITED  
NOTES ON THE ACCOUNTS FOR THE  
FINANCIAL YEAR ENDED 31ST MARCH 2009

9 **Creditors - amounts falling due after more than one year**

	2009 £000	2008 £000
Obligations under finance leases	<u>77</u>	<u>153</u>
	<u>77</u>	<u>153</u>
Obligations under finance leases comprise:		
	2009 Equipment £000	2008 Equipment £000
Rentals due:		
Within one year	90	92
Between two and five years	85	181
Over five years	-	-
Less: interest element	<u>(20)</u>	<u>(39)</u>
	<u>155</u>	<u>234</u>
Allocated as:		
Creditors – amounts falling due within one year (Note 8)	78	81
Creditors – amounts falling due after more than one year	<u>77</u>	<u>153</u>
	<u>155</u>	<u>234</u>

10 **Reserves**

	Profit and loss account £000
Balance as at 1 April 2008	(2,303)
Profit for the year	1,611
Movement re: share option	<u>15</u>
Balance at end of year	<u>(677)</u>



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**11 Pensions**

Employees of the Company include members of three defined benefit schemes operated by the Renold Group in the UK. Details of these three schemes are provided in the consolidated accounts of Renold plc, where they are accounted for as funded defined benefit type schemes. (In this respect, the Group accounts are prepared in accordance with International Accounting Standard 19 (IAS 19) "Employee Benefits". There are no material differences in the information presented for the UK schemes under IAS 19 or the UK standard FRS 17 "Retirement Benefits".) However, under the guidance of FRS 17, the Company does not use defined benefit accounting because it is unable to identify its share of the underlying assets and liabilities in the respective schemes. This is due to the fact that the Company cannot attribute the members of the schemes to the individual sponsoring employer company. As at 31st March 2009 the UK defined benefit schemes had net liabilities (net of associated deferred tax) of £19.5 million (2008: £6.8 million).

As a result of the deficits in the main UK plans, it has been agreed with the actuaries and trustees, under existing arrangements, that within the UK, the Group shall make annual lump sum payments of £1.5 million to the Renold Group Pension Scheme (RGPS) plan and £0.5 million to the Renold Supplementary Pension Scheme (RSPS) plan over a twelve year period.

The Renold Group Money Purchase Scheme ('RGMPS') is a defined contribution type plan. Future contributions to the RGMPS have recently ceased.

All current and future employees have the opportunity to join the Renold Personal Pension Plan which is a contract based delivered contribution scheme.

In the Company accounts defined contribution accounting is adopted in respect of all pension schemes for the reasons set out above. The cost for the year was £1,133,000 (2008: £1,109,000). There were outstanding contributions payable to the schemes retained within creditors of £30,000 (2008: £69,000), representing the final month's unpaid contributions net of costs.

**12 Provisions for liabilities and charges**

	Business restructuring provision £000	Total provision £000
At beginning of year	210	210
Utilised in year	(210)	(210)
At end of year	-	-

The business restructuring provision was fully utilised in the year.

**13 Contingent liabilities**

At 31st March 2009 there were contingent liabilities in respect of guarantees amounting to £139,000 (2008 - £212,000). In addition the Company had given guarantees to bankers and others in the ordinary course of business for borrowings of Renold plc and certain of its UK subsidiary companies.

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**14 Operating lease obligations**

At the end of the year there were annual commitments under non-cancellable operating leases as follows:

	2009		2008	
	Properties £000	Equipment £000	Properties £000	Equipment £000
Leases expiring				
Within one year	-	-	-	28
Between two and five years	-	71	-	-
Over five years	864	-	864	-
	<u>864</u>	<u>71</u>	<u>864</u>	<u>28</u>

**15 Remuneration of the directors**

The majority of the current directors of the Company have wide ranging responsibilities for the management of the Renold Group and as such their emoluments are paid by Renold plc. The following amounts for executive emoluments therefore include appropriate sums, for executive services to the Company in respect of certain directors, which are included in management charges made by Renold plc.

	2009 £000	2008 £000
Aggregate emoluments	<u>123</u>	<u>176</u>

During the year three directors had contributions paid into defined contribution type schemes (2008 - nil). Three directors received payments in respect of a self invested personal pension.

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**16 Share-based payments**

A reconciliation of option movements over the year to 31 March 2009 is shown below:

**Savings related share option scheme**

	2009		2008	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding at 1 April	662,115	54.3p	867,220	54.4p
Lapsed	(32,841)	54.4p	(3,856)	54.3p
Forfeited	(7,992)	54.4p	(79,362)	54.3p
Exercised	(42,509)	54.9p	(121,887)	54.9p
Outstanding at 31 March	578,773	54.3p	662,115	54.3p
Exercisable at 31 March	578,773	54.3p	48,908	54.91p

**Savings related share option scheme**

Range of exercise prices	Weighted average exercise price	2009			Weighted average exercise price	2008		
		Number of shares	Weighted average remaining life			Number of shares	Weighted average remaining life	
			Expected	Contractual			Expected	Contractual
54.30p to 55.08p	54.3p	578,773	-	0.2	54.34p	662,115	0.9	1.2

The weighted average share price during the period for options exercised over the year was 75.6p (2008: 104.7p). The total charge for the year relating to employee share based payment plans was £21,000 (2008: £41,000), all of which related to equity-settled share-based transactions.

**17 Cash flow statement**

As permitted under Financial Reporting Standard 1 (Revised: 1996), the accounts do not contain a cash flow statement as the accounts of the ultimate parent company include a consolidated cash flow statement.

**18 Related party transactions**

The Company has taken advantage of the exemption not to disclose related party transactions with other members of the Group under Financial Reporting Standard 8 (Related Party Disclosures) as it is a wholly owned subsidiary.

**19 Charge for bank borrowings**

Fixed and floating charges have been given on the undertakings and assets of the Company to the UK bank which provides banking facilities to Renold plc and certain of its UK subsidiary companies.

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**20 Parent company**

Renold plc, a company registered in England, is the Company's ultimate and immediate parent company and controlling party and prepares Group accounts which include the accounts of the Company. Copies of the Group accounts of Renold plc can be obtained from the Company Secretary at Renold House, Styal Road, Wythenshawe, Manchester M22 5WL.

**21 Post balance sheet event**

**Funding**

On 13 July 2009, Renold plc reached agreement (subject to the completion of full documentation) to enter a three year bank facility with the existing syndicate members led by The Royal Bank of Scotland plc, with Fortis Bank S.A/N.V. as a participant. This facility is the Group's principal credit facility and is for the same amount as the facility it replaces. The agreement is in the form of agreed heads of terms together with a letter of commitment and has received credit committee approval from the banks. It is expected that full documentation will be agreed and signed during July 2009.