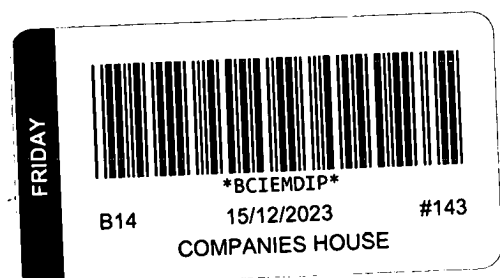


Company number 00182382

**Renold Power Transmission Limited**  
**Annual report and financial statements**  
**for the year ended 31 March 2023**



# Renold Power Transmission Limited

Company number 00182382

	<b>Page</b>
Corporate information	2
Strategic Report	3
Directors' Report	6
Directors' Responsibilities Statement	9
Independent Auditor's Report	10
Statement of Comprehensive Income	14
Balance Sheet	15
Statement of Changes in Equity	16
Notes to the Financial Statements	17

# **Renold Power Transmission Limited**

Company number 00182382

## **Corporate information**

### **Directors**

Philip Mark Robinson  
Lynne Joan Rosser  
Michael Peter Wallwork  
Andrew Peter Buller  
Adam Robert Worsley  
James Robert Haughey

### **Auditors**

BDO LLP  
3 Hardman Street  
Manchester  
M3 3AT

### **Principal bankers**

HSBC UK Bank plc, CitiBank N.A. and AIB Group (UK) plc

### **Registered office**

Registered number: 00182382

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

## Strategic Report

The directors present their Strategic Report and Directors' Report on the affairs of the Company, together with the audited financial statements for the year ended 31 March 2023. 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 highlight an increase in trading in the year, with revenues from sale of goods increasing by 4% to £36.8m (2022: £35.3m). The increase in revenues from sale of goods was driven by an increase in revenues generated from a small number of new customer contracts. Despite the sales increase, operating profit of £4.4m (2022: £4.5m) decreased by 2%. Despite this reduction, the Company has implemented a number of strategic improvements over recent years. The strategic actions have delivered a business that is more resilient and far better positioned to weather the current macro-economic challenges. 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 profit after tax of £8.2m (2022: profit of £4.1m) is driven by dividend income received from the Company's subsidiary undertaking in the UK.

Net liabilities at 31 March 2023 were £0.5m (2022 (restated<sup>1</sup>): £15.4m). A net profit of £8.2m was delivered for the year which together with the impact of the valuation of the Company's net pension liabilities, resulted in an increase in net assets of £14.9m.

The IAS 19 pension liability decreased to £6.4m (2022(restated<sup>1</sup>): £16.4m) with the largest element of the decrease relating to an increase in AA corporate bond yields, which decreases the present value of the gross liabilities.

### 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 in the 'Principal risks and uncertainties' section of the Group's annual report which can be obtained from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ or at [renold.com](http://renold.com).

### Key Performance Indicators

The Company considers revenue and operating profit to be the key performance indicators, both of which are discussed above. Management also monitor net liabilities, which have decreased during the year by £14.9m to £0.5m (2022 (restated<sup>1</sup>): £15.4m) largely as a result of the reduction in the valuation of the Company's defined benefit pension scheme obligations and the retained profit generated in the year.

Non-financial key performance indicators include various health and safety measures. Disclosures regarding health and safety measures for the Group, Renold plc, which include those of the Company, are included on page 25 of the Group's annual report which can be obtained at the address shown above.

### Future developments

The directors expect the general level of activity to remain consistent with 2023 in the forthcoming year.

<sup>1</sup> See Note 26 for details of the restatement.

## 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.

	Our people	Our customers	Our partners	Our investors	Our local communities
<b>Why it is important to engage</b>	The calibre and capability of our people are critical to Renold's success. We want our people to be proud of working for Renold and we want to be in a position to attract and retain the best talent.	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.	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.	Our investors are the owners of our business and are critical to supporting future strategic development of the Group and the Company.	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.
<b>Stakeholders' key interests</b>	<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>	<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>	<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>	<ul style="list-style-type: none"> <li>• A successful, clearly Communicated strategy that is delivering results.</li> <li>• Delivery of sustainable improvement for the long term.</li> </ul>	<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>
<b>Ways we Engage</b>	"Value our people" is recognised as a core Value at Renold. Employees are encouraged to ask questions and raise issues at all levels of management. This continues through to Board site visits, where the Board make themselves available to answer questions directly with a broad base of employees.	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 Board 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 Board ensures customers continue to receive the high quality products and levels of service that the Renold brand stands for.	Due to scale and geographic diversity, the Group 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.	The Board is available to all shareholders, particularly retail investors at the Group's Annual General Meeting, and responds to all letters and emails throughout the year. The Executive Directors regularly meet with institutional investors, particularly after full-year and interim results announcements, and where available, feedback received following those meetings is considered by the Board. Details of changes to the investor base are reviewed at every Board meeting, supplemented by advice from the Group's brokers where required.	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.
<b>Result of engagement</b>	Re-invigorated our health and safety efforts, including recruitment of Group health and safety leadership.	Development of sustainable products going forwards, including lubricant-free and long-life products.	We are liaising with suppliers to ensure our product supplies are generated from sustainable, low carbon sources.	We have listened to the feedback from shareholders to formulate our sustainability, acquisition and growth strategy.	We are working closely with local communities to develop projects for their benefit.

# Renold Power Transmission Limited

Company number 00182382

## Strategic Report

### Events after the balance sheet date

See Note 28 for details of post balance sheet events.

### Approval

Approved by the Board and signed on its behalf by:



Jim Haughey  
Director  
13 December 2023

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

## 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  
Andrew Peter Buller  
Adam Robert Worsley  
James Robert Haughey

### Director Indemnity

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 2023 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 3-5 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 financial statements have been prepared on a going concern basis. In determining the appropriate basis of preparation of the financial statements, the Directors are required to consider whether the Company can continue in operational existence for the foreseeable future.

The Directors have assessed the future funding requirements of the Company and compared them to the level of available borrowing facilities. The Directors have also considered the plausible future impact of the current level of macroeconomic uncertainty stemming from Covid-19, inflation, the global supply chain crisis and geopolitical risks on the Company's activities and performance, in preparing their going concern assessment.

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 going concern disclosure which appears in the consolidated financial statements of Renold plc for the year ended 31 March 2023. This disclosure can be found in the accounting policies in Note 1 to these financial statements along with further details regarding the adoption of the going concern basis.

Following their assessment, the Directors have formed a judgement, at the time of approving the financial statements, that there are no material uncertainties that cast doubt on the Company's going concern status and that it is a reasonable expectation that the Company has adequate resources to continue in operational existence for at least the next 12 months. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements.

Furthermore, whilst as at 31 March 2023 the Company had net liabilities of £489k (2022 (restated): £15,403k), 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.

## Directors' Report

### 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 (no derivative contracts in place at 31 March 2023). Where possible interest bearing assets and liabilities are held at fixed rate to ensure certainty of cash flows. Measurement of variable interest rate risk and its potential impact due to volatility on the Company's reported financial performance is undertaken on a monthly basis and the Directors use this information to determine, from time to time, an appropriate mix of fixed and variable rates.

### 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. Based on the financing relationship between the Company and Renold plc, the parent company, the Company also relies on the support provided by Renold plc with amounts owed to the parent undertaking of £3,078k at 31 March 2023 (2022: £3,370k).

### Dividends

The directors are unable to recommend a final dividend (2022: same). No dividend is proposed following the year end.

### 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 4.

### 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 4 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.



## Directors' Report

### Streamlined energy and carbon reporting programme (SECR)

Disclosures relating to the Company's compliance with SECR regulations can be found on page 39 of the Renold plc Group annual report which can be obtained from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ or at [renold.com](http://renold.com).

### 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.

The audit committee of the Group has, following a formal tender process, recommended the appointment of BDO LLP as the auditor of the Group and its subsidiaries for the financial year ending 31 March 2023.

Approved by the Board and signed on its behalf by:



Jim Haughey  
Director  
13 December 2023

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.

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

# Renold Power Transmission Limited

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

### Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the Company's affairs as at 31 March 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Renold Power Transmission Limited ("the Company") for the year ended 31 March 2023 which comprise Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Independence*

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 FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

### 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 this regard.

### Other Companies Act 2006 reporting

In our opinion, based on the work undertaken in the course of the audit:

# Renold Power Transmission Limited

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

- 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 material misstatements in the Strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you 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.

### 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.

### *Extent to which the audit was capable of detecting irregularities, including fraud*

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

### *Non-compliance with laws and regulations*

Based on:

- Our understanding of the Company and the industry in which it operates; and
- Discussion with management and those charged with governance;

we considered the significant laws and regulations to be the UK Companies Act 2006 and industry related such as compliance with health and safety legislation, employment law and taxation legislation.

The Company is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition

# Renold Power Transmission Limited

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

of fines or litigations. We identified such laws and regulations to be the UK Companies Act 2006 and industry related such as compliance with health and safety legislation, employment law and taxation legislation.

Our procedures in respect of the above included:

- Review of minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of financial statement disclosures and agreeing to supporting documentation; and
- Involvement of tax specialists in the audit;

### *Fraud*

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management and those charged with governance regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Company's policies and procedures relating to:
  - Detecting and responding to the risks of fraud; and
  - Internal controls established to mitigate risks related to fraud.
- Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements;

Based on our risk assessment, we considered the areas most susceptible to fraud to be the processing of inappropriate journal entries and, revenue being recognised in the incorrect period around the year end.

Our procedures in respect of the above included:

- Testing a sample of journal entries throughout the year, which met a defined risk criteria, by agreeing to supporting documentation;
- Use of forensic specialists to assist with the risk assessment at the planning stage and to help design appropriate audit procedures; and
- Testing a sample of revenue transactions around the year end to supporting documentation (including invoice and proof of delivery) to assess if the revenue had been recorded in the correct period;

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at:


<https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### **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.

# Renold Power Transmission Limited

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

DocuSigned by:  
  
D8CD362D513C4D9...

Stuart Wood (Senior Statutory Auditor)  
For and on behalf of BDO LLP, Statutory Auditor  
Manchester, United Kingdom  
13 December 2023

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

# Renold Power Transmission Limited

Company number 00182382

## Statement of Comprehensive Income

For the year ended 31 March 2023

	Note	2023 £'000	2022 (restated <sup>1</sup> ) £'000
<b>Revenue</b>	3	38,970	37,016
Operating expenses	5	(34,550)	(32,507)
<b>Operating profit</b>		4,420	4,509
Dividend income		4,151	-
Interest expense	4	(2,083)	(1,697)
Interest income	4	843	585
<b>Profit before taxation</b>		7,331	3,397
Tax on profit	9	853	667
<b>Profit for the financial year</b>		8,184	4,064
<b>Other comprehensive income</b>			
<b>Items not to be reclassified to profit or loss in subsequent years:</b>			
Remeasurement gain on IAS 19 retirement benefit obligations	24	13,069	11,257
Remeasurement loss on SLP retirement benefit plan asset	24	(3,072)	(2,915)
Tax on remeasurement gains/losses on retirement benefit obligations – excluding impact of statutory rate change	15	(3,267)	(2,254)
Effect of changes in statutory tax rate on deferred tax assets		-	1,254
<b>Other comprehensive income for the year, net of tax</b>		6,730	7,342
<b>Total comprehensive income for the year, net of tax</b>		14,914	11,406

<sup>1</sup> See Note 26 for details of the restatement.

All results are derived from continuing operations.

# Renold Power Transmission Limited

Company number 00182382

## Balance Sheet

As at 31 March 2023

	Note	2023 £'000	2022 (restated <sup>1</sup> ) £'000
<b>Fixed assets</b>			
Goodwill	10	40	40
Investment in subsidiaries	14	-	-
Intangible assets	11	284	391
Tangible assets	12	7,941	7,367
Right-of-use assets	13	1,814	2,195
Deferred tax assets	15	2,383	4,808
		<u>12,462</u>	<u>14,801</u>
<b>Current assets</b>			
Stocks	16	6,512	5,743
Debtors	17	13,634	7,288
Cash at bank and in hand		1,300	551
		<u>21,446</u>	<u>13,582</u>
<b>Creditors: Amounts falling due within one year</b>			
Borrowings	19	(6,898)	(166)
Trade and other creditors	18	(12,784)	(7,051)
Lease liabilities	13	(885)	(1,022)
Provisions	21	(105)	(200)
		<u>(20,672)</u>	<u>(8,439)</u>
<b>Net current assets</b>		<u>774</u>	<u>5,143</u>
<b>Total assets less current liabilities</b>		<u>13,236</u>	<u>19,944</u>
<b>Creditors: Amounts falling due after more than one year</b>			
Borrowings	19	-	(8,000)
Creditors	20	(158)	(3,370)
Lease liabilities	13	(4,950)	(5,684)
Provisions	21	(2,246)	(1,942)
Defined benefit pension scheme	24	(6,371)	(16,351)
		<u>(13,725)</u>	<u>(35,347)</u>
<b>Net liabilities</b>		<u>(489)</u>	<u>(15,403)</u>
<b>Capital and reserves</b>			
Called-up share capital	22	17,496	17,496
Profit and loss account		(17,985)	(32,899)
<b>Shareholders' deficit</b>		<u>(489)</u>	<u>(15,403)</u>

<sup>1</sup> See Note 26 for details of the restatement.

The financial statements of Renold Power Transmission Limited (registered number 00182382) were approved by the board of directors and authorised for issue on 13 December 2023. They were signed on its behalf by:

Jim Haughey  
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 2023

	Note	Called up share capital £'000	Profit and loss account £'000	Total £'000
<b>At 31 March 2021 as previously reported</b>		17,496	(43,006)	(25,510)
Prior year adjustment <sup>1</sup>		-	(1,299)	(1,299)
<b>At 31 March 2021 (restated<sup>1</sup>)</b>		17,496	(44,305)	(26,809)
Profit for the year (restated <sup>1</sup> )		-	4,064	4,064
Remeasurement gains on defined benefit pension schemes net of deferred tax		-	7,342	7,342
<b>Total comprehensive income for the year (restated<sup>1</sup>)</b>		-	11,406	11,406
<b>At 31 March 2022 (restated<sup>1</sup>)</b>		17,496	(32,899)	(15,403)
Profit for the year		-	8,184	8,184
Remeasurement gains on defined benefit pension schemes net of deferred tax	24	-	6,730	6,730
<b>Total comprehensive income for the year</b>		-	14,914	14,914
<b>At 31 March 2023</b>		17,496	(17,985)	(489)

<sup>1</sup> See Note 26 for details of the restatement.

## Notes to the Financial Statements

For the year ended 31 March 2023

### 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 5.

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, paragraphs 90, 91 and 93 of IFRS 16 Leases and requirements of paragraph 58 of IFRS 16 and related party transactions. Where required, equivalent disclosures are given in the consolidated financial statements of Renold plc.

#### Adoption of new and revised Standards

##### *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. Their adoption has not had any significant impact on the amounts or disclosures reported in these financial statements.

- Amendments to IAS 37 Onerous contracts – cost of fulfilling a contract
- Amendments to IAS 16 PPE prohibits a Company from deducting from the cost of PPE amounts received from selling items produced while the Company is preparing the asset for its intended use. Such sales proceeds and related costs are to be recognised in the income statement
- Amendments to IFRS 3 Reference to the conceptual framework
- Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41)

#### 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 2023:

**Notes to the Financial Statements**

For the year ended 31 March 2023

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

"Given the current level of macroeconomic uncertainty stemming from Covid-19, inflation, the global supply chain crisis and geopolitical risks, the Group has performed financial modelling of future cash flows. The Board has reviewed the cash flow forecasts, which cover a period of 12 months from the approval of the 2023 Annual Report, and which reflect forecasted changes in revenue across the Group's business units. A reverse stress test has been performed on the forecasts to determine the extent of downturn which would result in a breach of covenants. Revenue would have to reduce by 22% over the period under review for the Group to breach the leverage covenant under the terms of its borrowing facility. The reverse stress test does not take into account further mitigating actions which the Group would implement in the event of a severe and extended revenue decline, such as reducing discretionary spend and capital expenditure. This assessment indicates that the Group can operate within the level of its current facilities, as set out above, without the need to obtain any new facilities for a period of not less than 12 months from the date of this report."

Subsequent to the issue of the consolidated financial statements of Renold plc, 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 Directors of the Company have therefore concluded that there are no material uncertainties that cast doubt on the Company's going concern status and that it is a reasonable expectation that the Company has adequate resources to continue in operational existence for at least the next 12 months. For this reason, the Directors continue to adopt the going concern basis in preparing the 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
-------------------	---------

**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.

**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.

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. Useful lives and residual values are reviewed at the end of every reporting period.

**Notes to the Financial Statements**

For the year ended 31 March 2023

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

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.

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 2023

**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.

**Revenue**

Revenue recognised relates to the sale of high precision engineered power transmission products to a range of industries worldwide. Revenue is recognised on the sale of goods when the performance obligations of the Company, principally the obligation to despatch or deliver the specified goods, are satisfied, which is consistent with when the risks and rewards of ownership have transferred from the Company to the customer. This is normally the point of despatch to the customer when title passes.

**Notes to the Financial Statements**

For the year ended 31 March 2023

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

For the small number of contracts with customers for which performance obligations are satisfied over time, the Company uses an appropriate method to measure progress, typically the cost input method, and recognises revenue commensurate with this progress over time. A cost input method is used as it is considered that this method most closely aligns with the completion of each performance obligation. This may result in the recognition of Contract Assets or Contract Liabilities.

Payments from customers in relation to revenue recognised at a point in time may be received in advance of product manufacture, product shipment, or in line with agreed credit terms which are typically 30 to 60 days. In the case of revenue recognised over time, payment is usually received in line with pre-agreed contract milestones.

In some circumstances, the transaction price of our contract with a customer is variable. Where this is the case, we use either the expected value method or the most likely amount method so as to estimate the consideration to which we are entitled under the contract. The most appropriate method is selected based on the facts and circumstances of the contract, with similar circumstances being treated in the same way.

The transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at 31 March 2023 is £99.5m (2022: £84.1m). This mostly comprises of the obligation to manufacture and supply standard Group products. The majority of this revenue is recognised at a point in time.

An amount of £17.0m (2022: £11.7m) relates to revenue from a small number of large customer contracts, for which revenue is recognised over time in line with progress against performance obligations. This revenue is expected to be recognised over the next eight years (2022: over the next eight years).

**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.

The costs of the defined benefit scheme are calculated by independent actuaries using the projected unit credit method. Any past service costs resulting from enhanced benefits are recognised immediately in the income statement as an operating cost. Administration costs, including the Pensions Protection Levy, are charged to operating costs. However, plan asset management costs are included in the actual return on plan assets.

Remeasurement gains and losses, comprising actuarial gains and losses, and the return on plan assets (excluding amounts included in net interest), are recognised in other comprehensive income in the period in which they occur. Actuarial gains and losses arise when actual results differ from the assessment outcomes which are used to calculate defined benefit assets and liabilities at a particular point in time.

**Notes to the Financial Statements**

For the year ended 31 March 2023

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

Under the Company's pension scheme rules, any surplus arising on payment of agreed contributions is fully recoverable.

**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).

**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.

Debt instruments are accounted for using the effective interest method.

**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.

**Notes to the Financial Statements**

For the year ended 31 March 2023

**1. Accounting policies (continued)*****Impairment of financial assets (continued)***

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.

***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.



**Notes to the Financial Statements**

For the year ended 31 March 2023

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

**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.

***Dilapidations provisions***

The Company has undertaken work to quantify dilapidation provisions arising from leased assets. This work involved several critical judgements which were: the extent of obligations to restore properties arising under lease agreements; the degree of wear and tear that has been incurred at leased properties to the balance sheet date; the cost of remedial work judged to be required upon termination of the lease and long-term inflation rates and discount rates across various geographies.

Management undertook this work in conjunction with third party expert surveyors in order to provide relevant expertise in forming the judgements described above.

**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.

**Notes to the Financial Statements**

For the year ended 31 March 2023

**2. Critical accounting judgements and key sources of estimation uncertainty (continued)****Key sources of estimation and uncertainty (continued)*****Right-of-use assets***

The Company has previously assessed lease arrangements at its Bredbury UK facility as onerous, with an onerous lease provision recorded as a reduction to the opening value of the Bredbury right-of-use asset on adoption of IFRS 16. The head lease on the Bredbury property expires in May 2030 at a rental cost of £0.8m per annum. A significant proportion of this site has previously been sublet, during the prior year the Company signed a sub-lease for the remaining nine years of the head lease (which expires in May 2030), with the existing tenant. Subsequent to 31 March 2022, the tenant vacated the site and it became evident that the tenant was experiencing financial difficulties. Accordingly, and following forfeiture of the new sub-lease, the Company impaired the Bredbury right-of-use asset by £1.7m, reflecting the uncertainty regarding the future income stream from the site. At the end of the current reporting period, the value of the Bredbury right-of-use asset is £1.4m (2022: £1.6m), based on assumptions upon future sub-let income streams and the discount rate used. For further details of the Bredbury lease refer to Note 13.

***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 2023, there was a total provision of £1.6m (2022: £1.5m) against gross stock of £8.2m (2022: £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 £0.2m (2022: £0.1m) and a 5% increase in the proportion of finished goods provided for would increase the provision by £0.3m (2022: £0.3m).

# Renold Power Transmission Limited

Company number 00182382

## Notes to the Financial Statements

For the year ended 31 March 2023

### 3. Revenue

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

	2023 £'000	2022 £'000
<b>Continuing operations</b>		
Sales of goods - transferred at a point in time	34,623	33,966
Sales of goods - transferred over time	2,211	1,365
Royalty revenues	2,136	1,294
Rental income	-	391
	<u>38,970</u>	<u>37,016</u>

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

	2023 £'000	2022 £'000
<b>Turnover</b>		
UK	19,847	16,939
Rest of Europe	6,782	8,538
Rest of World	12,341	11,539
	<u>38,970</u>	<u>37,016</u>

### 4. Interest income and expense

	2023 (restated <sup>1</sup> ) £'000	2022 £'000
<b>Interest expense</b>		
Bank loans and overdrafts	(343)	(143)
Interest expense on lease liabilities	(217)	(265)
Interest payable to group companies	(245)	(150)
Net IAS 19 financing costs	(1,278)	(1,139)
	<u>(2,083)</u>	<u>(1,697)</u>
<b>Interest income</b>		
Discount unwind on SLP retirement benefit plan asset (see Note 24)	843	585

# Renold Power Transmission Limited

Company number 00182382

## Notes to the Financial Statements

For the year ended 31 March 2023

### 5. Profit before taxation

	2023 £'000	2022 £'000
Profit before taxation is stated after charging/(crediting):		
Net foreign exchange gains	(4)	(75)
Depreciation of owned tangible fixed assets	947	892
Depreciation of right-of-use assets	381	815
Amortisation of owned intangible fixed assets	107	99
Impairment of right-of-use asset	-	1,701
Non-recurring profit on disposal of right-of-use asset and associated lease liability	-	(1,097)
Research and development costs	655	569
Cost of stock recognised as expense	16,406	14,758
Trade receivables impairment	299	24
Impairment of stock recognised as expense	158	13
Staff costs (see Note 7)	9,746	10,445
Government Assistance (See Note 7)	-	-
Loss on disposal of tangible fixed assets	1	18
Other operating expenses	5,854	4,345
	<u>34,550</u>	<u>32,507</u>

### 6. Auditor's remuneration

Fees payable to BDO LLP and their associates for the audit of the company's annual report and financial statements were £107,000 (2022: Deloitte £100,000). Fees payable to BDO LLP and their associates for non-audit services to the company were £nil (2022: £nil).

### 7. Staff costs

The average monthly number of employees (including executive directors) during the financial year amounted to 220 (2022: 229). The total number of employees employed at 31 March 2023 was 224 (2022: 220). Their aggregate remuneration comprised:

	2023 £'000	2022 £'000
Wages and salaries	8,421	9,183
Social security costs	907	827
Other pension costs	418	435
	<u>9,746</u>	<u>10,445</u>

# Renold Power Transmission Limited

Company number 00182382

## Notes to the Financial Statements

For the year ended 31 March 2023

### 8. Directors' remuneration and transactions

Directors of the Company have wide ranging responsibilities for the management of the Renold Group and their emoluments are paid by either the Company, Renold Continental Limited or Renold plc. The following amounts for executive emoluments, in respect of certain directors, therefore include appropriate sums for executive services to the Company which are recharged to the Company by Renold Continental Limited and Renold plc.

	2023 £'000	2022 £'000
<b>Directors' remuneration</b>		
Emoluments	247	226
Company contributions to money purchase pension schemes	9	11
	<u>256</u>	<u>237</u>

	Number	Number
<b>The number of directors who:</b>		
Are members of a money purchase pension scheme	6	6
Had awards receivable in the form of shares under a long-term incentive scheme	<u>5</u>	<u>5</u>

	2023 £'000	2022 £'000
<b>Remuneration of the highest paid director:</b>		
Emoluments	113	80
Company contributions to money purchase pension schemes	<u>5</u>	<u>4</u>

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 149 and 150 of the Renold plc Group annual report and financial statements which are available as disclosed in Note 1.

### 9. Tax on profit

The tax credit comprises:

	2023 (restated <sup>1</sup> ) £'000	2022 £'000
<b>Current tax</b>		
Withholding tax	15	-
UK corporation tax	<u>(26)</u>	<u>(46)</u>
<b>Total current tax</b>	<u>(11)</u>	<u>(46)</u>
<b>Deferred tax (see Note 15)</b>		
Origination and reversal of temporary differences	(842)	(239)
Effect of changes in corporate tax rates	<u>-</u>	<u>(382)</u>
<b>Total deferred tax</b>	<u>(842)</u>	<u>(621)</u>
<b>Total tax on profit</b>	<u>(853)</u>	<u>(667)</u>

<sup>1</sup> See Note 26 for details of the restatement.

**Notes to the Financial Statements**

For the year ended 31 March 2023

**9. 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:

	2022 2023 (restated <sup>1</sup> ) £'000	£'000
<b>Profit before tax</b>	7,331	3,397
Tax on profit at standard UK corporation tax rate of 19% (2021: 19%)	1,393	645
Effects of:		
Permanent differences	(706)	261
Effect of changes in corporate tax rates	-	(382)
Group relief	-	-
Withholding tax	15	-
Impact of deferred tax not recognised	(1,327)	(1,145)
Tax rate differential	(202)	-
UK corporation tax on Research and Development Claim	(26)	(46)
<b>Total tax credit for year</b>	(853)	(667)

<sup>1</sup> See Note 26 for details of the restatement.

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.

On 24 May 2021, the Finance Bill 2021 was considered substantively enacted thereby triggering a restatement of UK deferred tax balances from the 19% rate to 25%. This resulted in a deferred tax credit. A portion of the restatement of the UK deferred tax balance has also been recognised in the statement of changes in equity.

**10. Goodwill**

On the 8 April 2021 the Company completed the acquisition of the conveyor chain business of Brooks Ltd in Manchester, UK.

	Total £'000
<b>Cost and carrying value</b>	
At 1 April 2022	40
<b>At 31 March 2023</b>	40

**Notes to the Financial Statements**

For the year ended 31 March 2023

**11. Intangible fixed assets**

	Computer Software £'000	Customer relationships £'000	Non- compete agreements £'000	Total £'000
<b>Cost</b>				
At 1 April 2022	359	411	5	775
Additions	-	-	-	-
Acquisition of subsidiary (Note 27)	-	-	-	-
Disposals	(8)	-	-	(8)
<b>At 31 March 2023</b>	<b>351</b>	<b>411</b>	<b>5</b>	<b>767</b>
<b>Amortisation</b>				
At 1 April 2022	(300)	(82)	(2)	(384)
Charge for the year <sup>1</sup>	(23)	(82)	(2)	(107)
Disposals	8	-	-	8
<b>At 31 March 2023</b>	<b>(315)</b>	<b>(164)</b>	<b>(1)</b>	<b>(483)</b>
<b>Net book value</b>				
<b>At 31 March 2023</b>	<b>36</b>	<b>247</b>	<b>1</b>	<b>284</b>
At 31 March 2022	59	329	3	391

<sup>1</sup>The charge for the year is included within operating expenses.

**Notes to the Financial Statements**

For the year ended 31 March 2023

**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 2022	3,544	364	19,966	23,874
Additions	-	20	1,502	1,522
Disposals	-	(5)	(57)	(62)
<b>At 31 March 2023</b>	<b>3,544</b>	<b>379</b>	<b>21,411</b>	<b>25,334</b>
<b>Depreciation</b>				
At 1 April 2022	(1,199)	(264)	(15,044)	(16,507)
Charge for the year	(71)	(26)	(850)	(947)
Disposals	-	5	56	61
<b>At 31 March 2023</b>	<b>(1,270)</b>	<b>(285)</b>	<b>(15,838)</b>	<b>(17,393)</b>
<b>Net book value</b>				
<b>At 31 March 2023</b>	<b>2,274</b>	<b>94</b>	<b>5,573</b>	<b>7,941</b>
At 31 March 2022	2,345	100	4,922	7,367

Property, plant and equipment pledged as security for liabilities amounted to £7.9 million (2022: £7.4 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, 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:

	2023 £'000	2022 £'000
Freehold land and buildings - Valuation	2,880	2,880
Freehold land and buildings - Cost	664	664
Freehold land and buildings - Cost or revaluation at 31 March	3,544	3,544



## Notes to the Financial Statements

For the year ended 31 March 2023

### 12. Tangible fixed assets (continued)

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

	2023 £'000	2022 £'000
Cost	1,564	1,564
Depreciation	(1,110)	(1,079)
Net Book Value	454	485

### 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 2022	5,067	196	5,263
Additions	-	-	-
Disposals	-	(15)	(15)
<b>At 31 March 2023</b>	<b>5,067</b>	<b>181</b>	<b>5,248</b>
<b>Depreciation</b>			
At 1 April 2022	(2,954)	(114)	(3,068)
Charge for the year	(342)	(39)	(381)
Impairment	-	-	-
Disposals	-	15	15
<b>At 31 March 2023</b>	<b>(3,296)</b>	<b>(138)</b>	<b>(3,434)</b>
<b>Net book value</b>			
<b>At 31 March 2023</b>	<b>1,771</b>	<b>43</b>	<b>1,814</b>
At 31 March 2022	2,113	82	2,195

# Renold Power Transmission Limited

Company number 00182382

## Notes to the Financial Statements

For the year ended 31 March 2023

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

#### Lease liabilities

	2023 £'000	2022 £'000
<b>Maturity analysis – contractual undiscounted cash flows</b>		
Less than one year	1,031	1,036
Due in second year	1,004	1,029
Three to five years	2,574	3,027
More than five years	1,775	2,800
Total undiscounted lease liabilities at 31 March	6,384	7,892
Less: Interest allocated to future periods	(549)	(1,186)
Lease liabilities included in the Balance Sheet	5,835	6,706
Current	885	1,022
Non-current	4,950	5,684

#### Amounts recognised in profit or loss

	2023 £'000	2022 £'000
Interest on lease liabilities	(217)	(265)
Income from sub-leasing right-of-use assets	-	391
Non-recurring profit on disposal of right-of-use asset and associated lease liability	-	1,097

#### Cash flows

Cash outflows in relation to leases were £1,294k (2022: £1,298k) for the repayment of principal under lease liabilities, £nil (2022: £1,118k) for the Rainham lease surrender payment and £217k (2022: £265k) for the repayment of interest on lease liabilities.

# Renold Power Transmission Limited

Company number 00182382

## Notes to the Financial Statements

For the year ended 31 March 2023

### 14. Investments

#### Subsidiary undertakings

	£
<b>Cost</b> - At 31 March 2022 and 31 March 2023	7,688
<b>Provisions for impairment</b> - At 31 March 2022 and 31 March 2023	(7,688)
<b>Net book value</b> - At 31 March 2022 and 31 March 2023	-

Details of the Company's subsidiaries at 31 March 2023 are as follows. Unless otherwise indicated, all ownership interests are in the ordinary share capital of the investee.

Name (registered office)	Principal activity	Place of incorporation (or registration) and operation	Proportion of ownership interest and voting power held %
Renold GmbH (Juliusmühle, 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)	Sale of Chain and power transmission products	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:

	2023 £'000	2022 (restated <sup>1</sup> ) £'000
Tax assets – Pension plans	1,594	4,020
Tax assets – Losses	789	789
<b>Total deferred tax</b>	<b>2,383</b>	<b>4,809</b>

<sup>1</sup> See Note 26 for details of the restatement.

**Notes to the Financial Statements**

For the year ended 31 March 2023

**15. Deferred tax assets and liabilities (continued)**

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

	1 April (restated <sup>1</sup> ) £'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 (restated <sup>1</sup> ) £'000
2023 - Pension plans	4,019	842	(3,267)	-	-	1,594
2023 - Losses	789	-	-	-	-	789
<b>2023 – Total deferred tax</b>	<b>4,808</b>	<b>842</b>	<b>(3,267)</b>	<b>-</b>	<b>-</b>	<b>2,383</b>
2022 - Pension plans	4,587	239	(2,254)	193	1,254	4,019
2022 - Losses	600	-	-	189	-	789
<b>2022 – Total deferred tax</b>	<b>5,187</b>	<b>239</b>	<b>(2,254)</b>	<b>382</b>	<b>1,254</b>	<b>4,808</b>

An increase in the UK corporation tax rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. The Company recognises deferred tax and opening deferred tax balances have been reinstated at the new 25% rate. In relation to deferred tax recognised in respect of the Company's defined benefit pension scheme, the impact of the rate change has been reflected in both the profit and loss statement and the statement of changes in equity as detailed above.

At the balance sheet date, the Company has carried forward tax losses of £34.0m gross (2022: £37.3m) and capital allowances in excess of depreciation of £8.7m gross (2022: £15.1m) available to offset future taxable profits.

The company has recognised in full, £1.6m of deferred tax in respect of its defined benefit pension scheme and partially recognised £0.8m of tax losses (of a total potential deferred tax balance of £8.5m). Management considers it probable that the Company will have future taxable profits with which to utilise the benefit of these amounts.

No deferred tax has been recognised in respect of accounting depreciation in excess of tax (tax effect of £2.1m) and other miscellaneous deferred tax balances (tax effect of £0.9m).

**16. Stocks**

	2023 £'000	2022 £'000
Raw materials and consumables	1,605	814
Work in progress	320	398
Finished goods and goods for resale	4,587	4,531
	<b>6,512</b>	<b>5,743</b>

Stock pledged as security for liabilities amounted to £6.5 million (2022: £5.7 million).

# Renold Power Transmission Limited

Company number 00182382

## Notes to the Financial Statements

For the year ended 31 March 2023

### 17. Debtors

	2023 £'000	2022 £'000
<b>Amounts falling due within one year:</b>		
Trade debtors	5,467	4,859
Amounts owed by group undertakings	7,230	1,844
Other taxation	184	225
Contract receivables	148	-
Prepayments and accrued income	605	360
	<u>13,634</u>	<u>7,288</u>

Balances owed by group undertakings are held at amortised cost, unsecured, bear no interest and are repayable on demand. At 31 March 2022 there were no amounts receivable or payable to customers for contract work (2021: £nil).

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

	2023 £'000	2022 £'000
Trade creditors	3,868	2,930
Amounts owed to group undertakings	6,335	1,344
Other taxation and social security	450	530
Contract liabilities	342	-
Accruals	1,789	2,247
	<u>12,784</u>	<u>7,051</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.

# Renold Power Transmission Limited

Company number 00182382

## Notes to the Financial Statements

For the year ended 31 March 2023

### 19. Borrowings

	2023 £'000	2022 £'000
<b>Amounts falling due within one year:</b>		
Overdrafts	898	166
Bank loans	6,000	-
	<u>6,898</u>	<u>166</u>
<b>Amounts falling due after more than one year:</b>		
Bank loans	-	8,000
	<u>-</u>	<u>8,000</u>

Borrowings are repayable as follows:

	2023 £'000	2022 £'000
<b>Bank loans</b>		
Within one year	6,000	-
Between two and five years	-	8,000
	<u>6,000</u>	<u>8,000</u>

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. The facilities were subsequently renewed for 4 years in May 2023. Refer to Note 28 for more details on the refinancing.

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

	2023 £'000	2022 £'000
Amounts owed to parent undertaking	158	3,370
	<u>158</u>	<u>3,370</u>

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

# Renold Power Transmission Limited

Company number 00182382

## Notes to the Financial Statements

For the year ended 31 March 2023

### 21. Provisions

	Dilapidations provision £'000
<b>Cost and carrying value</b>	
At 1 April 2022	2,142
Utilised during the year	(95)
Arising during the year	304
<b>At 31 March 2023</b>	<b>2,351</b>
<b>Allocated as:</b>	
Current	105
Non-current	2,246

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

The provision is assessed based on the expected cost at the balance sheet date, using recent cost estimates from suitably qualified property professionals. These estimates are adjusted to reflect the impact of inflation between the date of assessment and the expected timing of the payments, and are then discounted back to present value. The inflation rate applied is 1.6% and the discount rate applied is 3.0%.

The majority of the dilapidation provision relates to cash outflows which are expected to take place at the end of each respective lease term; none of which are expected to end within the next 12 months. The associated outflows are estimated to arise over a period of up to 21 years from the balance sheet date. As a result, with the exception of £0.1m which is to be spent on specific work in the next 12 months, substantially all of the provision is classed as non-current.

### 22. Share capital

	Number of shares	2023 £'000	2022 £'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 £nil (2022: £1.1m) of which all related to the acquisition of property, plant and equipment.

## Notes to the Financial Statements

For the year ended 31 March 2023

### 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 £418,000 (2022: £435,000) represents contributions payable to these schemes by the Company at rates specified in the rules of the plans.

#### Defined benefit schemes (DB schemes)

	2023 £'000	2022 £'000
IAS 19 retirement benefit obligation	(33,184)	(48,031)
Renold Scottish Limited Partnership retirement benefit plan asset <sup>1</sup>	26,814	31,680
Defined benefit pension scheme	<u>(6,371)</u>	<u>(16,351)</u>

<sup>1</sup> In 2014, a deemed contribution of £30m was made to the pension scheme, which in turn invested the £30m in the Renold Scottish Limited Partnership (the "SLP"). This has been recognised as a plan asset and unwinds, by way of a reduction in the asset and with a corresponding decrease in the IAS 19 retirement benefit obligation, in line with the committed cash contributions made by the SLP to the scheme (over the 25 year period ending in 2038). At each balance sheet date the value of the SLP plan asset is calculated as the discounted value of the expected future cash contributions payable by the SLP under the scheme. Remeasurement gains or losses are recorded in other comprehensive income.

There is a contractual agreement between the ultimate parent company, Renold plc, and Renold Power Transmission Limited to reflect the IAS 19 defined benefit pension scheme obligation in a 25:75 split respectively. Further details of the Group defined benefit scheme are disclosed on pages 143 to 148 of the consolidated financial statements of the ultimate parent company which are available as shown on page 17.



**Notes to the Financial Statements**

For the year ended 31 March 2023

**24. Retirement benefit schemes (continued)**

The movement in the present value of the total defined benefit plan scheme is as follows:

	IAS 19 liabilities £'000	IAS 19 plan assets £'000	Total IAS 19 DB obligation £'000	SLP retirement benefit plan asset <sup>1</sup> £'000	Total DB pension scheme £'000
<b>At 1 April 2021</b>	(160,360)	102,210	(58,150)	34,010	(24,140)
Past service cost	-	-	-	-	-
Interest income/(expense)	(3,133)	1,995	(1,138)	585	(553)
Remeasurement gains/(losses)	7,208	4,049	11,257	(2,915)	8,342
Benefits paid	7,439	(7,439)	-	-	-
Employer contributions	-	-	-	-	-
<b>At 31 March 2022</b>	(148,846)	100,815	(48,031)	31,680	(16,351)
Interest income/(expense)	(3,998)	2,720	(1,279)	843	(435)
Remeasurement gains/(losses)	36,536	(23,467)	13,069	(3,072)	9,997
Benefits paid	6,957	(6,957)	-	-	-
Employer contributions	-	3,057	3,057	(2,638)	419
<b>At 31 March 2023</b>	(109,352)	76,167	(33,184)	26,814	(6,371)

<sup>1</sup> The key assumptions used to derive the value of the SLP retirement benefit plan asset are the rate used to discount the future cash contributions, 10.4% (2022: 8.1%), and the inflation assumption of 3.3% (2022: 3.5%).

**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.

**26. Restatement due to prior year adjustments**

Prior period adjustments have been recorded relating to the following:

During the year, management identified that the accounting entries in relation to the Company's SLP retirement benefit plan asset had been incorrectly recorded in the Company's financial statements in the prior periods. The accounting errors arose between the Company and its UK subsidiaries (Renold Power Transmission Limited and Renold Scottish Limited Partnership) due to the incorrect recording of the deferred payments. In the year ended 31 March 2021, reflecting the uncertainty in short-term outlook caused by the Covid-19 pandemic, Renold approached the Trustees with a request to defer contributions to the UK scheme for the year ended 31 March 2021. The Trustees supported this proposal and it was agreed that the deferred contributions would be settled over the five-year period which commenced on 1 April 2022. The break in payments was structured through a loan from Renold International Holdings Limited and PLC. However, this loan and subsequent deferred payments should have been recorded through Renold Scottish Limited Partnership rather than Renold PLC. The subsequent result in Renold PLC is a reduction in the CAR asset of £0.6m, an increase in the deferred tax asset by £0.1m and a reduction in the intercompany payables balance of £2.8m.

The impact, on a line item basis, on the Statement of Comprehensive Income for the year ended 31 March 2022, and on the Balance Sheet for the year ended 31 March 2022 is as follows:

**Notes to the Financial Statements**

For the year ended 31 March 2023

**26. Restatement due to prior year adjustments (continued)**

Statement of Comprehensive Income for the year ended 31 March 2022	As previously reported £'000	Prior year adjustment £'000	Restated £'000
Revenue	37,016	-	37,016
Operating expenses	(32,507)	-	(32,507)
<b>Operating profit</b>	<b>4,509</b>	<b>-</b>	<b>4,509</b>
Interest expense	(1,697)	-	(1,697)
Interest income	697	(112)	585
<b>Profit before taxation</b>	<b>3,509</b>	<b>(112)</b>	<b>3,397</b>
Tax on profit	700	(33)	667
<b>Profit for the financial year</b>	<b>4,209</b>	<b>(145)</b>	<b>4,064</b>
<b>Other comprehensive income for the year, net of tax</b>	<b>7,210</b>	<b>132</b>	<b>7,342</b>
<b>Total comprehensive income for the year, net of tax</b>	<b>11,419</b>	<b>(13)</b>	<b>11,406</b>
<b>Balance sheet at 31 March 2022</b>	<b>As previously reported £'000</b>	<b>Prior year adjustment £'000</b>	<b>Restated £'000</b>
<b>Non-current assets</b>			
Deferred tax assets	4,453	355	4,808
<b>Total assets</b>	<b>28,028</b>	<b>355</b>	<b>28,383</b>
<b>Non-current liabilities</b>			
Retirement benefit obligations	(14,684)	(1,667)	(16,351)
<b>Total liabilities</b>	<b>(42,119)</b>	<b>(1,667)</b>	<b>(43,786)</b>
<b>Net liabilities</b>	<b>(14,091)</b>	<b>(1,312)</b>	<b>(15,403)</b>
Called-up share capital	17,496	-	17,496
Profit and loss account at 1 April 2021	(43,006)	(1,299)	(44,305)
Total comprehensive income for the year ended 31 March 2022	11,419	(13)	11,406
Profit and loss account	(31,587)	(1,312)	(32,899)
<b>Shareholders' deficit</b>	<b>(14,091)</b>	<b>(1,312)</b>	<b>(15,403)</b>

## Notes to the Financial Statements

For the year ended 31 March 2023

### 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

On 21 July 2023, the Bredbury head lease was re-assigned to a third party. We are now sub-leasing a portion of the original site. The Head lease expires on 9 May 2030 and the Company will recognise a right of use asset and lease liability for the sublease until the Head lease expiry date. The exceptional credit to the income statement for the year ended 31 March 2024 is estimated to be £2.2m.

On 9 May 2023, the Group reached an agreement to refinance its core banking facility to a £85m multi-currency revolving credit facility. Additionally there is a £20m accordion option which will allow the company to access additional funding in support of its acquisition programme. The new facility will be provided by our existing banks: HSBC UK, Allied Irish Bank (GB), Citibank and with the addition of Santander. The duration of the facility is a three year term to May 2026 (contains an option to extend the term for a further two years) and is fully committed and available until maturity.

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