Company number 00182382

Renold Power Transmission Limited

Financial statements

for the year ended 31 March 2018

Renold Power Transmission Limited

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Strategic Report

The directors, in preparing this strategic report, have complied with s414C of the Companies Act 2006.

The principal activity of the Company is the manufacture and sale of chain and power transmission products. The ultimate parent company is Renold Plc, a company incorporated in England and Wales.

Review of the business

The financial statements reflect a much improved trading year, with sales increasing by 7.3% to £49.8m (2017: £46.4m). Continued focus on controlling operating costs coupled with increased sales has resulted in an operating profit before adjusting items of £5.8m (2017: £3.6m), a significant increase of 61%.

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 or necessary for an understanding of the development, performance or position of Renold Power Transmission Limited. The principal risks and uncertainties of Renold Plc, which include those of the Company, are discussed on page 32 of the Group's annual report which can be obtained from the company secretary at Renold, Trident 2, Trident Business Park, Styal Road, Wythenshawe, M22 5XB.

Key Performance Indicators

The Company considers revenue and operating profit before adjusting items to be the key performance indicators, both of which are discussed above. Management also monitor net liabilities, which have decreased during the year to £35.4m (2017: £38.9m), as a result of profitable trading and a reduction in the defined benefit pension liabilities.

Future developments

The directors expect the general level of activity to remain consistent with 2018 in the forthcoming year.

Events after the balance sheet date

There were no significant events after the balance sheet date.

Approval

Approved by the Board and signed on its behalf by:

Ian Scapens
Director
28 September 2018

Trident 2
Trident Business Park
Styal Road
Wythenshawe
Manchester
M22 5XB

Directors' Report

Directors

The directors, who served throughout the year and subsequently except as noted, were as follows:

Philip Mark Robinson	
Lynne Joan Rosser	
Ian Lloyd Scapens	
Alex Evers	(resigned 15 May 2017)
Stuart James Sims	(resigned 29 August 2017)
Louise Mary Helen Brace	(resigned 5 October 2017)
Paul Andrew Anderson	(resigned 14 February 2018)
Anthony Kenneth Edwards	(appointed 14 February 2018)
Graham Conyers	(resigned 14 February 2018)
Michael Peter Wallwork	(appointed 14 February 2018)

Company secretary

Oakwood Corporate Secretary Limited

Future developments and events after the balance sheet date

Details of future developments and events that have occurred after the balance sheet date can be found in the Strategic Report on page 2 and form part of this report by cross-reference.

Research and development

During the financial year, the Company continued to invest in research and development expenditure. These 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.

Going concern

The directors have a reasonable expectation that the Company have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

Further details regarding the adoption of the going concern basis can be found in the accounting policies on page 12.

Financial risk management objectives and policies

The Company's activities expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk. The use of financial derivatives is governed by the Company's policies approved by the board of directors, which provide written principles on the use of financial derivatives to manage these risks.

Cash flow risk

The Company's activities expose it primarily to the financial risks of changes in interest rates and foreign currency exchange rates. The Company uses interest rate swap contracts and foreign exchange forward contracts to hedge these exposures. Interest bearing assets and liabilities are held at fixed rate to ensure certainty of cash flows.

Credit risk

The Company's principal financial assets are bank balances and cash and trade and other debtors. The Company's credit risk is primarily attributable to its trade debtors. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

Directors' Report

Credit Risk (continued)

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. The Company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Liquidity risk

To maintain liquidity and ensure that sufficient funds are available for ongoing operations and future developments, the company uses a mixture of long-term and short-term debt finance.

Dividends

The directors recommend a final dividend of £nil (2017: £nil).

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee consultation

The Company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Company. This is achieved through formal and informal meetings, the Company newsletter, and a special presentation for employees of the Group annual financial statements. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

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

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006. Deloitte LLP have indicated their willingness to be reappointed for another term and appropriate arrangements are in place for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

Approved by the Board and signed on its behalf by:

Ian Scapens
Director
28 September 2018

Trident 2
Trident Business Park
Styal Road
Wythenshawe
Manchester
M22 5HW

Directors' Responsibilities Statement

The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable UK 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). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss for that period.

In preparing those financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Renold Power Transmission Limited

Independent auditor's report to the members of Renold Power Transmission Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Renold Power Transmission Limited (the 'company'):

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

We have audited the financial statements which comprise:

- the Statement of Comprehensive Income;
- the Balance Sheet;
- the Statement of Changes in Equity; and
- the related notes 1 to 27.

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the financial statements, and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such

Independent auditor's report to the members of Renold Power Transmission Limited

internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

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

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

We have nothing to report in respect of these matters.

Use of our report
This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Simon Manning FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Leeds, United Kingdom
28 September 2018

Renold Power Transmission Limited

Company number 00182382

Statement of Comprehensive Income
For the year ended 31 March 2018

	Note	2018 £'000	2017 £'000
Revenue	3	49,822	46,445
Operating expenses	7	(44,032)	(42,869)
Operating profit before adjusting items		5,790	3,576
Adjusting items	4	(666)	(2,989)
Operating profit		5,124	587
Net interest payable and similar charges	5	(2,309)	(1,189)
Other income	6	44	259
Profit/(loss) on ordinary activities before taxation		2,859	(343)
Tax on profit/(loss) on ordinary activities	11	(172)	197
Profit/(loss) for the financial year		2,687	(146)
Other comprehensive income/(loss)			
Items not to be reclassified to profit or loss in subsequent years:			
Remeasurement gain/loss on retirement benefit obligations		951	(14,928)
Tax on remeasurement gain/loss on retirement benefit obligations		(160)	1,714
Foreign exchange		-	44
Other comprehensive income/(loss) for the year, net of tax		791	(13,170)
Total comprehensive income/(loss) for the year, net of tax		3,478	(13,316)

All results are derived from continuing operations.

Renold Power Transmission Limited

Company number 00182382

Balance Sheet
As at 31 March 2018

	Note	2018 £'000	2017 £'000
Non Current assets			
Intangible assets	12	141	213
Tangible assets	13	8,050	8,537
Defined benefit pension scheme contribution	17	26,803	28,425
Deferred tax assets	15	8,877	9,178
		43,871	46,353
Current assets			
Stocks	16	5,431	5,478
Debtors	17	17,037	16,197
Cash at bank and in hand		8,979	9,967
		31,447	31,642
Creditors: Amounts falling due within one year			
Bank loans and overdrafts		(6,391)	(9,240)
Trade and other creditors	18	(11,294)	(13,392)
Provision for liabilities	21	(212)	(944)
		(17,897)	(23,576)
Net current assets		13,550	8,066
Total assets less current liabilities		57,421	54,419
Creditors: Amounts falling due after more than one year			
Bank loans	19	(15,568)	(15,463)
Trade creditors	20	(22,195)	(20,876)
Defined benefit pension scheme	25	(52,217)	(53,998)
Provisions for liabilities	21	(2,848)	(2,967)
		(92,828)	(93,304)
Net liabilities		(35,407)	(38,885)
Capital and reserves			
Called-up share capital	22	17,496	17,496
Profit and loss account		(52,903)	(56,381)
Shareholders' deficit		(35,407)	(38,885)

The financial statements of Renold Power Transmission Limited (registered number 00182382) were approved by the board of directors and authorised for issue on 28 September 2018. They were signed on its behalf by:

Ian Scapens
Director
28 September 2018

Trident 2
Trident Business Park
Styal Road
Wythenshawe
Manchester
M22 5XB

Renold Power Transmission Limited

Company number 00182382

Statement of Changes in Equity

For the year ended 31 March 2018

	Called up share capital £'000	Profit and loss account £'000	Total £'000
Balance at 1 April 2016	17,496	(43,065)	(25,569)
Loss for the year	-	(146)	(146)
Other comprehensive loss	-	(13,170)	(13,170)
Total comprehensive loss for the year	-	(13,316)	(13,316)
Balance at 31 March 2017	17,496	(56,381)	(38,885)
Profit for the year	-	2,687	2,687
Other comprehensive income	-	791	791
Total comprehensive income for the year	-	3,478	3,478
Balance at 31 March 2018	17,496	(52,903)	(35,407)

Notes to the Financial Statements
For the year ended 31 March 2018

1. Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

Basis of accounting

Renold Power Transmission Limited is a company incorporated in the United Kingdom under the Companies Act.

The company meets the definition of a qualifying entity under FRS 101 (Financial Reporting Standard 101) issued by the Financial Reporting Council. These financial statements were prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.

Except as noted below for tangible fixed assets, the financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services. The principal accounting policies adopted are set out below.

These financial statements are separate financial statements. The company is exempt from the preparation of consolidated financial statements, because it is included in the Group accounts of Renold Plc.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to business combinations, share-based payment, non-current assets held for sale, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, standards not yet effective, impairment of assets and related party transactions. Where required, equivalent disclosures are given in the consolidated financial statements of Renold Plc.

Adoption of new and revised Standards

- No new and revised Standards and Interpretations have been adopted in the current year which are considered relevant to the Company.

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on page 2.

The Company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Company should be able to operate within the level of its current facility.

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Investments

Except as stated below, fixed asset investments, including investments in subsidiaries, are shown at cost less provision for impairment. Current asset investments are stated at the lower of cost and net realisable value.

1. Accounting policies (continued)

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses. Amortisation rates are as follows:

Computer software	5 years

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Tangible fixed assets

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the balance sheet at their revalued amounts as described below. Depreciation on revalued buildings is charged to income. On the subsequent sale or scrappage of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings.

Freehold land is not depreciated.

Fixtures and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Freehold buildings	50 years
Leasehold land and buildings	The lesser of 50 years or the period of the lease
Plant and machinery	10 - 15 years
Computers	3 years

Residual value is calculated on prices prevailing at the date of acquisition or revaluation. Useful lives and residual values are reviewed at the end of every reporting period.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is recorded at standard cost and includes materials, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and costs to be incurred in marketing, selling and distribution. Provision is made for obsolete, slow-moving or defective items where appropriate.

1. Accounting policies (continued)

Impairment of tangible and intangible assets

At each balance sheet date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

1. Accounting policies (continued)

Taxation (continued)

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current tax and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Revenue

Revenue is stated net of VAT and trade discounts.

Sale of goods

Turnover from the sale of goods is recognised when all the following conditions are satisfied:

- the Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of turnover can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Royalties

Royalty revenue is recognised on an accrual basis in accordance with the substance of the relevant agreement (provided that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably). Royalties determined on a time basis are recognised on a straight-line basis over the period of the agreement. Royalty arrangements that are based on production, sales and other measures are recognised by reference to the underlying arrangement.

Rental income

The Company's policy for recognition of revenue from operating leases is described below.

Interest income

Interest income is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

1. Accounting policies (continued)

Pension costs

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

The Company participates in a group defined benefit scheme which is the legal responsibility of the ultimate parent as the sponsoring employer. Given the split of members, Renold Power Transmission Limited recognises 75% of the liability, with the other 25% being recognised in the ultimate parent company, Renold Plc.

Foreign currency

The financial statements are presented in pounds sterling, which is the currency of the primary economic environment in which the Company operates (its functional currency).

Transactions in currencies other than the functional currency are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings; and
- exchange differences on transactions entered into to hedge certain foreign currency risks (see below under financial instruments).

Leases

The company as lessee

Assets held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding. Hire purchase transactions are dealt with similarly, except that assets are depreciated over their useful lives.

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

The company as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Finance costs

As explained below, where financial liabilities are measured at amortised cost using the effective interest method, interest expense is recognised on an effective yield basis in profit or loss within finance costs. Borrowing costs are recognised in the profit or loss in the period in which they are incurred.

1. Accounting policies (continued)

Financial instruments

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Financial Assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the differences between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

Notes to the Financial Statements
For the year ended 31 March 2018

1. Accounting policies (continued)

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Borrowings are initially measured at fair value net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

1. Accounting policies (continued)

Restructurings

A restructuring provision is recognised when the Company has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

Warranties

Provisions for the expected cost of warranty obligations under local sale of goods legislation are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Company's obligation.

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Company has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

2. Critical accounting judgements and key sources of estimation uncertainty

In the course of the preparing the financial statements, no judgements have been made in the process of applying the Company's accounting policies other than those involving estimations (below), that have had a significant effect on the amounts recognised in the financial statements.

Critical judgements in the application of the company's accounting policies

There are no critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Company's accounting policies.

Key sources of estimation and uncertainty

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying value of the Group's assets or liabilities in the future.

The key sources of estimation uncertainty that have a potential risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Retirement benefit obligations

The valuation of the Company's defined benefit plans are determined by using actuarial valuations. These involve making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans such estimates are subject to significant uncertainty. Net interest is calculated by applying the discount rate to the net defined benefit liability. Further details are given in Note 25.

Onerous lease

The Company has assessed an existing operating lease obligation at the Bredbury facility and concluded that an onerous lease provision is required following the cessation of significant manufacturing activity at the site. This involves making assumptions upon future sub-let income streams and the discount rate used. For further details refer to Note 21.

Inventory valuation

Manufactured inventory and work in progress include amounts of attributable indirect costs incurred in the production process. The Company employs a standard cost methodology which, while including judgements and assumptions, seeks to allocate the allowable indirect production costs in a logical and appropriate manner.

3. Revenue

An analysis of the Company's revenue is as follows:

	2018 £'000	2017 £'000
Continuing operations		
Sales of goods	48,457	44,941
Royalty revenues	1,187	1,177
Rental income	178	327
	49,822	46,445

An analysis of the Company's revenue by geographical market is set out below:

	2018 £'000	2017 £'000
Turnover		
UK	14,558	13,778
Rest of Europe	22,789	21,187
Rest of World	12,475	11,480
	49,822	46,445

4. Adjusting items reported after operating profit

Further redundancy and restructuring costs (all fully tax deductible) of £0.6m were incurred transferring the HiTec Couplings business, located in Halifax, to our existing Couplings facility in Cardiff offset by the £0.2m gain from the sale of the Halifax site (no taxable gain). The exceptional items reported after operating profit in the profit and loss account were as follows:

	2018 £'000	2017 £'000
Net restructuring costs	357	2,582
Pension administration costs	309	407
Exceptional items charged	666	2,989

Notes to the Financial Statements
For the year ended 31 March 2018

5. Finance charges

	2018 £'000	2017 £'000
Interest payable and similar charges	(2,309)	(2,250)
Interest receivable and similar income	-	1,061
Net finance charges	(2,309)	(1,189)

Interest receivable and similar income

	2018 £'000	2017 £'000
Discounting unwind of DB pension scheme deemed contribution	-	1,061

Interest payable and similar charges

	2018 £'000	2017 £'000
Bank loans and overdrafts	(390)	(421)
Interest payable to group companies	(523)	(391)
Unwinding of discount on provisions	(73)	(73)
Net IAS 19 financing costs	(1,323)	(1,365)
	(2,309)	(2,250)

6. Other income

	2018 £'000	2017 £'000
Dividends received:		
Renold A/S	-	259
Renold GmbH	44	-

Notes to the Financial Statements
For the year ended 31 March 2018

7. Profit/(loss) on ordinary activities before taxation

Profit/(loss) on ordinary activities before taxation is stated after charging:

	2018 £'000	2017 £'000
Net foreign exchange losses	229	108
Depreciation of owned tangible fixed assets	819	684
Amortisation of owned intangible fixed assets	94	129
Research and development	808	862
Operating lease rentals	416	331
Cost of stock recognised as expense	20,971	21,647
Staff costs (see note 9)	11,936	11,769
(Profit)/loss on disposal of FA	127	108
Other operating expenses	8,632	7,231
	44,032	42,869

8. Auditor's remuneration

Fees payable to Deloitte LLP and their associates for the audit of the company's annual accounts were £60,000 (2017: £60,000).

Fees payable to Deloitte LLP and their associates for non-audit services to the company were £nil (2017: £nil).

9. Staff costs

The average monthly number of employees (including executive directors) was 304 (2017: 317). Their aggregate remuneration comprised:

	2018 £'000	2017 £'000
Wages and salaries	10,743	10,333
Social security costs	965	1,019
Other pension costs	228	417
	11,936	11,769

Notes to the Financial Statements
For the year ended 31 March 2018

10. Directors' remuneration and transactions

All 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.

	2018	2017
	£'000	£'000
Directors' remuneration		
Emoluments	209	278
Company contributions to money purchase pension schemes	13	17
	222	295

	Number	Number
The number of directors who:		
Are members of a money purchase pension scheme	8	7
Had awards receivable in the form of shares under a long-term incentive scheme	6	8
Number of directors who exercised share options	-	2

	2018	2017
	£'000	£'000
Remuneration of the highest paid director:		
Emoluments	56	60
Company contributions to money purchase pension schemes	4	-

The highest paid director exercised no share options during the year and but did receive shares under the group's long term incentive scheme.

11. Tax on profit/(loss) on ordinary activities

The tax charge comprises:

	2018	2017
	£'000	£'000
Current tax		
Foreign tax	31	35
Total current tax	31	35
Total deferred tax	141	(232)
Total tax on profit/(loss) on ordinary activities	172	(197)

Notes to the Financial Statements
For the year ended 31 March 2018

11. Tax on profit/(loss) on ordinary activities (continued)

The deferred tax credit in the year relates to an increase in the recognised deferred tax asset in respect of pension obligations.

The charge for the year can be reconciled to the profit / (loss) in the statement of comprehensive income as follows:

	2018 £'000	2017 £'000
Profit / (loss) on ordinary activities before tax	2, 859	(343)
Tax on profit/(loss) on ordinary activities at standard UK corporation tax rate of 19% (2017: 20%)	543	(69)
Effects of:		
Permanent differences	(103)	6
Fixed asset timing differences	156	(239)
Overseas tax unrelieved	31	35
Other timing differences	220	70
Utilisation of tax losses	(675)	-
Total tax charge / (credit) for year	172	(197)

The Company earns its profits primarily in the UK.

12. Intangible fixed assets

	Computer Software £'000
Cost	
At 31 March 2017	885
Additions	29
Disposals	(118)
At 31 March 2018	**796**
Depreciation	
At 31 March 2017	(672)
Charge for the year	(94)
Disposals	111
At 31 March 2018	**(655)**
Net book value	
At 31 March 2018	**141**
At 31 March 2017	213

Notes to the Financial Statements
For the year ended 31 March 2018

13. Tangible fixed assets

	Land and Buildings Freehold £'000	Land and Buildings Long Leasehold £'000	Plant and Equipment £'000	Total £'000
Cost or valuation				
At 31 March 2017	3,629	289	18,598	22,516
Additions	-	-	697	697
Disposals	(395)	-	(62)	(457)
Transfers In / (Out)	285	-	472	757
At 31 March 2018	3,519	289	19,705	23,513
Depreciation				
At 31 March 2017	(599)	(36)	(13,344)	(13,979)
Charge for the year	(72)	(42)	(705)	(819)
Disposals	41	-	51	92
Transfers In / (Out)	(285)	-	(472)	(757)
At 31 March 2018	(915)	(78)	(14,470)	(15,463)
Net book value				
At 31 March 2018	**2,604**	**211**	**5,235**	**8,050**
At 31 March 2017	3,030	253	5,254	8,537

Property, plant and equipment pledged as security for liabilities amounted to £8.0 million (2017: £8.5 million).

Freehold land and buildings were professionally valued to fair value by Colliers CRE, Chartered Surveyors, on the basis of market value at March 2004. The valuation conforms to International Valuation Standards and was based on market transactions on arm's length terms for similar properties. Subsequent additions are at cost, as follows:

	2018 Freehold £'000	2017 Freehold £'000
Valuation	1,256	1,316
Cost	2,263	2,313
Cost or revaluation at 31 March	3,519	3,629

13. Tangible fixed assets (continued)

If land and buildings had not been revalued they would have been included at the following amounts:

	2018 Freehold £'000	2017 Freehold £'000
Cost	2,263	2,313
Depreciation	(1,078)	(976)
Net Book Value	1,185	1,337

14. Investments

Subsidiary undertakings

	£
Cost	
At 31 March 2017 and 31 March 2018	7,688
Provisions for impairment	
At 31 March 2017 and 31 March 2018	(7,688)
Net book value	-

Details of the Company's subsidiaries at 31 March 2018 are as follows. Unless otherwise indicated, all ownership interests are in the ordinary share capital of the investee.

Name *(registered office)*	Place of incorporation (or registration) and operation	Proportion of ownership interest %	Proportion of voting power held %
Renold GmbH *(Juliusmuhle, 37574, Einbeck)*	Austria	100%	100%
Renold A/S *(Kaerup Alle 2, 1. Benlose, 4100, Ringstad)*	Denmark	100%	100%
Renold Transmission AB *(Trident 2, Trident Business Park, Styal Road, Wythenshawe, Manchester, M22 5XB)*	Sweden	100%	100%
Renold Continental Limited *(Trident 2, Trident Business Park, Styal Road, Wythenshawe, Manchester, M22 5XB)*	UK	100%	100%
Renold Polska s.p. zoo *(ul. Mlyńska 11, 40-098 Katowice)*	Poland	100%	100%

The investments in subsidiaries are all stated at cost less provision for impairment.

Renold Power Transmission Limited's 100% owned subsidiary, Renold Russia (Obshchestov s Ogranichennoj Otvetstvennost'u), was dissolved during the year to 31 March 2017.

Group accounts are not submitted, 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 parent company and controlling party. Therefore financial information is presented for Renold Power Transmission Limited as an individual company and not for its group.

Notes to the Financial Statements
For the year ended 31 March 2018

14. Investments (continued)

Subsidiary undertakings (continued)

Group accounts for Renold plc, which include the accounts of the Company and its subsidiaries, can be obtained from the Company Secretary, Renold plc, Trident 2, Trident Business Park, Styal Road, Wythenshawe, Manchester, M22 5XB.

15. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities	
	2018	2017	**2018**	2017
	£'000	£'000	**£'000**	£'000
Pension plans	**8,877**	9,178	-	-
Tax assets/(liabilities)	**8,877**	9,178	-	-

Movement in deferred tax balance relating to assets during the year

	1 April 2017 £'000	Exchange adjustments £'000	Recognised in income statement £'000	Recognised in equity £'000	31 March 2018 £'000
Pension plans	9,178	-	(141)	(160)	8,877

Movement in deferred tax balance relating to assets during the prior year

	1 April 2016 £'000	Exchange adjustments £'000	Recognised in income statement £'000	Recognised in equity £'000	31 March 2017 £'000
Pension plans	7,232	-	232	1,714	9,178

At the balance sheet date, the Company has unused tax losses and capital allowances of £46.5m (2017: £47.2m) available for offset against future profits. No deferred tax asset has been recognised in respect of such losses as it is not considered probable that there will be future taxable profits available.

16. Stocks

	2018 £'000	2017 £'000
Raw materials and consumables	1,319	937
Work in progress	1,070	793
Finished goods and goods for resale	3,042	3,748
	5,431	5,478

Stock pledged as security for liabilities amounted to £5.4 million (2017: £5.5 million).

17. Debtors

	2018 £'000	2017 £'000
Amounts falling due within one year:		
Trade debtors	7,072	7,090
Amounts owed by group undertakings	7,442	7,023
Other taxation	211	-
Prepayments and accrued income	2,312	2,084
	17,037	16,197
Amounts falling due after more than one year:		
DB pension scheme contribution	26,803	28,425
	26,803	28,425
	43,840	44,622

18. Creditors – amounts falling due within one year

	2018 £'000	2017 £'000
Trade creditors	2,926	4,047
Amounts owed to group undertakings	6,458	7,013
Other taxation and social security	389	324
Other creditors	194	114
Accruals and deferred income	1,327	1,894
	11,294	13,392

Amounts owed to group undertakings are repayable on demand and held at amortised cost.

19. Creditors – amounts falling due after more than one year

	2018 £'000	2017 £'000
Bank loans	15,568	15,463

Borrowings are repayable as follows:

	2018 £'000	2017 £'000
Bank loans		
Between two and five years	15,568	15,463

The above loans form part of the Renold Plc Group core banking facilities, which mature in May 2020. Further details of this facility are provided on page 124 of the Group financial statements, which are available from the address given in Note 1.

20. Trade creditors – amounts falling due after more than one year

	2018 £'000	2017 £'000
Amounts owed to group undertakings	22,195	20,876

21. Provisions for liabilities

	Restructuring £'000	Onerous Lease £'000	Total £'000
At 31 March 2017	713	3,198	3,911
Utilisation of provision	(713)	(299)	(1,012)
Additional provisions	88	-	88
Unwinding of discount	-	73	73
At 31 March 2018	**88**	**2,972**	**3,060**

Disclosed as:	2018 £'000	2017 £'000
Current	212	944
Non-Current	2,848	2,967
	3,060	**3,911**

21. Provisions for liabilities (continued)

Restructuring provisions are expected to be utilised within 12 months. The onerous lease provision relates to onerous lease costs in respect of the lease of the Bredbury plant. The lease expires in May 2030. In August 2016, it was agreed to sublet a significant part of the property for a five year term for an annual rent of £0.6m.

22. Share capital

	Number of shares	2018 £'000	2017 £'000
Authorised, allotted, called up and fully paid ordinary shares of £1 each	**17,495,973**	**17,496**	17,496

23. Dividends paid

	2018 £'000	2017 £'000
Dividends paid	-	-

24. Financial commitments

At the balance sheet date, the Company had no capital commitments.

At the balance sheet date, the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Land and buildings		Other	
	2018	2017	**2018**	2017
	£'000	£'000	**£'000**	£'000
- within one year	**1,138**	1,330	**461**	**443**
- between two and five years	**4,426**	5,319	**1,771**	**1,771**
- after five years	**8,060**	9,987	**37**	**-**
	13,624	16,636	**2,269**	**2,214**

Leases of land and buildings are typically subject to rent reviews at specified intervals and provide for the lessee to pay all insurance, maintenance and repair costs.

Notes to the Financial Statements

For the year ended 31 March 2018

25. Retirement benefit schemes

Defined contribution schemes

The Company operates defined contribution retirement benefit schemes for all qualifying employees. The assets of the schemes are held separately from those of the Company in funds under the control of trustees. Where there are employees who leave the schemes prior to vesting fully in the contributions, the contributions payable by the Company are reduced by the amount of forfeited contributions.

The total cost charged to income of £228,000 (2017: £417,000) represents contributions payable to these schemes by the Company at rates specified in the rules of the plans.

Defined benefit schemes

There is a contractual agreement between the ultimate parent company Renold Plc, and Renold Power Transmission Limited, to reflect the defined benefit pension scheme in a 75:25 split respectively.

Further details of the Group defined benefit scheme are disclosed on pages 128 to 133 of the consolidated financial statements of the ultimate parent company, which are available as disclosed in Note 1 above.

26. Related party transactions

The company has taken advantage of the exemption not to disclose related party transactions with other wholly owned members of the Group under FRS 101 as it is a wholly owned subsidiary.

27. Controlling party

In the opinion of the directors, the Company's ultimate parent Company and ultimate controlling party is Renold Plc, a Company incorporated in Great Britain. The Company's immediate controlling party is Renold Plc. Copies of the group financial statements of Renold Plc are available from Companies House, Crown Way, Maindy, Cardiff CF14 3UZ.