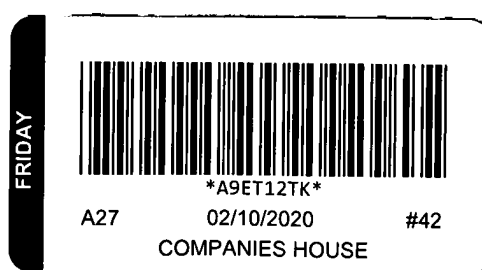


Company number 00182382

## **Renold Power Transmission Limited**

**Annual report and financial statements  
for the year ended 31 March 2020**



# Renold Power Transmission Limited

Company number 00182382

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# Renold Power Transmission Limited

Company number 00182382

## Strategic Report

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

### Principal activities

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 the United Kingdom and registered in England and Wales.

### Review of the business

The financial statements reflect an improved trading year, with revenues from sale of goods increasing by 1.3% to £48.6m (2019<sup>1</sup>: £48.0m). Operating profit before adjusting items of £5.3m (2019<sup>1</sup>: £4.3m) increased 23.8% reflecting the significant progress made against strategic initiatives.

The strategic progress that has been made over recent years has delivered a business that is more resilient and far better positioned to weather the current macro-economic challenges, notably those created by the Covid-19 pandemic. A key strength of the Company is the broad spread of end-use applications for the Company's products and the broad base of customers served. The Directors have sought, where appropriate and safe to do so, to keep the manufacturing operations open in support of various industries that are essential in the current environment.

The Company has adopted IFRS 16 'Leases' in the current financial year, resulting in the recognition of £13.2m of lease liabilities at 1 April 2019 (31 March 2020: £12.0m) in relation to leases which had previously been classified as operating leases. Associated right-of-use assets totalling £6.5m were recognised at 1 April 2019 (31 March 2020: £5.6m). Further details regarding the adoption of IFRS 16 can be found on page 15.

### 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 pages 32 to 36 of the Group's annual report which can be obtained from Companies House, Crown Way, Maundy, Cardiff, CF14 3UZ or at [renold.com](http://renold.com).

The Company's exposure to Brexit relates to the potential risk of disruption to the supply chain for product being shipped between the UK and continental Europe. In response, stock levels of imported product were increased, in the UK, in readiness for Brexit. Impact assessments for sales of UK-manufactured product have been undertaken and contingency plans put in place for the potential Brexit scenarios.

The potential future impact on the Company of the current Covid-19 pandemic has been considered as part of the Company's adoption of the going concern basis as detailed on page 3.

### 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 by £1.5m to £36.4m (2019: £37.9m) as a result of the improved trading performance.

### Future developments

During the final quarter of the year, the initial impact of the Covid-19 pandemic created short-term disruption and a number of operational challenges. The Company reacted quickly to these challenges, ensuring the safety and welfare of all our employees, compliance with local restrictions and continuity of supply to customers, while at the same time taking steps to reduce costs and preserve cash flow. The uncertainty caused by the Covid-19 pandemic has resulted in a period of volatile demand although the recent level of trading, whilst lower than the equivalent period in the prior year, remains in line with management's forecasts.

<sup>1</sup> The results for the year ended 31 March 2019 have been re-presented to reflect changes to the treatment of pension administration costs and intra-company sales, see Note 26 for further details.

## Strategic Report

### Stakeholder engagement

The Directors remain committed to ensuring that business activities are conducted in a responsible manner for the benefit of all of our stakeholders, including the Company's employees, customers, partners, and local communities. The Directors have certain duties in this regard, governed by section 172 of the Companies Act. The table below outlines how the Directors perform their duties in order to satisfy these requirements, but more importantly, to promote the success of the Company.

Why it is important to engage	Stakeholders' key interests	Ways we engage
<b>Our People</b>		
The calibre and capability of our people are critical to the Company's success. We want our people to be proud of working for Renold Power Transmission Limited and we want to be in a position to attract and retain the best talent.	<ul style="list-style-type: none"> <li>• Opportunities for development and progression.</li> <li>• Fair reward and recognition of performance.</li> <li>• An inclusive environment.</li> </ul>	"Value our people" is recognised as a core Value at Renold Power Transmission Limited. Employees are encouraged to ask questions and raise issues at all levels of management. This continues through to Director site visits, where the Directors make themselves available to answer questions directly with a broad base of employees.
<b>Our Customers</b>		
Our customers are ultimately the key users of our products, and without their continued support, we would not have the potential to grow and develop.	<ul style="list-style-type: none"> <li>• High quality products, engineered to specific requirements.</li> <li>• A problem solving capability that can resolve issues and improve performance.</li> <li>• A service level that can be relied upon to deliver.</li> </ul>	We regularly engage with our diverse customer base at various levels of the organisation, often directly through our sales teams, our technical engineering teams and our operational management teams. At Director level, the broad-based, geographically spread customer base does not support significant direct customer interaction. Through reports from local management teams, monitoring of customer service levels and explicit reports of product issues, the Directors ensure customers continue to receive the high quality products and levels of service that the Renold brand stands for.
<b>Our Partners</b>		
The Company is dependent on high quality goods and services provided by our suppliers and as a result, long-term partnerships are sought for the benefit of all parties.	<ul style="list-style-type: none"> <li>• Clear communication of requirements.</li> <li>• Fair payment.</li> <li>• A partnership approach that seeks to provide long-term benefits to all parties.</li> </ul>	Due to scale and geographic diversity, the Company generally operates localised supply chains in the territories in which it operates. This allows direct interaction between our supply-chain teams, our business unit management and local suppliers, ensuring short lines of communications and the ability to react quickly.
<b>Our Local Communities</b>		
We recognise our responsibility to the communities in which we operate and our broader responsibilities to reduce the impact of our activities on our environment.	<ul style="list-style-type: none"> <li>• To interact in a manner that makes a positive contribution to the local areas within which we operate.</li> <li>• To provide sustainable solutions both to our customers and in how we operate.</li> </ul>	The Company's largest interaction is with people in the communities in which we operate, supporting education and development. This encompasses a range of activities from the graduate and apprenticeship schemes we operate, through to supporting infrastructure projects at schools in India.

# **Renold Power Transmission Limited**

Company number 00182382

## **Strategic Report**

### **Events after the balance sheet date**

There have been no significant events after the balance sheet date.

### **Approval**

Approved by the Board and signed on its behalf by:



Andrew Peter Buller  
Director  
29 September 2020

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

# Renold Power Transmission Limited

Company number 00182382

## Directors' Report

### Directors

The directors, who served throughout the year and up to the date of this report, were as follows:

Philip Mark Robinson	
Lynne Joan Rosser	
Michael Peter Wallwork	
Ian Lloyd Scapens	(resigned 19 June 2020)
Antony Kenneth Edwards	(resigned 31 December 2019)
Adam Robert Worsley	(appointed 31 December 2019)
Andrew Peter Buller	(appointed 31 December 2019)

Qualifying third party indemnity provision (as defined by section 234 of the Companies Act 2006) has remained in force for the directors for the year ended 31 March 2020 and, as at the date of this report, remains in force for the benefit of the current directors in relation to certain losses and liabilities which they may incur (or have incurred) to third parties in the course of their duties.

### 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 uncertainty as to the future impact on the Company of the current Covid-19 pandemic has been considered as part of the Company's adoption of the going concern basis. Across the Company, public health measures advised by the government are being followed, operating costs have been reduced, including by utilising government-backed support schemes to maintain employment, and capital expenditure and other cash demands are being managed.

Based on the relationship between the Company and Renold plc, the ultimate parent company, whereby the financing and activities of the Company are closely linked to that of Renold plc, the directors of the Company are cognisant of the disclosure of material uncertainty related to going concern which appears in the consolidated financial statements of Renold plc for the year ended 31 March 2020. This disclosure can be found in the accounting policies note on page 17 to these financial statements along with further details regarding the adoption of the going concern basis. We draw your attention to the going concern section in the accounting policies (Note 1) in the Company financial statements which details that a material uncertainty exists that may cast significant doubt about the Company's ability to continue as a going concern. Please see Note 1 for further detail in this respect.

### 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, as 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 foreign exchange forward contracts to hedge these exposures. Interest bearing assets and liabilities are held at fixed rate to ensure certainty of cash flows.

## Directors' Report

### Credit risk

The Company's principal financial assets are bank balances, cash and trade and other debtors. The Company's credit risk is primarily attributable to its trade debtors which are recognised at their original invoice amount less any allowance for expected credit losses.

*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 are unable to recommend a final dividend (2019: same).

### 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 engagement

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. For further details please refer to the stakeholder engagement section on page 3.

### Business relationships

The Directors remain committed to ensuring that business activities are conducted in a responsible manner for the benefit of all of our stakeholders. For further details of how the Directors engage with the Company's key stakeholders, please refer to the stakeholder engagement section on page 3 which also includes details on how the Directors perform their duties in order to satisfy the requirements governed by section 172 of the Companies Act.

# Renold Power Transmission Limited

Company number 00182382

## Directors' Report

### Auditor

Each of the directors 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:



Andrew Peter Buller  
Director  
29 September 2020

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

## **Directors' Responsibilities Statement**

The directors are responsible for preparing the Annual Report and 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), including FRS 101 "Reduced Disclosure Framework". 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 of the company for that period. In preparing these 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 2020 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 28.

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.

#### **Material uncertainty related to going concern**

We draw attention to note 1 in the financial statements, which indicates that the financing and support of this Company are closely linked to that of the Group.

The Group has secured facilities that contain covenants requiring the Group to maintain specified financial ratios and certain other financial covenants.

In performing their assessment of going concern, the Directors have considered forecast cash flows to March 2022. The current economic uncertainty that exists because of Covid-19 means that a number of key assumptions within the forecasts, principally concerning future revenue levels, are not wholly within management's control. As such, management have performed additional possible downside forecast scenarios, principally focused on the risk over further future potential falls in revenue. The most severe scenario considered assumed revenue being more than 20% below revenues for the year ended 31 March 2020, and more than 25% below revenues in the year ended 31 March 2019, being the last period which was not impacted by the Covid-19 pandemic.

This scenario shows that without mitigating actions, a covenant breach would occur, and thus in such circumstances the Group may be unable to realise assets and discharge liabilities in the normal course of business.

Therefore, as stated in note 1 to the financial statements, these events or conditions, along with the matters set forth in note 1 to the financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

# **Renold Power Transmission Limited**

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

### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than 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 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](http://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.

# **Renold Power Transmission Limited**

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

### **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  
29 September 2020

# Renold Power Transmission Limited

Company number 00182382

## Statement of Comprehensive Income

For the year ended 31 March 2020

	Note	2020 £'000	2019 <sup>1</sup> £'000
<b>Revenue</b>	3	50,496	50,187
Operating expenses	6	(45,185)	(45,896)
<b>Operating profit before adjusting items</b>		5,311	4,291
Adjusting items	4	(169)	3,154
<b>Operating profit</b>		5,142	7,445
Interest payable and similar expenses	5	(2,461)	(2,391)
<b>Profit before taxation</b>		2,681	5,054
Tax on profit	10	(138)	(753)
<b>Profit for the financial year</b>		2,543	4,301
<b>Other comprehensive income/(expense)</b>			
<b>Items not to be reclassified to profit or loss in subsequent years:</b>			
Remeasurement gain/(loss) on retirement benefit obligations		2,367	(6,470)
Tax on remeasurement gains/losses on retirement benefit obligations – excluding impact of statutory rate change		(450)	1,100
Effect of changes in statutory tax rate on deferred tax assets		997	-
Foreign exchange		24	35
<b>Other comprehensive income/(expense) for the year, net of tax</b>		2,938	(5,335)
<b>Total comprehensive income/(expense) for the year, net of tax</b>		5,481	(1,034)

<sup>1</sup> The results for the year ended 31 March 2019 have been re-presented to reflect changes to the treatment of pension administration costs and intra-company sales, see Note 26 for further details.

All results are derived from continuing operations.

# Renold Power Transmission Limited

Company number 00182382

## Balance Sheet

As at 31 March 2020

	Note	2020 £'000	2019 £'000
<b>Non current assets</b>			
Investment in subsidiaries	14	-	-
Intangible assets	11	54	96
Tangible assets	12	7,505	7,582
Right-of-use assets	13	5,595	-
Defined benefit pension scheme contribution	17	23,982	25,393
Deferred tax assets	15	9,687	9,251
		<u>46,823</u>	<u>42,322</u>
<b>Current assets</b>			
Stocks	16	4,925	5,866
Debtors	17	18,126	15,167
Cash at bank and in hand		5,165	8,266
		<u>28,216</u>	<u>29,299</u>
<b>Creditors: Amounts falling due within one year</b>			
Trade and other creditors	18	(20,080)	(16,635)
Lease liabilities	13	(1,494)	-
Provision for liabilities	21	-	(255)
		<u>(21,574)</u>	<u>(16,890)</u>
<b>Net current assets</b>		<u>6,642</u>	<u>12,409</u>
<b>Total assets less current liabilities</b>		<u>53,465</u>	<u>54,731</u>
<b>Creditors: Amounts falling due after more than one year</b>			
Borrowings	19	(15,421)	(15,492)
Creditors	20	(12,972)	(20,289)
Lease liabilities	13	(10,519)	-
Defined benefit pension scheme	24	(50,984)	(54,416)
Provisions for liabilities	21	-	(2,462)
		<u>(89,896)</u>	<u>(92,659)</u>
<b>Net liabilities</b>		<u>(36,431)</u>	<u>(37,928)</u>
<b>Capital and reserves</b>			
Called-up share capital	22	17,496	17,496
Profit and loss account		(53,927)	(55,424)
<b>Shareholders' deficit</b>		<u>(36,431)</u>	<u>(37,928)</u>

The financial statements of Renold Power Transmission Limited (registered number 00182382) were approved by the board of directors and authorised for issue on 29 September 2020. They were signed on its behalf by:



Andrew Peter Buller  
Director

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 2020

	Called up share capital £'000	Profit and loss account £'000	Total £'000
<b>At 1 April 2018</b>	17,496	(54,390)	(36,894)
Profit for the year	-	4,301	4,301
Foreign exchange translation differences	-	35	35
Actuarial losses on defined benefit pension schemes net of deferred tax	-	(5,370)	(5,370)
<b>Total comprehensive expense for the year</b>	-	(1,034)	(1,034)
<b>At 31 March 2019</b>	17,496	(55,424)	(37,928)
Adoption of IFRS 16	-	(3,984)	(3,984)
<b>At 1 April 2019</b>	17,496	(59,408)	(41,912)
Profit for the year	-	2,543	2,543
Foreign exchange translation differences	-	24	24
Actuarial gains on defined benefit pension schemes net of deferred tax	-	2,914	2,914
<b>Total comprehensive income for the year</b>	-	5,481	5,481
<b>At 31 March 2020</b>	17,496	(53,927)	(36,431)

## Notes to the Financial Statements

For the year ended 31 March 2020

### 1. Accounting policies

The principal accounting policies are summarised below and have been applied consistently throughout the current and preceding year unless otherwise stated.

#### Basis of accounting

Renold Power Transmission Limited is a private company limited by shares, registered in England and Wales and incorporated in the United Kingdom under the requirements of the Companies Act 2006. The address of the Company's registered office is shown on page 4.

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 annual report and financial statements of Renold plc, which are available from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to business combinations, revenue from contracts, share-based payments, 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

##### *Major new and revised accounting standards adopted by the Company*

- IFRS 16 'Leases'

From 1 April 2019 the Company has adopted IFRS 16 'Leases' on a modified retrospective basis. As permitted under the standard no restatement of prior year comparatives has been performed and the adjustments arising on adoption have been recognised in the opening balance sheet at 1 April 2019.

##### *Approach to transition*

On adoption of IFRS 16, the Company recognised lease liabilities in relation to leases which had previously been classified as operating leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate as of 1 April 2019. The associated right-of-use assets were measured on a retrospective basis as if the new rules had always been applied. In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- Reliance on previous assessment of whether leases are onerous and deduction of onerous lease provisions from the initial right-of-use asset recognised;
- The exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application;
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease; and
- Not to reassess whether a contract is or contains a lease.

# Renold Power Transmission Limited

Company number 00182382

## Notes to the Financial Statements

For the year ended 31 March 2020

### 1. Accounting policies (continued)

The Company's weighted average incremental borrowing rates applied to lease liabilities as at 1 April 2019 are 2.5% in respect of property leases and 3.5% in respect of plant and equipment leases.

#### *Financial impact*

As the Company has used the modified retrospective approach in adopting IFRS 16, comparatives have not been restated. The adoption of this new accounting policy resulted in the following changes to the opening balance sheet at 1 April 2019:

	£'000
Increase in right-of-use assets	6,501
Decrease in onerous lease provisions	2,718
Increase in lease liabilities	(13,203)
<b>Net decrease in retained earnings</b>	<b>(3,984)</b>

Of the total £6.5m right-of-use assets recognised at 1 April 2019, £5.1m related to leases of property and £1.4m to leases of plant and machinery.

The impact on profit or loss for the year ended 31 March 2020 was the following:

	£'000
Increased depreciation charge	(944)
Decreased lease rental expense	1,233
Net increase in operating profit	289
Increased finance costs	(332)
<b>Net decrease in profit for the period</b>	<b>(43)</b>

A reconciliation of total operating lease commitments to the IFRS 16 lease liability at 1 April 2019 is as follows:

	£'000
Operating lease commitments disclosed under IAS 17 at 31 March 2019	13,798
Effect of discounting	(3,800)
Other <sup>1</sup>	3,205
<b>Lease liabilities recognised at 1 April 2019</b>	<b>13,203</b>

<sup>1</sup> 'Other' principally includes inflationary increases of £3.7m on long property leases (48 years). These inflationary increases were not previously recognised in the IAS 17 operating lease commitment disclosure.

#### *Accounting policy*

Please see page 19 for details of the Company's Accounting Policies for the right-of-use assets and lease liabilities arising under IFRS 16.

## Notes to the Financial Statements

For the year ended 31 March 2020

### 1. Accounting policies (continued)

#### *Other new and revised accounting standards adopted by the Company*

During the year, the International Accounting Standards Board and International Financial Reporting Interpretations Committee have issued the following standards, amendments and interpretations, which are considered relevant to the Company and which are all effective for annual periods beginning on or after 1 January 2019. Their adoption has not had any significant impact on the amounts or disclosures reported in these financial statements.

- Amendment to IAS 19R 'Employee Benefits'
- IFRIC 23 'Uncertainty over income tax treatments'
- Amendments to IFRS 9 (Prepayment Features with Negative Compensation)
- Amendments to IAS 28 (Long-term Interests in Associates and Joint Ventures)
- Amendments to IAS 12 (Income Taxes)
- Amendments to IAS 23 (Borrowing Costs)

#### **Going concern**

The principal activity of the Company is the manufacture and sale of industrial chain and power transmission products. As the trading of the Company is linked to the financing and support of the Group, the Company is closely linked to the Group.

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 at least 12 months from the date of approval of the financial statements. Based on the relationship between the Company and Renold plc, the ultimate parent company, the directors of the Company are cognisant of the going concern disclosure which appears in the consolidated financial statements of Renold plc for the year ended 31 March 2020:

"The Group has secured facilities that contain covenants requiring the Group to maintain specified financial ratios and certain other financial covenants. In performing their assessment of going concern, the Directors have considered forecast cash flows to March 2022. The current economic uncertainty that exists because of Covid-19 means that a number of key assumptions within the forecasts, principally concerning future revenue levels, are not wholly within management's control. As such, management have performed additional possible downside forecast scenarios, principally focused on the risk over further future potential falls in revenue. The most severe scenario considered assumed revenue being more than 20% below revenues for the year ended 31 March 2020, and more than 25% below revenues in the year ended 31 March 2019, being the last period which was not impacted by the Covid-19 pandemic.

This scenario shows that without mitigating actions, a covenant breach would occur, and thus in such circumstances the Group may be unable to realise assets and discharge liabilities in the normal course of business."

Subsequent to the issue of the consolidated financial statements of Renold plc, the uncertainty in the global economy relating to the Covid-19 pandemic remains. Whilst the recent level of trading for the Group and the Company has exceeded the forecasts prepared at the time of assessing going concern for the Group, the most severe downside case still indicates the potential for a covenant breach, in relation to the Group's core banking facility, during the test period. The Directors of the Company have therefore concluded that these circumstances constitute a material uncertainty that may cast significant doubt over the Company's ability to continue as a going concern, such that it may be unable to realise its assets and discharge its liabilities in the normal course of business. The financial statements do not include the adjustments that would result if the Company were unable to continue as a going concern.

**Notes to the Financial Statements**

For the year ended 31 March 2020

**1. Accounting policies (continued)****Going concern (continued)**

However, on the basis of the Directors' assessment of the Company's financial position, the enquiries made of the Directors of Renold plc, and the mitigating actions available to the Group and the Company, the directors have assessed that although a material uncertainty exists, the Company has adequate resources to continue as a going concern for at least 12 months from the date of approval of the financial statements. Furthermore, whilst as at 31 March 2020 the Company had net liabilities of £36,431k (2019: £37,928k), including amounts owed to group undertakings, Renold plc, the parent company, has pledged its continuing support for a minimum of 12 months from the date of issuing these financial statements.

**Investments**

Except as stated below, fixed asset investments, including investments in subsidiaries, are shown at cost less provision for impairment.

**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
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**Derecognition of intangible assets**

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use. 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.

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 scrapping 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.

Depreciation is provided on all tangible fixed assets, other than freehold land. Rates are 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

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.

**Leasing and right-of-use assets**

In the prior year leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease. From 1 April 2019, leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Company. Each lease payment is allocated between the lease liability and associated finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. The Company has a number of material property, equipment and vehicle leases.

**Notes to the Financial Statements**

For the year ended 31 March 2020

**1. Accounting policies (continued)****Leasing and right-of-use assets (continued)**

To the extent that a right-of-control exists over an asset subject to a lease, with a lease term exceeding one year, a right-of-use asset, representing the Company's right to use the underlying leased asset, and a lease liability, representing the Group's obligation to make lease payments, are recognised in the Company's Balance Sheet at the commencement of the lease. The right-of-use asset is initially measured at cost and includes the amount of initial measurement of the lease liability and any direct costs incurred, including advance lease payments and an estimate of the dismantling, removal and restoration costs required by the terms and conditions of the lease. Depreciation is charged to the Statement of Comprehensive Income to depreciate the right-of-use asset from the commencement date until the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The lease term shall include the period of any extension option where it is reasonably certain that the option will be exercised. Where the lease contains a purchase option the asset is written off over the useful life of the asset when it is reasonably certain that the purchase option will be exercised.

The lease liability is measured at the present value of the future lease payments, including variable lease payments that depend on an index and the exercise price of purchased options where it is reasonably certain that the option will be exercised, discounted using the interest rate implicit in the lease, if readily determinable. If the rate cannot be readily determined, the lessee's incremental borrowing rate is used. Finance charges are recognised in the Statement of Comprehensive Income over the period of the lease. Lease arrangements that are short term in nature or low value are charged directly to the Consolidated Income Statement when incurred. Short-term leases are leases with a lease term of 12 month or less. Low-value assets comprise small items of furniture or equipment.

***The company as lessor***

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

**Stocks**

Stocks are stated at the lower of their cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost includes all direct expenditure and attributable overhead expenditure incurred in bringing goods to their current state. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

**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 when there is an indication that the asset may be impaired.

The recoverable amount is the higher of fair value less costs to sell or 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.

**Notes to the Financial Statements**

For the year ended 31 March 2020

**1. Accounting policies (continued)****Impairment of tangible and intangible assets (continued)**

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. Impairment losses recognised in respect of goodwill are not reversed.

**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 and/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.

This 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 does not affect the taxable profit or 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.

The measurement of deferred tax liabilities and assets reflect 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 offset current tax assets against current tax liabilities, 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 is also recognised in other comprehensive income or directly in equity respectively.

# Renold Power Transmission Limited

Company number 00182382

## Notes to the Financial Statements

For the year ended 31 March 2020

### 1. Accounting policies (continued)

#### Revenue

Revenue is earned from sale of chain and power transmission products. Revenue is stated net of VAT and trade discounts. Revenue is recognised on the sale of goods when the performance obligations, principally the obligation to dispatch or deliver the specified goods, have been fulfilled.

#### Royalties

Royalty income is recognised on an accruals 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.

#### 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. This 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.

#### 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 paid are shown as either accruals or prepayments in the balance sheet.

The Company participates in a group defined benefit scheme. This scheme is the legal responsibility of the ultimate parent, Renold Plc, 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. This 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 during 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).

**Notes to the Financial Statements**

For the year ended 31 March 2020

**1. Accounting policies (continued)****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.

**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 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 (see below).

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. Trade and other receivables are recognised and carried at their original invoice amount less an allowance for expected credit losses. Expected credit losses are calculated as the difference between the amount contractually owed to the Company and the cash flows which the Company expects to receive. A provision matrix is used to calculate expected credit losses at the end of the reporting date which groups trade and other receivables based on their attributes, principally geographical region. Where required, the carrying amount of trade receivables 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. The adoption of IFRS 9 has had no material impact on the opening loss allowance.

**Notes to the Financial Statements**

For the year ended 31 March 2020

**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.

**Notes to the Financial Statements**

For the year ended 31 March 2020

**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. The measurement of a restructuring provision includes only the direct expenditure arising from the restructuring and not expenditure 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 using the directors' best estimate of the expenditure required to settle the Company's obligation.

**2. Critical accounting judgements and key sources of estimation uncertainty****Critical judgements in the application of the company's accounting policies**

In the course of preparing the financial statements, certain judgements have been made in the process of applying the Company's accounting policies, in addition to those involving estimations (below), that have had a significant effect on the amounts recognised in the financial statements.

**Going concern**

The financial statements have been prepared on a going concern basis. This requires significant judgement given the current unprecedented circumstances of the Covid-19 pandemic. Refer to the Going Concern section above for details of the judgements and assumptions made by the Directors in forming their view on going concern in preparing the financial statements.

**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, including disclosure of contingent assets and liabilities, at the date of the financial statements as well as the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events, ultimately the outcome may differ from those estimates.

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 is determined using actuarial valuations which make assumptions about discount rates, future salary increases, mortality rates and future pension increases. Net interest is calculated by applying the discount rate to the net defined benefit liability. Due to the long-term nature of these plans such estimates are subject to significant uncertainty. Further details are given in Note 24.

**Right-of-use assets**

Prior to the adoption of IFRS 16 'Leases', the Company had previously assessed operating lease arrangements at the Bredbury facility as onerous, with an onerous lease provision recorded in the balance sheet accordingly. On adoption of IFRS 16, the onerous lease provision was derecognised with an equal amount recorded as a reduction to the opening value of right-of-use assets. At the end of the current reporting period, the value of the Bredbury right-of-use asset is based on assumptions upon future sub-let income streams and the discount rate used, for further details refer to Note 13.

# Renold Power Transmission Limited

Company number 00182382

## Notes to the Financial Statements

For the year ended 31 March 2020

### 2. Critical accounting judgements and key sources of estimation uncertainty (continued)

#### Stock valuation

Determining the carrying value of the Company's stock involves a number of estimations and assumptions, including those involved in deriving the gross value of stock under the Company's standard cost methodology and those involved in calculating an appropriate level of provision.

The Company's standard cost methodology allocates amounts of attributable direct costs, indirect costs and overheads incurred in the production process to the value of work in progress and finished goods. Determining the amount to absorb into these manufactured stock balances involves deciding which cost lines should be included within the standard costing model. The standard costing model is also dependent on the detailed financial budgets prepared at business unit level in relation to the anticipated future level of production costs, production volume and machine hours. While the budgets are subject to detailed review and challenge, they inherently rely on the estimations of management. The calculation of stock provisions requires estimation by management of the expected value of future sales. If the carrying value of stock is higher than the expected recoverable value, the Company makes provisions to write stock down to its net recoverable value. Stock is initially assessed for impairment by comparing stock levels to utilisation rates over the last 24 months.

At 31 March 2020, there was a total provision of £1.5m (2019: £1.3m) against gross stock of £6.4m (2019: £7.2m). See Note 16 for a breakdown of stock. A 5% increase in the proportion of raw materials provided for would increase the provision by £0.1m (2019: £0.1m) and a 5% increase in the proportion of finished goods provided for would increase the provision by £0.2m (2019: £0.2m).

### 3. Revenue

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

	2020 £'000	2019 <sup>1</sup> £'000
<b>Continuing operations</b>		
Sales of goods	48,642	48,029
Royalty revenues	1,299	1,597
Rental income	555	561
	<u>50,496</u>	<u>50,187</u>

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

	2020 £'000	2019 <sup>1</sup> £'000
<b>Turnover</b>		
UK	15,791	15,733
Rest of Europe	23,344	24,090
Rest of World	11,361	10,364
	<u>50,496</u>	<u>50,187</u>

<sup>1</sup> See Note 26 for details of the re-presentation of the income statement for the year ended 31 March 2019.

# Renold Power Transmission Limited

Company number 00182382

## Notes to the Financial Statements

For the year ended 31 March 2020

### 4. Adjusting items reported after operating profit

During the current and prior year restructuring costs were incurred as part of the wider Renold plc Group Strategic Plan. The restructuring costs incurred relate predominantly to redundancy costs.

The pension past service credit recognised in the prior year related to the defined benefit pension scheme operated by Renold plc. 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 25:75 split respectively. Further details can be found in Note 24 below and on pages 123 to 128 of the Group financial statements which are available as disclosed on page 15.

In previous years, pension administration costs have been treated as an adjusting item as they relate to historical pension schemes which are not indicative of the underlying performance of the operating business. While this continues to be the case, the Company's treatment of these items differs from other companies in the peer group, and in order to assist users of the financial statements, the pension administration costs will no longer be treated as an adjusting item. See Note 26 for further details.

The adjusting items reported after operating profit in the profit and loss account were as follows:

	2020 £'000	2019 <sup>1</sup> £'000
Net restructuring costs	169	190
Pension past service costs	-	(3,344)
Adjusting items charged/(credited)	169	(3,154)

<sup>1</sup> See Note 26 for details of the re-presentation of the income statement for the year ended 31 March 2019.

### 5. Interest payable and similar expenses

	2020 £'000	2019 £'000
Bank loans and overdrafts	(465)	(418)
Interest expense on lease liabilities	(332)	-
Interest payable to group companies	(386)	(572)
Unwinding of discount on provisions	-	(73)
Net IAS 19 financing costs	(1,278)	(1,328)
	(2,461)	(2,391)

# Renold Power Transmission Limited

Company number 00182382

## Notes to the Financial Statements

For the year ended 31 March 2020

### 6. Profit before taxation

	2020 £'000	2019 <sup>1</sup> £'000
Profit before taxation is stated after charging:		
Net foreign exchange losses	96	101
Depreciation of owned tangible fixed assets	922	835
Depreciation of right-of-use assets	944	-
Amortisation of owned intangible fixed assets	40	51
Research and development costs	668	527
Operating lease rentals	-	481
Cost of stock recognised as expense	22,640	24,205
Trade receivables impairment	29	121
Impairment of stock recognised as expense	387	136
Staff costs (see Note 8)	11,542	11,124
Loss on disposal of FA	38	245
Other operating expenses	7,879	8,070
	<u>45,185</u>	<u>45,896</u>

<sup>1</sup> See Note 26 for details of the re-presentation of the income statement for the year ended 31 March 2019.

### 7. Auditor's remuneration

Fees payable to Deloitte LLP and their associates for the audit of the company's annual report and financial statements were £60,000 (2019: £60,000). Fees payable to Deloitte LLP and their associates for non-audit services to the company were £nil (2019: £nil).

### 8. Staff costs

The average monthly number of employees (including executive directors) during the financial year amounted to 249 (2019: 269). The total number of employees employed at 31 March 2020 was 242 (2019: 267). Their aggregate remuneration comprised:

	2020 £'000	2019 £'000
Wages and salaries	10,408	9,985
Social security costs	870	934
Other pension costs	264	205
	<u>11,542</u>	<u>11,124</u>

# Renold Power Transmission Limited

Company number 00182382

## Notes to the Financial Statements

For the year ended 31 March 2020

### 9. 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.

	2020 £'000	2019 £'000
<b>Directors' remuneration</b>		
Emoluments	214	133
Company contributions to money purchase pension schemes	11	6
	<u>225</u>	<u>139</u>

	Number	Number
<b>The number of directors who:</b>		
Are members of a money purchase pension scheme	4	3
Had awards receivable in the form of shares under a long-term incentive scheme	6	4
Number of directors who exercised share options	-	-

	2020 £'000	2019 £'000
<b>Remuneration of the highest paid director:</b>		
Emoluments	57	66
Company contributions to money purchase pension schemes	4	4

The highest paid director exercised no share options during the year but did receive shares under the Group's long-term incentive scheme, details of which can be found on pages 128 and 129 of the Renold plc Group annual report and financial statements which are available as disclosed in Note 1.

### 10. Tax on profit

The tax charge comprises:

	2020 £'000	2019 £'000
<b>Current tax</b>		
Withholding tax	27	27
<b>Total current tax</b>	<u>27</u>	<u>27</u>
<b>Deferred tax (see Note 15)</b>		
Origination and reversal of temporary differences	202	726
Effect of changes in corporate tax rates	(91)	-
<b>Total deferred tax</b>	<u>111</u>	<u>726</u>
<b>Total tax on profit</b>	<u>138</u>	<u>753</u>

# Renold Power Transmission Limited

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## Notes to the Financial Statements

For the year ended 31 March 2020

### 10. Tax on profit (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 in the statement of comprehensive income as follows:

	2020 £'000	2019 £'000
<b>Profit before tax</b>	<b>2,681</b>	<b>5,054</b>
Tax on profit at standard UK corporation tax rate of 19% (2019: 19%)	509	960
Effects of:		
Permanent differences	-	1
Disclaimed capital allowances	-	159
Capital allowances in excess of depreciation	(70)	-
Withholding tax	27	27
Pension contributions	713	183
Effect of changes in corporate tax rates	(91)	-
Difference in corporation tax and deferred tax rates	-	(114)
Utilisation of tax losses	(950)	(463)
<b>Total tax charge for year</b>	<b>138</b>	<b>753</b>

The Company earns its profits primarily in the UK. Therefore, the tax rate used for tax on profit is the standard rate for UK corporation tax, currently 19%. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. During the year the UK tax rate applicable from April 2020 was amended from 17% to 19%, resulting in a change in the applicable rate for the calculation of the deferred tax asset. This resulted in a gross increase in the deferred tax asset of £1.1m (see Note 15).

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## Notes to the Financial Statements

For the year ended 31 March 2020

### 11. Intangible fixed assets

	Computer Software £'000
<b>Cost</b>	
At 1 April 2019	802
Additions	-
Disposals	(40)
<b>At 31 March 2020</b>	<b>762</b>
<b>Depreciation</b>	
At 1 April 2019	(706)
Charge for the year (included within operating expenses)	(40)
Disposals	38
<b>At 31 March 2020</b>	<b>(708)</b>
<b>Net book value</b>	
<b>At 31 March 2020</b>	<b>54</b>
At 31 March 2019	96

### 12. Tangible fixed assets

	Freehold buildings £'000	Short leasehold land & buildings £'000	Plant and machinery £'000	Total £'000
<b>Cost or valuation</b>				
At 1 April 2019	3,534	343	19,804	23,681
Additions	10	19	851	880
Disposals	-	(15)	(586)	(601)
<b>At 31 March 2020</b>	<b>3,544</b>	<b>347</b>	<b>20,069</b>	<b>23,960</b>
<b>Depreciation</b>				
At 1 April 2019	(986)	(126)	(14,987)	(16,099)
Charge for the year	(71)	(52)	(799)	(922)
Disposals	-	10	556	566
<b>At 31 March 2020</b>	<b>(1,057)</b>	<b>(168)</b>	<b>(15,230)</b>	<b>(16,455)</b>
<b>Net book value</b>				
<b>At 31 March 2020</b>	<b>2,487</b>	<b>179</b>	<b>4,839</b>	<b>7,505</b>
At 31 March 2019	2,548	217	4,817	7,582

Property, plant and equipment pledged as security for liabilities amounted to £7.5 million (2019: £7.6 million).

# Renold Power Transmission Limited

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## Notes to the Financial Statements

For the year ended 31 March 2020

### 12. Tangible fixed assets (continued)

Freehold land and buildings were professionally valued to fair value by Colliers CRE, Chartered Surveyors, on the basis of market value at March 2004, as part of the transition of the Renold plc Group financial statements to International Financial Reporting Standards. The valuation conforms to International Valuation Standards and was based on market transactions on arm's length terms for similar properties. The valuation was taken as the deemed cost of freehold land and buildings on the Company's transition to FRS 101 at 1 April 2014. Subsequent additions are at cost, as follows:

	2020 £'000	2019 £'000
Freehold land and buildings - Valuation	2,880	2,880
Freehold land and buildings - Cost	664	654
Freehold land and buildings - Cost or revaluation at 31 March	3,544	3,534

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

	2020 £'000	2019 £'000
Cost	1,564	1,564
Depreciation	(1,017)	(986)
Net Book Value	547	578

### 13. Leasing and right-of-use assets

#### Right-of-use assets

	Land & buildings £'000	Plant and machinery £'000	Total £'000
<b>Cost or valuation</b>			
At 1 April 2019	-	-	-
Adoption of IFRS 16	5,080	1,421	6,501
Additions	-	38	38
At 31 March 2020	5,080	1,459	6,539
<b>Depreciation</b>			
At 1 April 2019	-	-	-
Charge for the year	(472)	(472)	(944)
At 31 March 2020	(472)	(472)	(944)
<b>Net book value</b>			
At 31 March 2020	4,608	987	5,595
At 31 March 2019	-	-	-

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## Notes to the Financial Statements

For the year ended 31 March 2020

### 13. Leasing and right-of-use assets (continued)

An onerous lease provision of £2.7m, initially established in 2014 following the closure of the Bredbury manufacturing facility, was derecognised on 1 April 2019 following the adoption of IFRS 16. The £2.7m was recorded as a reduction to the opening carrying value of the Bredbury right-of-use property. The lease expires in May 2030 at a rental cost of £0.8m per annum; a significant proportion of this site is sublet for a term of five years to 2021 for a rent of £0.6m per annum. While a range of possible outcomes exist for the continuation of subletting the property, the extent of this range is a reduction in right-of-use assets of up to £3.1m (the future net book value of the Bredbury property at the end of the existing sublet agreement).

#### Lease liabilities

	2020 £'000
<b>Maturity analysis – contractual undiscounted cash flows</b>	
Less than one year	1,541
One to five years	4,816
More than five years	9,456
Total undiscounted lease liabilities at 31 March	15,813
Less: Interest allocated to future periods	(3,800)
Lease liabilities included in the Balance Sheet	12,013
Current	1,494
Non-current	10,519

#### Amounts recognised in profit or loss

	2020 £'000
Interest on lease liabilities	(332)
Variable lease payments not included in the measurement of lease liabilities	-
Income from sub-leasing right-of-use assets	555
Expenses relating to short-term leases and leases of low-value assets	-

#### Cash flows

Cash outflows in relation to leases were £1,233k for the repayment of principal under lease liabilities and £332k for the repayment of interest on lease liabilities.

### 14. Investments

#### Subsidiary undertakings

	£
<b>Cost</b> - At 31 March 2019 and 31 March 2020	7,688
<b>Provisions for impairment</b> - At 31 March 2019 and 31 March 2020	(7,688)
<b>Net book value</b> - At 31 March 2019 and 31 March 2020	-

Details of the Company's subsidiaries at 31 March 2020 are as follows. Unless otherwise indicated, all ownership interests are in the ordinary share capital of the investee.

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## Notes to the Financial Statements

For the year ended 31 March 2020

### 14. Investments (continued)

Name (registered office)	Principal activity	Place of incorporation (or registration) and operation	Proportion of ownership interest and voting power held %
Renold GmbH (Juliusmuhle, 37574, Einbeck, Germany)	Chain and power transmission products manufacturing company	Austria	100%
Renold A/S (Kaerup Alle 2, 1. Benlose, 4100, Ringstad)	Sales liaison services company	Denmark	100%
Renold Transmission AB (Trident 2, Trident Business Park, Styal Road, Manchester, United Kingdom, M22 5XB)	Sales liaison services company	Sweden	100%
Renold Continental Limited (Trident 2, Trident Business Park, Styal Road, Manchester, United Kingdom, M22 5XB)	Chain and power transmission products manufacturing company	UK	100%
Renold Polska s.p. zoo (ul. Młyńska 11, 40-098 Katowice)	Sales liaison services company	Poland	100%

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

Group financial statements are not prepared 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. Financial information is presented for Renold Power Transmission Limited as an individual company and not for its group. Group financial statements for Renold plc, which include the financial statements of the Company and its subsidiaries, can be obtained from Companies House, Crown Way, Maindy, Cardiff CF14 3UZ.

### 15. Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	2020 £'000	2019 £'000
Tax assets – Pension plans	9,687	9,251

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

	1 April £'000	Recognised in income statement £'000	Recognised in equity £'000	Effect of change in tax rate – income statement £'000	Effect of change in tax rate – equity £'000	31 March £'000
2020 - Pension plans	9,251	(202)	(450)	91	997	9,687
2019 - Pension plans	8,877	(726)	1,100	-	-	9,251

At the balance sheet date, the Company has unused tax losses and capital allowances of £36.9m (2019: £41.9m) 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. The losses can be carried forward indefinitely.

# Renold Power Transmission Limited

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## Notes to the Financial Statements

For the year ended 31 March 2020

### 16. Stocks

	2020 £'000	2019 £'000
Raw materials and consumables	839	1,199
Work in progress	579	866
Finished goods and goods for resale	3,507	3,801
	<u>4,925</u>	<u>5,866</u>

Stock pledged as security for liabilities amounted to £4.9 million (2019: £5.9 million).

### 17. Debtors

	2020 £'000	2019 £'000
<b>Amounts falling due within one year:</b>		
Trade debtors	8,491	6,109
Amounts owed by group undertakings	7,065	6,609
Other taxation	435	216
Prepayments and accrued income	2,135	2,233
	<u>18,126</u>	<u>15,167</u>
<b>Amounts falling due after more than one year:</b>		
DB pension scheme contribution	23,982	25,393

Balances owed by group undertakings are held at amortised cost, unsecured, bear no interest and are repayable on demand. At 31 March 2020 there were no amounts receivable or payable to customers for contract work (2019: £nil).

In 2014, a deemed contribution of £30m was made to the pension scheme through the Renold Scottish Limited Partnership. This has been recognised as a discounted prepayment and is being amortised over a period of 25 years.

### 18. Creditors – amounts falling due within one year

	2020 £'000	2019 £'000
Trade creditors	2,696	3,760
Amounts owed to group undertakings	14,738	10,588
Other taxation and social security	515	428
Other creditors	149	269
Accruals and deferred income	1,982	1,590
	<u>20,080</u>	<u>16,635</u>

Amounts owed to group undertakings are repayable on demand, bear no interest and are held at amortised cost. The Company did not operate supplier financing or reverse factoring programmes during the current or prior financial year.

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## Notes to the Financial Statements

For the year ended 31 March 2020

### 19. Borrowings – amounts falling due after more than one year

	2020 £'000	2019 £'000
Bank loans	15,421	15,492

Borrowings are repayable as follows:

	2020 £'000	2019 £'000
<b>Bank loans</b>		
Between two and five years	15,421	15,492

The above loans form part of the Renold plc Group core banking facilities, which mature in March 2024 and on which the Group pays interest at LIBOR plus a variable margin. Further details of this facility are provided on page 120 of the Group financial statements which are available as disclosed on page 15.

### 20. Creditors – amounts falling due after more than one year

	2020 £'000	2019 £'000
Amounts owed to parent undertaking	12,972	20,289

Amounts owed to parent undertaking attract varying rates of interest, are unsecured and are repayable in more than one year.

### 21. Provisions for liabilities

	Onerous Lease £'000	Total £'000
At 1 April 2019	2,717	2,717
Adoption of IFRS 16	(2,717)	(2,717)
<b>At 31 March 2020</b>	<b>-</b>	<b>-</b>

	2020 £'000	2019 £'000
<b>Disclosed as:</b>		
Current	-	255
Non-Current	-	2,462
	<b>-</b>	<b>2,717</b>

An onerous lease provision of £2.7m, initially established in 2014 following the closure of the Bredbury manufacturing facility, was derecognised on 1 April 2019 following the adoption of IFRS 16. See Note 13 for further details.

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## Notes to the Financial Statements

For the year ended 31 March 2020

### 22. Share capital

	Number of shares	2020 £'000	2019 £'000
Authorised, allotted, called up and fully paid ordinary shares of £1 each	17,495,973	17,496	17,496

### 23. Financial commitments

At the balance sheet date, capital expenditure contracted for but not provided for in these accounts amounted to £0.3m (2019: £nil) of which all related to the acquisition of property, plant and equipment.

### 24. 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 £264,000 (2019: £205,000) 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 25:75 split respectively.

Further details of the Group defined benefit scheme are disclosed on pages 123 to 128 of the consolidated financial statements of the ultimate parent company, which are available as disclosed on page 15.

### 25. Related party transactions

The company has taken advantage of the disclosure exemptions in FRS 101 not to disclose transactions with other wholly owned members of the Renold plc Group.

During the course of the current year Renold plc, the Company's ultimate parent company, acquired the remaining interest in Renold Chain India Limited, previously a 75% owned subsidiary of the Group. Transactions entered in to in the prior year and trading balances outstanding at 31 March 2019 with Renold Chain India Limited were as follows:

	2019 £'000
Amounts payable as at 31 March	(38)
Sales transacted in the financial year	4
Purchases transacted in the financial year	(429)

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## Notes to the Financial Statements

For the year ended 31 March 2020

### 26. Re-presentation of prior period

A re-presentation of the comparative Statement of Comprehensive Income for the year ended 31 March 2019 has been prepared. The revised presentation has been prepared in order to:

- remove pension administration costs as an adjusting item from the Company's 'Operating profit before adjusting items'. In previous years, pension administration costs have been treated as an adjusting item as they relate to historical pension schemes which are not indicative of the underlying performance of the operating business. While this continues to be the case, the Company's treatment of these items differs from other companies in the peer group, and in order to assist users of the financial statements, the pension administration costs will no longer be treated as an adjusting item.
- adjust for certain intra-company sales which had not been correctly netted down in the previously reported figures, with no resulting profit impact.

The impact, on a line item basis, on the Statement of Comprehensive Income for the year ended 31 March 2019 is as follows:

	Year ended 31 March 2019			
	As previously reported £'000	Pension administration costs £'000	Intra-business unit sales adjustment £'000	Re-presented £'000
Revenue	52,680	-	(2,493)	50,187
Operating expenses	(47,989)	(400)	2,493	(45,896)
<b>Operating profit before adjusting items</b>	<b>4,691</b>	<b>(400)</b>	<b>-</b>	<b>4,291</b>
Adjusting items	2,754	400	-	3,154
<b>Operating profit</b>	<b>7,445</b>	<b>-</b>	<b>-</b>	<b>7,445</b>

### 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 the United Kingdom. The parent undertaking of the largest and smallest group, which includes the Company and for which group financial statements are prepared, is Renold plc, a company incorporated in the United Kingdom. Copies of the group annual report and financial statements of Renold plc can be obtained from the Group's registered office at Trident 2, Trident Business Park, Styal Road, Wythenshawe, Manchester, M22 5XB.

### 28. Post balance sheet events

There have been no significant events after the balance sheet date.