RENOLD

Annual Report and
Accounts 2010

Delivering transmission solutions for diverse sectors

www.renold.com

This year has been a challenging one, due principally to the global recession. As a result, we have focused on cutting costs, raising finance and reducing the cost of borrowing. The diversity of our geographies and markets continues to support our strong operational base, and we exit the downturn as a lean, well-financed business with confidence in our ability to grow market share.

Financial results

	2010 £m	2009 £m
Turnover	156.1	194.7
Operating (loss)/profit	(4.8)	7.6
Operating (loss)/profit before exceptional items	(2.1)	10.0
(Loss)/profit before tax and exceptional items	(8.1)	5.3
(Loss)/profit before tax	(13.6)	2.9
Net debt	17.9	37.2

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This section provides an overview of our financial results and a summary of who we are and what we do. Our Chairman, Matthew Peacock, gives his views on the year and the progress made.

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At a glance

Renold plc is an international engineering group, producing a wide range of high-quality engineering products and application solutions, operating in 20 countries worldwide. The principal activities of the Group are the manufacture and sale of industrial chains and torque transmission products.

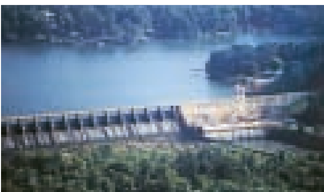
Operating in diverse sectors

Basic industries

Mining, oil, cement, steel

Food

Palm oil, confectionery, beverages

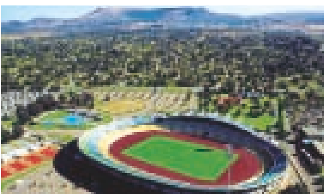


Construction

Off-road vehicles, lumber, major projects

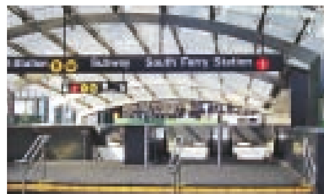
Manufacturing

Original Equipment Manufacturers (**OEMs**), printing



Leisure

Theme parks, major events



Transport

Shipping, freight handling, aerospace, mass transit

Infrastructure

Waste water plants, escalators, underground systems, power generation

Sales – Geography

Renold has sales in 105 countries

→ Europe	38%
→ Americas	35%
→ China	3%
→ India	5%
→ Other	19%

Renold Chain

Renold manufactures chain for many applications. Heavy duty, high precision, indoor or outdoor, clean or contaminated, high or low temperature environments, these are all in a day's work.

The vast range of roller chains means that for most requirements there is a Renold solution. Our premier brand, Renold Synergy, offers unbeatable wear and fatigue performance, whilst the all-purpose range of standard chain provides affordable reliability.

Continuous research, development, innovation and ingenuity has led to the production of more specialised solutions such as Hydro-Service with its superior corrosion-resistant coating and the Syno range which sets a new benchmark for chains requiring little or no lubrication. In addition to a broad range of chains involving different materials and platings, there is also a comprehensive range of attachment chains.

Conveying applications including theme park rides, water treatment plants, cement mills, agricultural machinery, mining and sugar production all rely on high-specification materials and treatment processes used in Renold conveyor chains. Lifting chain from Renold also features on one in three fork lift trucks produced worldwide.

Behind every conceivable industry Renold is working hard at delivering performance and increasing productivity.

Renold Torque Transmission

Renold Torque Transmission (TT) provides a complete range of worm gears, helical and bevel helical drives and the widest range of coupling solutions in the world ranging from fluid couplings to rubber-in-compression and rubber of shear couplings. We manufacture custom gear spindles and gear couplings for the primary metals industry and we are experts in providing bespoke gear solutions across industries worldwide such as power generation, mass transit, people movement, metals and materials handling.

Our speciality is working alongside our customers, to design and manufacture a solution to specific application needs. Our design capability and innovation is recognised by customers around the world and is utilised in customising couplings to meet customers' specific requirements delivering durability, reliability and long life for demanding marine and power applications.

Also from Renold Torque Transmission is a range of freewheel clutches featuring both sprag and roller ramp technology. Sprag clutches are used in a wide range of safety critical applications. Typical examples of these are safety backstops on inclined bucket conveyor systems and hold backs that can protect riders on some of the world's most thrilling roller coasters.

We have manufacturing locations in the UK, US, South Africa and China and world renowned brands. We operate at the leading edge of technology, producing innovative products designed to meet customers' exacting standards.

Chairman's letter

Matthew Peacock
Chairman

Renold agile and able to grow

Overview

In this, my fourth year as Chairman of your Board, I report on the year ended 31 March 2010, a period in which the global economic crisis resulted in the Group experiencing a very challenging business environment.

Group sales decreased by 20% to £156.1 million, with a significant proportion of that decrease due to customer destocking. This drop in activity levels resulted in an operating loss before exceptional items of £2.1 million and a loss before tax of £13.6 million (2009 – profit of £2.9 million). The second half year benefited from both improved activity levels and the impact of the majority of the cost cuts and this resulted in a small operating profit before exceptional items for this six month period. We are now seeing sales and order intake increase significantly and our current run rate gives me grounds for optimism that as the economy recovers, we will be a major beneficiary.

In December 2009 we strengthened the Group's balance sheet by raising £26.9 million net of expenses via a placing and open offer of 142.5 million shares at 20 pence per share. Subsequently the Group's net debt at 31 March stands at £17.9 million (2009 – £37.2 million).

The global downturn and the different phasing of sales and cost reductions masks the progress made in reducing the cost base of operations. A full £13 million planned reduction in these costs was achieved by year end and this positions the Group well for the future.

Strategy

The business has emerged from the last year in a strong position. The cost reduction targets were delivered to plan and the reduced cost base will be maintained going forward.

A significant proportion of the reduction in sales was the result of customer destocking and, as this effect is diminishing, we will see sales reflecting underlying levels of demand in our end markets. In our traditional markets our focus is on increasing market share by infilling product areas in which we are under represented. Markets in Asia and the Americas, where our businesses are less established, offer considerable opportunities to grow market share as well as opportunities to achieve higher rates of sales growth in these faster growing economies. Our facilities in China and India give us access to new regions which account for circa 30% of the global market. In addition, now that we are physically present in these low-cost markets, we are in an excellent position to expand our highly regarded product range into them. We estimate that an annual industrial chain market of circa £400 million[1] exists in new territories where we have a current market share of less than 1%.

Our business covers a broad range of customers in diverse geographies and sectors which, by reducing exposure to any single market, normally provides for less business volatility.

Following the acquisitions in China and India, we closed our Polish facility. This was completed in August 2009 and we continue to evaluate and optimise our manufacturing footprint.

Financing

In July 2009 we reached agreement to enter into a new three year credit facility with The Royal Bank of Scotland plc and Fortis Bank S.A./N.V. Interest rates were in line with market rates at the time of the transaction but these rates reflected comparatively higher margins over Libor compared to historical rates. In December 2009, with the support of our major shareholders, we successfully raised £26.9 million net of expenses through a firm placing and placing and open offer of 142.5 million shares at 20 pence per share. £11 million from this fund-raising was used to repay and cancel the term loan under this facility with the remainder being used to reduce net debt levels and increase headroom. The Group is now well funded for the future.

Your Board

I would particularly like to thank the Board for their support and contribution this year. For the Non-Executive Directors, it has required a considerable commitment of time. For the Executive Directors, it has required a single-minded commitment to rapid and difficult changes. In January 2010 we appointed Ian Griffiths to the Board. Ian has extensive Board and operational engineering and manufacturing experience which make him particularly well suited and he is welcomed to the Renold team.

Subsequent to the year end, Peter Bream has advised the Board that he intends to leave Renold in order to accept a position with another company. I should like to thank Peter for his contribution to the improvements over the last four years in the strategic position and the financial performance of Renold. A process to appoint a finance director is ongoing and an announcement will be made in due course.

Outlook

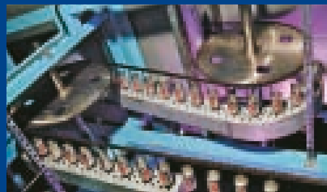
Our brand is strong and we are competitive in all segments of the price/performance pyramid. The prime focus for 2010/11 is to ensure a robust return to profit and to capture and realise growth opportunities. The final quarter of 2009/10 revealed an encouraging trend in sales growth which has continued into 2010/11. Whilst sales visibility is still unclear, the strong start to the year leaves the Company well placed to deliver upon expectations.

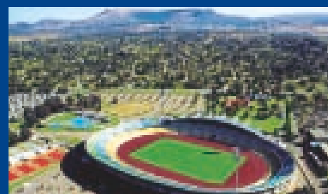
Matthew Peacock
Chairman

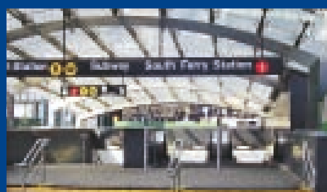
1 Source: management estimate.

Special feature
DELIVERING TRANSMISSION SOLUTIONS

Delivering transmission solutions for diverse sectors







Solutions for diverse market sectors

The resilience and robustness of Renold is derived from the quality and superiority of our technical products, with the expertise of our applications and solutions and also the diverse sectors we serve across the world. Here is a small sample of what we do best.

Basic industries

Capital expenditure wins orders

The successful completion of an export order destined for the new coal mine being built at Moatize, Mozambique, by Vale of Brazil, stands as testament to expedient capital expenditure. The order consisted of 28 spiral bevel helical gearbox drive packs, ranging in size from 90 Kw to 600 Kw.

These were all designed and manufactured by Renold in South Africa. Manufacture was only made possible by the recent installation of gear grinding and support equipment. Increased lifting capacity in the form of a new 25 ton overhead crane was vital in the assembly of the larger drive packs.

In addition, the sampling plant conveyors at this new mine are being driven by Renold e-PM gearboxes manufactured by Renold Torque Transmission in the UK.

A second gear grinder, capable of grinding up to two metre diameter gears, is in the process of being commissioned, and will greatly enhance the prospect of Renold being able to win a significant share of the larger capital project and gearbox refurbishment market in Africa.

Food

Renold's market-leading performance

In the large and fast-moving global market sector of canning, UK based Brooks Limited has developed a worldwide reputation for service and reliability with all leading sector companies, which process household name drinks. Brooks specifies Renold chain because of its demonstrable market-leading performance in what is a high-temperature, high-speed, high-duty application the world over. Advances in Renold chain design and specification have ensured that many Brooks' customers are now benefiting from improved machine efficiencies by specifying maintenance-free Renold Syno chains.

Construction

The bigger the better

Renold Chain in the US needed to think big for a major dam construction project. Twelve gates were needed, each gate having two chains, 80 feet long, with eight chain assemblies for each chain. Twelve flat bed trucks were required to ship to the construction location. The chain also had to pass high specifications for strength and corrosion.

Manufacturing

Strong performance in conveyor chain

O.Kay Engineering is a market leader in the supply of high-quality conveyor machines for a variety of market sectors, supplying primarily the recycling and material handling sectors. In a competitive market, O.Kay has retained a strong order book, with Renold Chain specified by them for many years, giving their customers performance-confidence in the conveyor chain which forms an integral part of their conveyor machines.

Leisure

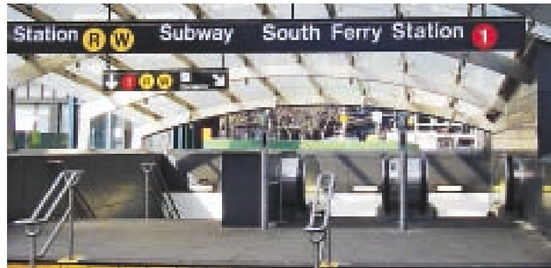
Power supply for FIFA World Cup sites

Renold Hi-Tec couplings are being used by the supplier of temporary power for broadcast and technical services at the FIFA World Cup in South Africa.

The couplings will be used to connect the engine to the alternator which provides broadcasting power in all ten World Cup stadium venues, the International Broadcast Centre and FIFA headquarters. To ensure the broadcasting of all 64 matches to over three billion people worldwide is trouble free, the Renold rubber-in-compression coupling has been chosen for these generator sets.

The coupling is a reliable, fail-safe design which ensures that the drive is always maintained between the engine and the alternator and therefore that the power supply is continuous. The RB also tunes the torsional vibration system which ensures low vibratory loads in the driveline and maximises the life of the driveline components. Renold Hi-Tec has supplied couplings to customers for various projects around the world and so was the obvious choice for this high profile, prestigious contract where loss of power is not an option.

Transport



New station links ferry, subway and bus services

Renold TT has supplied seven TW Series assemblies to drive all of the seven escalators in the new South Ferry subway station in Lower Manhattan, New York City. Various sizes were supplied varying dependent on the rise of the escalators.

South Ferry subway station is the first subway station to open in New York City for 20 years. The multi million dollar project has made many operational improvements to the existing station, originally built in 1905. This includes multiple exits, seven escalators, two elevators and also an expanded platform. The new station links the ferry, subway and bus services and is key to the redevelopment of Lower Manhattan post 9/11.

Infrastructure

Melbourne underground escalator chains

Renold Australia staff have been working with the Melbourne Underground maintenance companies over the past few years to evaluate and improve escalator chain life.

As a result, Renolube escalator chains are being progressively installed in the Melbourne Underground Metro System which has 55 escalators after assessments by the customer and an independent consultant have confirmed the financial attractiveness of these chains due to their very low maintenance requirements and longevity. Our new wear monitor system is about to be installed on some of the chains for those escalators.

1. Operating in diverse sectors

Renold products can be seen in applications as diverse as cement making to chocolate manufacturing, stopping tidal waterways to fork lift trucks. In fact anywhere something needs to be lifted, moved, rotated or conveyed, a Renold product is there to carry out the appropriate function reliably and effectively. Renold is known by name throughout many sectors of industry and is the natural choice for the customer.

Diverse reach

2. Geographic reach

In every corner of the globe, wherever there is industry, Renold can be found either through strong manufacturing presence (Americas, Europe, China, India and Australasia) or through its owned national sales companies or through the hundreds of distributors and agents willing to stock and market the strength of the real brand.

3. Market access for Renold products

The wide geographic spread of the Renold organisation puts us in a unique position in the power transmission industry to grow the business. The combination of low cost standard duty products out of China, higher specification products from India and top of the range offerings from our traditional US and Europe manufacturing gives the opportunity to provide solutions for every application and cost point in all markets. The additional growth opportunities in the high Chinese and Indian internal markets add further value.

Chief Executive's review

Robert Davies
Chief Executive

During Renold's 130 year history we have weathered a number of recessions and believe we have emerged from this one in a strong position

Overview

Against the backdrop of the global economic crisis last year the business faced many challenges but, following decisive management actions we delivered on the restructuring targets we set at the start of the year which meant by the second half year we made an operating profit before exceptional items.

The first half of the year was subject to very difficult market conditions and resulted in an operating loss before exceptional items of £2.1 million for the full year. We aggressively cut our cost base and achieved a 27% reduction in headcount and by the year end we achieved ongoing savings of £13 million. As a temporary response to reduced levels of activity reduced hours of working were implemented in most facilities and agreement was reached to implement a 10% reduction in pay for all members of the Board, the senior management team and most staff with effect from 1 April 2009 until February 2010.

These actions significantly reduced our cost base and, although they only partially mitigated the impact of the reduced contribution resulting from lower sales revenues, resulted in a small operating profit before exceptional items being generated in the second half year.

Capital expenditure was constrained during the year but given the low sales demand the need for additional expenditure was also reduced. However, essential maintenance, health and safety and projects with a short payback period were approved and, following the fund-raising in December 2009, approval was given for a Group-wide enterprise resource planning (**ERP**) project which will facilitate further cost and inventory reductions.

Our belief is that the reduction in demand we experienced in the year was the result of both reduced demand from end-customers but also significantly the result of destocking as all businesses responded to uncertain future demand levels and pressure on working capital. In the second half of the year we saw a gradual and progressive improvement in trading conditions as destocking started to end. We are not anticipating restocking in the near term but the end to destocking alone will have a materially positive impact on future results.

The £26.9 million (net of expenses) fund-raising in December 2009 has significantly reduced net debt and will save £2 million per annum in interest costs. The improved strength of the balance sheet also means we can fund growth.

The ongoing integration of our operations in China and India enables us to optimise low cost manufacturing opportunities and also increases access to those markets and other lower cost product opportunities.

Our employees deserve recognition and thanks for their acceptance and support for the cost reduction measures which were necessary during the year. I believe their continued efforts and their commitment will be reflected in next year's results.

Renold Chain

Renold Chain was severely impacted by the global recession not only for underlying demand reduction but also by destocking by both our distribution and OEM customers. The resultant year on year reduction in sales was approximately 29% (28% at constant exchange rates). We acted quickly to mitigate the financial losses. Headcount reduction was initiated in the third quarter of 2008/09 and was largely complete by the fourth quarter of 2008/9. The Polish facility was closed down in 2009/10. In order to further improve customer focus we realigned Chain into three geographical regions. These are Europe, the Americas, including India and China, and Australasia. All these regions were impacted but specific countries including Australia, India and South Africa suffered far less than most from the recessionary pressures.

By the summer of 2009 the sales decline had bottomed out. A steady increase in orders started in the third quarter of 2009/10 and gathered pace in the fourth quarter and this improvement is expected to continue in the near term. There is little evidence of restocking but customers are reporting they are no longer destocking or at least have a specific date when they expect to start placing orders that matches their own demand level. Encouragingly we believe we have been able to take market share during this downturn. This has been apparent within the large US distribution market and also our Chinese facility acquired in 2007 has won business from other Chinese competitors. Our Indian business (acquired in September 2008) contributed for a full year and benefited from the strong Indian market particularly towards the end of the year.

Chief Executive's review
continued

Market penetration
Within the chain industry Renold is recognised as a global market leader with excellent brand recognition and a reputation for delivering technical solutions. This is something we have earned over the years of trading and is an invaluable asset to achieve the growth plans for the coming year. Despite being market leader in Europe, as well as Australasia and India, there are areas of the European market where we are under-represented and part of the restructuring programme this year was aimed at being able to increase our penetration of these areas. Similarly we are one of the top three suppliers in North America. We have relocated manufacturing of some products into our existing facility in Morristown, Tennessee, which is aimed at gaining market share and a more efficient use of working capital.

Technical innovation
Despite the relative maturity of the industry, our work with key customers has resulted in a number of new solutions to old problems. We have developed Smart Chain technology to measure system dynamics, enabling improvements to drive efficiency which enables real cost reduction for our customers. Additionally we have maintained our initiative to produce a wider range of engineering solution products aimed at specific applications. This includes lubrication free chains, which contribute to both lower maintenance costs and a cleaner environment. Our engineers use state of the art 3D design technology connected to a global engineering system, enabling teams to work round the clock on time critical projects. To further increase our support of the customer, this system is being linked to the new Group-wide ERP system that will be introduced during this year.

Renold Torque Transmission
Renold Torque Transmission provides engineering couplings, gearboxes and loose gears products to specific targeted markets. Whilst some of these markets have seen a downturn this was less marked than in the Chain Division. This is primarily because of the lack of inventory in the system but also because of large mass transit contracts which continued unaffected by the recession. The routes to market for Renold Torque Transmission products are less diverse than Chain and projects have longer cycles. This led to the recessionary pressures not only being less severe but impacting later in the financial year.

Power generation has continued to be a strong industry sector over the last year. Renold Torque Transmission supplies to most markets in the sector. For example, we supply torsionally flexible couplings for use in variable speed fans in new power stations built in India, and for station upgrades in the US. We also provide gear boxes for preheaters in new stations in India and China, as well as worm and wheel gear sets for coal pulverisers around the world.

Temporary power is often provided using diesel generator sets and this is a growing market. Our technology has been successful in these applications and we now supply couplings to some of the largest companies in the industry. The growth in this sector is expected to continue in the coming year. Our couplings have helped provide power to the Vancouver Winter Olympics and will help with this summer's FIFA World Cup in South Africa.

We also supply product into the renewable energy market with our sprag clutches being used in wind turbines and our gear couplings in power generating waste processing plants.

The supply of couplings and gear boxes for use in mass transmit propulsion systems has kept the people movement sector strong for Renold Torque Transmission this year. New contracts have been won and the pipeline is robust. Additionally, our gears products are used extensively in escalator drives for demanding applications by London Underground and New York City Transit Authority.

Investment in additional capacity and capability in South Africa has enabled us to provide a comprehensive service to our local customers, primarily mines, for gear boxes and couplings. This business has been strong in the refurbishment and repair of gear boxes and has not been impacted by the slowdown elsewhere in the world.

Going forward, the recovery in the oil, mineral extraction and metals processing industries should provide an increase in demand for all Renold Torque Transmission products.

Going forward
Our torque transmission products are largely bespoke and part of long term projects. Consequently in the downturn our Torque Transmission business was more robust than the Chain business because of these longer term contracts and the support of infrastructure spending. The Chain business is a more economically sensitive business which, despite a broad geography and wide range of products and end markets, suffered significantly from the move to reduce the level of inventory in the system. The Chain business is a mix of OEM and maintenance applications which cover both relatively competitive, high volume products and highly specialised, high margin, lower volume products.

The financial statements include for the first time separate reporting of these two segments which should provide additional clarity both as to the value in our existing businesses but also the opportunity. The financial returns from the Chain business at the current levels are unacceptable but much has been done in reducing the cost base. This, in conjunction with high operational gearing, will both capture the upturn in market volumes and allow the integration and addition of new lines within the existing capacity and under the Renold umbrella.

Implementing the changes to our business model in the last two years has been challenging but essential to weather the recession. The majority of the £13 million reduction to the cost base is expected to be retained even allowing for this year's sales growth. The market share gains made this year and the opportunities provided by our relatively new Chinese and Indian facilities position us well to take advantage of the recovery. Renold exits the downturn with a lean, well financed business, which will facilitate market share growth.

Finance Director's review

Peter Bream
Finance Director

Our performance

Overview

The financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (**IFRSs**) as adopted by the European Union. The financial statements of the parent company, Renold plc, have been prepared under UK Generally Accepted Accounting Principles (**UK GAAP**) and are included on pages 75 to 85.

Revenue

Revenue for the year ended 31 March 2010 decreased by 20% to £156.1 million compared to the preceding year. Revenue in the second half year, at £80.6 million, was 7% higher than in the first half year. At constant exchange rates, sales for the full year were down 25% on the preceding year and sales in the second half year were down 21% on the same period for the year ended 31 March 2009.

Operating result

The operating loss before exceptional items was £2.1 million (2009 – profit of £10.0 million). The second half year generated an operating profit before exceptional items of £0.2 million (2009 – second half year profit of £4.0 million). This deterioration in the full year result was a consequence of lower sales levels.

Exceptional operating items resulted in a £2.7 million charge for the year ended 31 March 2010 (2009 – £2.4 million). These costs were incurred to accommodate the lower activity levels resulting from the global recession. Further details of the exceptional items are given in Note 2(c) to the financial statements.

Financing costs

Total net financing costs increased to £8.8 million (2009 – £4.7 million). Net finance costs excluding exceptional refinance costs and IAS 19 charges fell to £2.2 million (2009 – £2.9 million). All of the remaining costs (£0.2 million) associated with the rebanking in February 2007 and the exceptional costs (£2.8 million) associated with the refinancing during the year ended 31 March 2010 have been expensed. The net interest cost on pension plan balances and the expected return on pension plan assets was a charge of £3.8 million (2009 – £1.8 million) principally as a consequence of the assumption of lower expected investment returns on lower opening pension plan asset balances.

Result before tax

The loss before tax and before exceptional items was £8.1 million (2009 – profit of £5.3 million). Loss before tax after exceptional items was £13.6 million (2009 – profit of £2.9 million).

Taxation

The tax credit of £3.9 million (2009 – charge of £0.8 million) represented an effective rate of approximately 29% compared to 28% for the year ended 31 March 2009.

Group results for the financial period

The loss for the financial year ended 31 March 2010 was £9.7 million (2009 – profit £2.1 million); the basic loss per share and the diluted loss per share was 8.0p (2009 – earnings 2.8p). The basic adjusted loss per share and diluted adjusted loss per share was 1.4p (2009 – earnings 7.3p).

Balance sheet

Net assets at 31 March 2010 were £44.8 million (2009 – £40.1 million). The net liability for retirement benefit obligations was £56.8 million (2009 – £44.1 million) after allowing for a net deferred tax asset of £16.2 million (2009 – £11.0 million). Of the £73.0 million net retirement benefit obligation before deferred tax, £21.2 million arises in respect of non-UK unfunded schemes, which are not required to be prefunded (see Pensions on page 12).

Cash flow and borrowings

Operating cash inflow was £0.9 million (2009 – £1.1 million). Payment for purchase of property, plant and equipment was £3.3 million (2009 – £5.5 million). Group net borrowings at 31 March 2010 were £17.9 million (2009 – £37.2 million) comprising cash and cash equivalents of £7.3 million (2009 – £11.3 million) and borrowings, including preference stock, of £25.2 million (2009 – £48.5 million).

Net borrowings at 31 March 2010 were lower than at 31 March 2009 principally as a result of the £26.9 million net inflow from the share issue in December 2009.

Share issue

In December 2009, the Group raised £26.9 million after expenses through the completion of a firm placing and placing and open offer of 142,500,000 new ordinary shares at 20 pence per share (see page 86 for further details).

Bank facility

On 13 July 2009, the Group reached agreement to enter into a three year bank facility with the existing syndicate members led by The Royal Bank of Scotland plc, with Fortis Bank S.A./N.V. as a participant and the key terms of this new facility were effective from 13 August 2009. The key terms were a Multi Revolving Credit Facility (**MRCF**) of £20.0 million and a Multi Currency Term-Loan Facility (**MTLF**) of £11.0 million, with both facilities expiring on 30 June 2012.

This facility was amended in December 2009 following the successful share issue (see Note 18) with the repayment and cancellation of the £11.0 million MTLF and certain financial and non-financial covenants were relaxed. The remaining £20.0 million MRCF is the Group's principal credit facility although the Group also benefits from numerous overseas facilities. At 31 March 2010 the Group had unused committed credit facilities totalling £20.5 million.

Finance Director's review
continued

Contracts essential to the business of the Company
The section on Contractual or other arrangements essential to the business in the Statutory Information section on pages 29 to 32 of the Directors' report is incorporated by reference here.

Treasury and financial instruments
The Group treasury policy, approved by the Directors, is to manage its funding requirements and treasury risks without undertaking any speculative risks. Note 24 to the financial statements provides details of financial instruments. The Group maintains a mix of short and medium term facilities to ensure that it has sufficient available funds for ongoing operations. A major exposure of the Group earnings[1] and cash flows relates to currency risk on its sales and purchases made in foreign (non-functional) currencies. To reduce such risks, these transactions are covered primarily by forward foreign exchange contracts. Such commitments generally do not extend more than 12 months beyond the balance sheet date, although exceptions can occur where longer term projects are entered into. To manage foreign currency exchange risk on the translation of net investments, certain Dollar denominated borrowings taken out in the UK to finance US acquisitions had been designated as a hedge of the net investment in US subsidiaries. At 31 March 2010, this hedge has been determined to be ineffective and revised arrangements have been put in place. The carrying value of these borrowings at 31 March 2010 was £8.5 million (2009 – £9.1 million).

Borrowings issued at variable rates expose the Group to cash flow interest rate risk and borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group reviews the mix of fixed rate and floating rate debt and, during the year, had interest rate swaps to manage part of this exposure.

At 31 March 2010, the Group had 4% (2009 – 3%) of its gross debt at fixed interest rates. However, the intention is to enter into further interest rate swaps to increase the proportion of debt at fixed rate. Cash deposits are placed short term with banks where security and liquidity are the primary objectives. The Group has no significant concentrations of credit risk with sales made to a wide spread of customers, industries and geographies. Policies are in place to ensure that credit risk on individual customers is kept to a minimum.

Pensions
The management of the Group's UK pension schemes continued to be a focus and action was taken. All schemes were closed to new entrants in 2002. However, the continued growth of the deficit due to longevity and the performance of the financial markets required action to limit our future anticipated risk. Pensions will continue to be an area of proactive management.

Accordingly, we closed the Renold Supplementary Pension Scheme (**RSPS**) and the Jones & Shipman plc Retirement Benefit Plan (**J&S**) to future accrual from 1 August 2008. After a full consultation process, the main pension scheme, the Renold Group Pension Scheme (**RGPS**), was also closed to future accrual on 1 June 2009. The new arrangement is the Renold Personal Pension Plan, a defined contribution plan which is administered by Fidelity International.

Information on the Group's pension schemes is set out in Note 17 to the financial statements, including the key assumptions used by the actuary in arriving at the IAS 19 funding position. The gross pension assets and liabilities and resulting gross and net deficits are as follows:

	2010 Assets £m	2010 Liabilities £m	2010 Deficit £m	2009 Assets £m	2009 Liabilities £m	2009 Deficit £m
UK schemes						
– funded	**147.7**	**(197.4)**	**(49.7)**	130.7	(157.8)	(27.1)
Overseas schemes						
– funded	**17.5**	**(19.6)**	**(2.1)**	15.6	(21.6)	(6.0)
– unfunded	**–**	**(21.2)**	**(21.2)**	–	(22.0)	(22.0)
	165.2	**(238.2)**	**(73.0)**	146.3	(201.4)	(55.1)
Deferred tax asset			**16.2**			11.0
Net deficit			**(56.8)**			(44.1)

During the year ended 31 March 2010, the assets of the funded schemes improved by £18.9 million, but this was more than offset by an increase in the valuation of funded liabilities by £37.6 million due to a reduction in the discount rate of 1.3% for the UK schemes and 0.6% for the overseas schemes and consequently the net deficit of the funded schemes increased by £18.7 million.

The overseas deficit comprises £2.1 million at 31 March 2010 (2009 – £6.0 million) in respect of funded defined benefit schemes and £21.2 million (2009 – £22.0 million) relating principally to the unfunded German scheme which, as is common in Germany, is a "pay as you go" scheme that is not required to be prefunded. There is no obligation for deficit funding payments for this type of scheme.

There are three UK defined benefit pension schemes: (i) the main scheme, which is the RGPS; (ii) the RSPS; and (iii) the J&S. The status of these schemes at 31 March 2010 is summarised below:

As at 31 March 2010	RGPS £m	RSPS £m	J&S £m	**Total £m**
IAS 19 liabilities	(129.5)	(33.8)	(34.1)	**(197.4)**
Market value of assets	92.2	24.1	31.4	**147.7**
Deficit/surplus on IAS 19 basis	(37.3)	(9.7)	(2.7)	**(49.7)**
Annual deficit reduction payment (based on funding valuations)	1.6	0.5	–	**2.1**
Total members (approximately)	4,852	113	998	**5,963**

The assets and liabilities in the balance sheet include a net £1.5 million asset at 31 March 2010 (2009 – £nil) in respect of a closed South African defined benefit pension scheme. The Group has recognised that element of the pension surplus within that scheme which it expects to be repaid to the Group after expected additional payments to pensioner members are taken into account. Further details on the Group's pension schemes are given in Note 17 to the financial statements.

Principal risks and uncertainties
Risk is inherent in our business activities. We take steps at both a Group and subsidiary level to understand and evaluate potential risks and uncertainties which could have a material impact on our performance in order to mitigate them. Accordingly, a risk aware environment is promoted and encouraged throughout the Group. Details of the principal risks and uncertainties are set out below.

External market
Economic and political risks
We operate in 20 countries and sell to customers in many more. While benefiting from the opportunities and growth in these diverse territories, we are necessarily exposed to the economic, political and business risks associated with international operations such as a global recession, sudden changes in regulation, imposition of trade barriers and wage controls, security risk, limits on the export of currency and volatility of prices, taxes and currencies. Our diversified geographic

1 Being operating profit before exceptional items on revenue from continuing operations.

footprint mitigates against exposure within any one country in which we operate, although we are still exposed to global events.

In particular, as we have recently experienced, the risk from global recession is significant. The recession has resulted in both lower orders and less forward visibility of, and greater volatility in, future orders as industries react to the global downturn by destocking and reducing output. We take actions with the objective of reducing costs and cash outflow whilst maintaining flexibility. Like many other companies, despite these actions the financial performance and position of the Group has been adversely affected. The Group is now better positioned in the event of a second global recession but would not be immune to the effect.

Raw material prices

The Group's profit and cash flows are impacted by the price of its principal raw material, steel, which in recent years has seen considerable price volatility driven by global market conditions outside the control of the Group. Where contractually possible, we pass price increases on to our customers but this ability is, to some extent, dependent upon market conditions. There may be periods of time in which the Group is not fully able to recover increases in the cost of raw materials due to the weakness in demand for its products or the action of its competitors. During periods in which prices of raw materials fall, the Group may face demands from its customers to reduce its prices or experience a fall in demand for its products whilst customers delay orders in anticipation of price reductions. All of these factors could have a material adverse effect on the Group's business, financial condition, prospects, customer retention and results of operations.

Operational

Operational problems

The Group's profits and cash flows are dependent on the continued use of its various facilities. Operational risks include equipment failure, failure to comply with applicable regulations and standards, raw materials supply disruptions, labour force shortages, events impeding or increasing the cost of transporting the Group's products and natural disasters. Any disruption of the manufacturing processes can result in delivery delays, interrupt production or even lead to a full cessation of production. If production is interrupted, customers may decide to purchase products from other suppliers. The Group has insurance cover to mitigate the impact of a number of these risks.

ERP system implementation

The Group is presently implementing a global ERP system to replace numerous legacy systems. This change is expected to improve customer service and to facilitate further cost and inventory reduction. However, an unsuccessful implementation could seriously impede the Group's operations with results which could have a material adverse effect on the Group's business, financial condition, prospects, customer retention and results of operations. To mitigate this risk the Group is making extensive use of external consultants, the implementation is taking place in phases and a thorough project plan is in place with agreed milestones reviewed by the Board.

Health, safety and the environment

Revision of environmental legislation in various countries takes time and we monitor this at a local level in order to anticipate the effect on our businesses and customers. Unforeseen legislative changes may increase manufacturing costs but we believe that they can also drive change to make operations more efficient.

Product liability and warranty claims

As a result of the nature of the products manufactured, we face the inherent business risk of exposure to product failure and warranty claims in the event that a product fails. In order to mitigate these risks, where possible, we maintain product liability insurance. In order to mitigate the risk of warranty claims for property damage or consequential losses, we have adopted a policy of contractually limiting liability, where possible.

Financial

Liquidity

In the present economic climate, all companies face risk in relation to the availability of debt to fund their ongoing operations. In order to manage this risk, the Group maintains a mix of short and medium term facilities to ensure that it has sufficient funds available. During the year ended 31 March 2010 the Group entered into a new facility with its main lenders which is described under the Bank facility section on page 11 of this report. This facility was amended following the successful share issue which raised £26.9 million net of expenses in December 2009. Cash deposits are placed short term with banks where security and liquidity are the primary objectives.

Foreign exchange risk

The Group has operations in 20 countries and sells into many more with the result that two forms of currency risk, transactional and translational exposure, arise.

- *Transactional exposure:* A major exposure of the Group earnings and cash flows relates to currency risk on its sales and purchases made in foreign (non-functional) currencies. To reduce such risks, these transactions are covered primarily by forward foreign exchange contracts or cash flow hedges. Such commitments generally do not extend more than 12 months beyond the balance sheet date, although exceptions can occur where longer term projects are entered into.
- *Translational exposure:* Translational exposure arises due to exchange rate fluctuations in the translation of the results of overseas subsidiaries into Sterling. To manage foreign exchange currency risk on the translation of net investments, certain Dollar denominated borrowings taken out in the UK to finance US acquisitions had been designated as a hedge of the net investment in US subsidiaries. These have been determined as ineffective at 31 March 2010 and revised arrangements have been put in place.

Interest rates

Borrowings at variable rates expose the Group to cash flow interest rate risk and borrowings at fixed rates expose the Group to fair value interest rate risk. The Group reviews the mix of fixed and floating debt and intends to use interest rate swaps to manage part of this exposure.

Pensions

Estimates of the amount and timing of future funding obligations for the Group's pension plans are based upon a number of assumptions including future long term corporate bond yields, the actual and projected performance of the pension plan assets, legislative requirements and increased longevity of members. In the year ended 31 March 2010, decreased bond yields have increased the deficit. The Group continually reviews risks in relation to the Group's pension schemes and takes action to mitigate them where possible. While the Group is consulted by the trustees on the investment strategies of its pension plans, the Group does not have direct control over these matters, as trustees are responsible for the pension strategy.

Key performance indicators

The Group's key performance indicators are set out in the Statutory Information section of the Directors' report on page 29 and are incorporated by reference here.

Responsibilities

We believe that consideration of corporate social responsibility is integral to ensuring the protection of the long term interests of our shareholders.

The Board has overall responsibility for corporate social responsibility, including environmental policy and health and safety matters, with the Chief Executive taking leadership responsibility with direct lines of reporting from operational heads and the Head of Operations Europe, who is responsible for the management of Group health and safety.

Ethics
Within the dynamic global business environment, we expect our employees and business operations to conduct themselves ethically, and to be honest, fair and courteous in their dealings. We expect staff to be treated equally regardless of age, race, religion, sex or sexuality.

It is our policy not to engage in unethical conduct, bribery or corrupt practices. Renold will respect the culture of the countries within which it operates and will operate in accordance with the best practice of those countries.

In conducting its business, integrity underlies all Renold relationships, including those with customers, suppliers and communities and among employees.

The highest standards of ethical business conduct are required of our employees in the performance of their responsibilities. Employees may not engage in conduct or activity that may raise questions as to Renold's honesty, impartiality, reputation or otherwise cause embarrassment to the Group.

Our employees are required to neither offer nor accept improper gifts, hospitality or payments.

Every Renold employee has the responsibility to ask questions, seek guidance and report suspected violations of this ethics statement.

From April 2010, a free of charge, independent whistleblowing hotline has been available to all employees across the Group enabling them to report any concerns about theft, fraud and other malpractice in the workplace.

Employees
We rely on the motivation and dynamism of our employees to drive forward our business. Talent is key to our success and we therefore aim to attract and retain motivated, effective people.

This year has been a tough year for the global economy. Against this backdrop, however, the following activities have been progressed across the Group:

Developing capability
Although we have cut back on formal training, we still believe it essential to maintain our skill pool. A good example of this in the UK is apprentice training. At our Milnrow factory we have an apprentice training school with a range of plant and equipment for practical training. We also participate in other youth programmes, such as work experience and work shadowing, and liaise closely with various universities which conduct relevant research.

Developing our people
We have a formal process of succession and talent planning which operates across the Group. This is not only time and cost-effective, but also motivational for our people. In addition, it helps with employee retention.

Engaging our people
We have placed a strong emphasis on employee communications and two way feedback and have developed our intranet system internally. To support the principle of two way feedback, we have launched an online appraisal system which has both an employee and a manager focus.

In addition, to ensure a Group dynamic and to aid internal communications across the Group, we produce a newsletter for our employees, Renold LINK, and have bulletin boards for the electronic sharing of knowledge and information across the world.

Environment
We are committed to managing our activities to provide proper levels of care and safety for the environment and for our customers and employees. In particular, we seek to develop and manufacture products to minimise their environmental impact as far as practicable, to co-operate with industry, government bodies, suppliers and customers to develop and achieve improved standards of environmental care, and to conduct our operations in compliance with relevant statutory provisions concerning environmental matters.

In 2001 we introduced an ISO 14001 certified environmental management system at our main chain production site in the UK which recently received a further recertification. Additionally, we are in the process of introducing a similar system at our UK manufacturing sites which we hope will receive full certification during the year ended 31 March 2011.

The Group is striving to reduce its energy costs and the impact on the environment. With this aim in mind, there have been a number of energy saving initiatives during the year ended 31 March 2010 and we are in the process of developing a Group energy saving database to allow sites to exchange ideas and spread best practice.

Many of our sites have programmes in place to replace old inefficient switch start lighting with the latest high frequency lighting and monitoring equipment, both lux and occupancy sensors, to ensure that lighting illuminates areas only when required.

A key project at one site was to update the lighting/heating management control system to a user friendly PC based system. These facilities are therefore being used more intelligently and energy consumption is reduced as a consequence.

Another site is to implement a ducting system from air compressors enabling the heat to be transferred into the factory which previously had been exhausted to the atmosphere.

Potential for improvements remain and we will continue to explore further energy saving and environmental projects in the future.

Health and safety

Renold continues to place a very significant priority on its responsibility for health and safety and the environment (**HSE**) and is committed to providing a safe workplace for all its employees and those affected by its activities.

The Group aims to achieve zero accident and incident levels by identifying and eliminating occupational health hazards and raising awareness at all levels. We also work closely with our insurers and communicate major incidents and any consequent improvements implemented across the Group to help promote best practice standards.

During the year ended 31 March 2010, we have seen a positive trend in our accident statistics with a general reduction in the average reportable index rate within the Group. We believe that a good part of this improvement is down to the proactive measures that have been taking place within the sites such as additional training and communication.

Sites that had a higher number of reportable incidents were tasked to provide specific HSE plans to highlight areas which require particular attention so that resources could therefore be directed accordingly. The sites are using these plans to improve HSE standards within their organisations and are monitored on a regular basis.

The Board regularly reviews health and safety performance and ensures that, where any issues are identified, they are promptly addressed.

Research and development

The Group has taken a leading role in the industry for more than a century and chairs the ISO Committee for chain as well as being active on other standards committees such as BSI and DIN. Renold invented the bush roller chain, inverted tooth chain and the modern sprocket tooth form which was freely given to the chain industry in order to ensure standardisation.

Community

We aim to be a part of the communities in which we work and, as such, seek to assist projects by providing non-financial support. We encourage volunteering and working with local educational institutions in the promotion and raising of awareness of engineering and manufacturing.

India

Quality recognition

Renold is delighted that its facility in India which was acquired in 2008 has successfully renewed its American Petroleum Institute (**API**) accreditation for the next three years. API accreditation is a prerequisite for supplying product to the global oil and gas industry. At the same time their quality system has been upgraded from ISO9001:2000 to ISO9001:2008 and they also achieved accreditation for ISO/TS2900. This is a great achievement and we congratulate all the team in India on these excellent results.

Board of Directors

Matthew Peacock
Chairman
Matthew, aged 48, was appointed to the Board and became Chairman in September 2006. He is the founding partner of Hanover Investors, a specialist turnaround investment firm based in London. Matthew has led investments for over 19 years in, amongst other sectors, manufacturing, outsourced business services, chemicals, financial services, textiles and logistics. Prior to this, he ran the International M&A team in London at BZW, having started his career at Credit Suisse First Boston, in New York. He holds a Masters degree in Law from Cambridge University. Matthew is also Chairman of Fairpoint plc and Singer Capital Markets Limited, a London stockbroking and corporate advisory firm, and a Non-Executive Director of STV Group plc.

Robert Davies
Chief Executive
Robert, aged 56, joined the Group in March 2004 and was appointed Chief Executive in April 2004. He is a member of the Institution of Engineering and Technology and a Non-Executive Director of Economic Solutions Limited. His previous experience includes his appointment as Chief Executive of GE Druck Holdings Limited, formerly known as Druck Holdings plc. Prior to that, he held a number of leadership roles at TRW, Lucas and General Electric, including several years spent in the US.

Peter Bream
Finance Director
Peter, aged 43, joined the Group in July 2006 and was appointed Finance Director in September 2006. He was Finance Director of Provalis plc, a UK listed company, for three years until March 2006. Prior to joining Provalis, Peter was a divisional Finance Director for API Group plc. Peter is a chartered accountant and has an engineering degree from Cambridge University.

David Shearer
Senior Independent Non-Executive Director
A corporate financier and a former senior partner in Deloitte LLP, where he was a UK Executive Board member, David, aged 51, was appointed to the Board in May 2007 as the Senior Independent Non-Executive Director. He recently stood down as Chairman of Crest Nicholson plc having led the successful debt reconstruction of that business. He is Deputy Chairman of Aberdeen New Dawn Investment Trust plc, Senior Independent Director of STV Group plc and Superglass Holdings plc, a Non-Executive Director of Mithras Investment Trust plc, Martin Currie (Holdings) Limited and Scottish Financial Enterprise and a Governor of The Glasgow School of Art. He was until early 2007 a Non-Executive Director of HBOS plc.

John Allkins
Non-Executive Director
John, aged 60, was appointed to the Board and to the chair of the Audit Committee in April 2008. He is also a Non-Executive Director of Intec Telecom Systems plc, Fairpoint Group plc and Molins plc and was previously Group Finance Director of MyTravel Group plc. Prior to that, he held a number of finance director roles in BT.

Ian Griffiths
Non-Executive Director
Ian, aged 59, was appointed to the Board on 13 January 2010. He is currently a Non-Executive Director of Ultra Electronics Holdings plc, an appointment which he has held since April 2003. He was previously Managing Director of Royal Mail Letters and a Director of Royal Mail Holdings plc, prior to which he was an Executive Director of GKN plc and GKN Holdings plc where he was Group Managing Director, GKN Automotive, having been a member of the GKN Driveline senior management team since 1990.

Corporate governance

The Group is committed to high standards of corporate governance and your Board acknowledges its contribution to achieving management accountability, improving risk management and ultimately to creating shareholder value. This statement describes how the principles of corporate governance contained in the Combined Code issued by the Financial Reporting Council in June 2008 (the **Combined Code**) have been applied.

The disclosures required by the Financial Services Authority's Disclosure and Transparency Rule 7.2.6 have been included in the Statutory information section of the Directors' report on pages 29 to 32 and are incorporated here by reference.

Compliance with the Combined Code

The Board considers that the Company has complied with the provisions of section 1 of the Combined Code throughout the year ended 31 March 2010 except where highlighted below.

The Board

Composition

The Board presently comprises a Non-Executive Chairman, three Non-Executive Directors and two Executive Directors. The roles of Chairman and Chief Executive are separated with a clear division of responsibilities agreed by the Board. The Chairman's primary role is to ensure the effectiveness of the Board in setting the direction of the Company. The Chief Executive has the responsibility for managing the business and implementing the strategy agreed by the Board. Biographical details of the Directors appear on page 16.

Board operation

The Board has approved a schedule of matters reserved for decision by the Board to ensure that the Board takes all major strategy, policy and investment decisions affecting the Group. In addition, it is responsible for business planning and risk management policies and the development of Group policies for areas such as health, safety and environmental issues, Directors' and senior managers' remuneration and ethical issues. The Executive Directors have authority to deal with all other matters affecting the Group.

New Directors are provided with an appropriate induction programme. This does not necessarily require the new Director to meet the Company's major shareholders and Ian Griffiths, who joined the Board on 13 January 2010, did not meet with all major shareholders as part of his induction. Whilst the Company is not in compliance with paragraph A.5.1 of the Combined Code, the Chairman ensures that the Chief Executive and Finance Director provide feedback to the Board following presentations to investors and meetings with shareholders in order to ensure that Board members, and in particular Non-Executive Directors, develop an understanding of the views of major shareholders about their Company.

Board evaluation

The Board is supportive of the principle of evaluation of the Board, as set out in the Combined Code. A formal process for evaluating the performance of the Board, its members and its committees is conducted annually. This process gives the Directors the opportunity to identify areas for improvement both jointly and individually through the use of questionnaires and/or open discussion. An evaluation of the Chairman is also carried out annually, led by the Senior Independent Non-Executive Director. Both an evaluation of the Board and its committees and an evaluation of the Chairman were carried out in May 2010.

It is the intention of the Board to continue to review its performance and that of its Directors annually.

Board independence

The Chairman, Matthew Peacock, is a principal of a significant shareholder, Hanover Investors Limited, which as at the date of this report holds 11.24% of the ordinary share capital of the Company. The Board considers that, whilst the Company is not in compliance with paragraph A.2.2 of the Combined Code (which states that the Chairman should on appointment meet the independence criteria set out in paragraph A.3.1 of the Combined Code), Matthew Peacock acts with complete independence of character and judgement in this respect.

Matthew Peacock is and has been throughout the year ended 31 March 2010 the Chairman of the Company's broker and financial adviser, Singer Capital Markets Limited (**Singer**). The Board has discussed and approved this appointment and has agreed that he will not be involved in any discussions relating to the evaluation of Singer's performance, fee negotiations, termination of the relationship with Singer, or where Singer acts as a broker and there is an offer to acquire all or part of the Company.

David Shearer is, and has been throughout the year ended 31 March 2010, a director of STV Group plc, a company of which Matthew Peacock is also a director. The Board is satisfied that both Matthew Peacock and David Shearer act with complete independence of character and judgement in this respect.

John Allkins is, and has been throughout the year ended 31 March 2010, a director of Fairpoint Group plc, a company of which Matthew Peacock is also a director. The Board is satisfied that both Matthew Peacock and John Allkins act with complete independence of character and judgement in this respect.

The Board considers that each of the other Non-Executive Directors is independent and free from any business or other relationship which could affect their judgement.

Board members are able to seek independent legal or other professional advice in respect of their duties as they may require at the Company's expense, and have access to the advice and services of the Company Secretary.

All new Directors are initially appointed upon recommendation from the Nomination Committee. All Directors are subject to election by shareholders at the first annual general meeting of the Company following their appointment and to re-election thereafter at intervals of no more than three years.

The Board meets on a regular basis with an agenda and necessary papers for discussion distributed in advance of each meeting. The following table shows the number of meetings of the Board and its committees during the year and individual attendance by Board and committee members at those meetings.

	Number attended					
	Board					
	Usual monthly Board meetings	Additional Board meetings	Audit	Nomination	Remuneration	Risk
Matthew Peacock	9	6	–	1	–	–
Robert Davies	9	8	–	–	–	2
Peter Bream	9	7	–	–	–	2
David Shearer	9	6	5	2	5	–
John Allkins	9	8	5	2	5	–
Ian Griffiths[1]	3	–	1	–	2	–
Rod Powell[2]	3	–	2	–	1	–

1 Ian Griffiths was appointed with effect from 13 January 2010.
2 Rod Powell resigned with effect from 21 September 2009.

Board committees

The Board has delegated authority to a number of committees to deal with specific aspects of the management and control of the Group. The Company Secretary, Hannah Woodcock, acts as secretary to all of these committees except the Remuneration Committee, for which Maggie Hurt (the Group Human Resources Director) acts as secretary. The terms of reference for each of these committees are available on the Company's website at www.renold.com.

Corporate governance
continued

	Composition[1]	Role	Activities
Audit Committee	John Allkins (Chairman) David Shearer Ian Griffiths	The review of the Group's financial statements, internal financial control systems, the ethics policy, internal audit reports and the appointment/reappointment and independence of the external auditors and conduct of the external audit.	The Audit Committee normally meets four times a year. The Board is satisfied that, as well as the Chairman of the Audit Committee, at least one other member of the Audit Committee has recent and relevant financial experience. The Chairman, Chief Executive, Finance Director and other managers (including the internal audit function) attend meetings from time to time at the invitation of the Audit Committee. The external auditors, who attend by invitation, are invited by the Audit Committee to advise it of any matters which they consider should be brought to the Audit Committee's attention without the Executive Directors present. A formal process for evaluating the independence of the external auditors and the performance of the Audit Committee and the internal audit function is conducted annually. The Board reviews the outcome. Additionally, to safeguard the independence and objectivity of the auditors, the Audit Committee has approved a policy on non-audit services provided by the auditors in line with professional practice. This is in compliance with the Auditing Practices Board ethical standards. The Audit Committee has met five times during the year ended 31 March 2010. In the course of these meetings, the Audit Committee considered matters which included the following: • Internal controls: Reports from the internal audit function summarising work planned and undertaken, recommending improvements and describing actions taken by management. The Audit Committee also sought the views of the external auditors in making its assessment of the internal control environment including all material controls, financial, operational and compliance controls and risk management systems. • Internal audit function: The Audit Committee evaluated the performance of the internal audit function and assessed the work planned and undertaken through the completion of a questionnaire provided by Ernst & Young LLP, which was used to facilitate a discussion of performance. • Financial reporting: The Audit Committee reviewed draft annual and interim reports before recommending their publication to the Board. The Audit Committee discussed with the Chief Executive, Finance Director and external auditors the significant accounting policies, estimates and judgements applied in preparing these reports and reviewed data provided in accordance with policies which aim to provide assurance that transactions are recorded properly to permit the preparation of financial statements in accordance with IFRSs. • Risk monitoring: The Risk Monitoring Committee reported the results of its discussions to the Audit Committee.
Nomination Committee	Matthew Peacock (Chairman) David Shearer John Allkins Ian Griffiths	To select and recommend to the Board new appointments of Executive and Non-Executive Directors. The Nomination Committee meets as required.	No new appointments were made to the Board in the year ended 31 March 2010 other than Ian Griffiths (who was appointed to the Board on 13 January 2010). Ian Griffiths was appointed following an evaluation of a number of candidates. The Company was not fully compliant with paragraph A.4.6 of the Combined Code as no external search consultancy or open advertising was used for his appointment as this was not considered to be necessary at the time due to a number of the Board members already being familiar with Ian Griffiths. Additionally, his expertise was felt to complement the balance of skills of existing Non-Executive Directors. Ian Griffiths' appointment was made on merit and against objective criteria and the process for his appointment was led by the Nomination Committee, which recommended the appointment to the Board. The Company was not fully compliant with paragraph A.4.1 of the Combined Code throughout the year ended 31 March 2010, which requires that a majority of the members should be independent, as, during the period to 21 September 2009 when Rod Powell resigned, two of the four members were not considered to be fully independent Non-Executive Directors.
Remuneration Committee	David Shearer (Chairman) John Allkins Ian Griffiths	To determine the terms and conditions of employment including remuneration and benefits of the Chairman and the Executive Directors as well as performance-related bonus schemes and pension rights. The main Board determines the remuneration of the Non-Executive Directors (other than the Chairman) and individual Non-Executive Directors are not present when their own remuneration is being discussed.	The Remuneration Committee is currently chaired by David Shearer[2]. In addition, it comprises John Allkins and Ian Griffiths, both of whom are Non-Executive Directors. Robert Davies and Matthew Peacock attend meetings from time to time at the invitation of the Remuneration Committee. The Directors' remuneration report is set out on pages 21 to 27.
Risk Monitoring Committee	Robert Davies (Chairman) Peter Bream Hannah Woodcock Maggie Hurt Mike Christmas Colin Gibson	To evaluate and manage the risks to the Group.	The Risk Monitoring Committee is chaired by the Chief Executive and is comprised of the Executive Directors, the Company Secretary, the Group Human Resources Director, the Group Engineering Director and the Head of Operations Europe. The Risk Monitoring Committee meets and reports to the Audit Committee at least twice each year.

1 Rod Powell was also a member of the Audit and Nomination Committees and Chairman of the Remuneration Committee until his resignation on 21 September 2009. Ian Griffiths was appointed as a member of the Audit, Nomination and Remuneration Committees on his appointment to the Board on 13 January 2010.
2 Rod Powell chaired the Remuneration Committee until his resignation on 21 September 2009.

Review of the work of the external auditors

Subject to the annual appointment of the external auditors by shareholders, the Audit Committee regularly reviews the relationship between the Group and the external auditors. This review includes an assessment of their performance, cost-effectiveness, objectivity and independence.

The Audit Committee is responsible for ensuring that an appropriate relationship is maintained between the Group and the external auditors. The Group has implemented a policy of controlling the provision of non audit services by the external auditors in order to ensure that their objectivity and independence are safeguarded. This control is exercised by ensuring that all non audit services where fees exceed an agreed limit are subject to the prior approval of the Audit Committee. During the year ended 31 March 2010, the Audit Committee continued with the appointment of other accountancy firms to provide non audit services to the Group and anticipates that this will continue during the year ended 31 March 2011.

The Audit Committee, having considered the external auditors' performance during their period in office, recommends their reappointment. A full breakdown of the audit and non audit related fees is set out in Note 2(b) to the financial statements on page 48. The Audit Committee discussed the level of fees and considered them appropriate given the current size of the Group. The Audit Committee is satisfied that the level and scope of non audit services undertaken by the external auditors does not impair their independence or objectivity.

Conflicts of interest

The Company's articles of association were amended at the 2008 annual general meeting, in line with the Companies Act 2006, to allow the Board to authorise potential conflicts of interest of Directors on such terms (if any) as they think fit when giving any authorisation. Any decision of the Board to authorise a conflict of interest is only effective if it is agreed without the conflicted Directors voting or without their votes being counted and, in making such a decision, the Directors must act in a way they consider in good faith will be most likely to promote the success of the Company. The Company has established a procedure for the appropriate authorisation to be sought prior to appointment of any new Director or prior to a new conflict arising and for the regular review of actual or potential conflicts of interest. During the year ended 31 March 2010, this procedure was adhered to and operated effectively.

Internal controls

The Directors have overall responsibility for the Group's system of internal control and for reviewing internal control effectiveness. The executive team is accountable to the Directors for implementing Board policies on risk and control and for monitoring and reporting to the Board that it has done so. The ongoing process of review of the system of internal controls by the Directors has been in place for the year ended 31 March 2010 and up to the date of approval of this report and the financial statements. This process complies with the Financial Reporting Council's "Internal Control: Revised Guidance for Directors on the Combined Code (October 2005)". Internal controls are reviewed on a regular basis by the Risk Monitoring Committee.

Group internal controls are designed to mitigate rather than eliminate the risks identified and can provide only reasonable and not absolute assurance against material misstatement or loss.

The key features of the Group's internal control systems and risk management are:

- a Risk Monitoring Committee which oversees, on behalf of the Board, that appropriate policies are implemented to identify and evaluate risks, and to design, operate and monitor a suitable system of internal control;
- access for all Group employees to a free of charge, independent whistleblowing hotline enabling them to report any concerns about theft, fraud and other malpractice in the workplace;
- an internal audit function which assists management and the Audit Committee in the fulfilment of the Board's responsibility for ensuring that the Group's financial and accounting systems provide accurate and up-to-date information about its current financial position whilst also permitting the accurate preparation of financial statements;
- risk assessments completed by senior management at each operating unit as part of a continuous process and reporting of these which is reviewed by the Risk Monitoring Committee;
- an organisational structure which supports clear lines of communication and tiered levels of authority;
- a schedule of matters reserved for the Board's approval to ensure it maintains control over appropriate strategic, financial, organisational and compliance issues;
- the preparation of detailed annual financial plans covering profit and cash flow, which are approved by the Board;
- the review of detailed regular reports comparing actual performance with plans and of updated financial forecasts;
- procedures for the appraisal, approval and control of capital investment proposals including acquisitions and disposals; and
- monitoring procedures which include a system of key financial controls questionnaires supported by internal audit reviews. The results of this work are reported to the Audit Committee.

The Board has approved a Corporate Governance Compliance Statement which contains terms of reference for the Board and each of the Board committees. The terms of reference are available on the Company's website at www.renold.com. Internal controls are in place at both local and Group level. In addition, the Company has consolidated its Group policy in relation to internal controls into a Renold Internal Control Statement which contains details of such things as Group signing authorities, contracting principles and an ethics statement to ensure that all Group employees conduct business on behalf of the Group on the same basis and in accordance with approved policies and procedures. This has been approved by the Board and it is expected that full implementation will be completed during the year ended 31 March 2011.

The Risk Monitoring Committee reports to the Audit Committee and, ultimately, to the Board, which is responsible for the Group's internal controls including financial, operational and compliance controls and risk management systems.

Corporate governance
continued

Communications with shareholders
Communications with shareholders are given high priority. The Board is accountable to shareholders and, as such, it is important for the Board to appreciate the requirements of shareholders and equally that shareholders understand how the actions of the Board and short term financial performance relate to the achievement of longer term goals.

The reporting calendar is driven by the publication of interim and final results each year, in which the Board reports to shareholders on its management of the Company. Comments on Group financial performance in the context of the business risks faced and objectives and plans for the future are set out in the Business review on pages 9 to 15.

At other times during the year, the Group makes presentations to analysts and provide updates to the London Stock Exchange and shareholders via the Company's website at www.renold.com. In addition, the Chairman, Chief Executive and Finance Director meet with major shareholders to discuss governance and Group strategy. The largest shareholder has a representative on the Board.

The Senior Independent Non-Executive Director does not generally attend meetings with shareholders although makes himself available to attend meetings with shareholders if and when required. Whilst the Company is not in compliance with paragraph D.1.1 of the Combined Code, the Chairman ensures that the Chief Executive and Finance Director provide feedback to the Board following presentations to investors and meetings with shareholders in order to ensure that Board members, and in particular Non-Executive Directors, develop an understanding of the views of major shareholders about their Company.

The annual general meeting on 15 July 2010 (**Annual General Meeting**) provides an opportunity for communication with private and institutional investors and shareholders are encouraged to attend and we welcome their participation.

At the Annual General Meeting, the Chairman of the Board and the Chairmen of the Audit, Remuneration, Nomination and Risk Monitoring Committees, together with the Executive Directors and the other Non-Executive Directors, will be available to answer questions. Notice of the Annual General Meeting is sent to shareholders at least 20 business days before the meeting. Details of the proxy votes lodged on each resolution are made available to shareholders and shareholders are invited to talk informally to the Directors after the formal proceedings.

The Company's website at www.renold.com presents additional information about the Group, is regularly updated and includes the posting of the interim and final preliminary results and interim management statements, on the day they are announced.

If you wish to advise a change of name, address, or dividend mandate, please contact the Company's registrar, Capita Registrars, whose contact details appear on page 86. Alternatively, you can view up-to-date information and manage your shareholding through Capita's share portal where you will be able to access and maintain your holding at your own convenience. You will require your unique investor code, which can be found on your share certificate. The URL for the portal is www.capitashareportal.com.

Directors' remuneration report

This Director's remuneration report has been prepared on behalf of the Board and is subject to the approval of shareholders at the Annual General Meeting.

Remuneration Committee and advisers

The Company's Remuneration Committee determines on behalf of the Board, and within agreed terms of reference set by the Board, the overall remuneration packages for the Executive Directors and the Chairman. Details of those who were members of the Remuneration Committee during the year ended 31 March 2010 are contained in the Corporate governance section of the Directors' report on pages 17 to 20 which is included in this Directors' remuneration report by reference. The members of the Remuneration Committee currently comprise the Non-Executive Directors (other than the Chairman), David Shearer (Chairman), John Allkins and Ian Griffiths, none of whom has any personal financial interest other than as a shareholder, in the matters to be decided.

The Chief Executive and the Chairman attend meetings of the Remuneration Committee by invitation, but do not take part in the Remuneration Committee's recommendations on their own remuneration. No Director is involved in deciding his own remuneration, whether determined by the Remuneration Committee or, in the case of the Non-Executive Directors, by the Board.

During the year, the Remuneration Committee appointed and received specialist remuneration advice from the Hay Group and PricewaterhouseCoopers, both of whom provided independent advice. Neither Hay Group nor PricewaterhouseCoopers have any other connection or relationship with the Group nor did they provide any other services to the Group during the year ended 31 March 2010.

The Remuneration Committee meets as often as necessary to discharge its duties, which during the year ended 31 March 2010 was on five occasions. The terms of reference of the Remuneration Committee are available on the Company's website at www.renold.com.

Executive Directors

Policy

The Company's Executive Director remuneration policy is to provide compensation packages at market rates which reward successful performance and attract, retain and motivate the Directors, reflecting their individual contribution and value to the Company. The remuneration packages offered by the Company are comparable to other UK-based companies of similar size and nature.

The remuneration policy places emphasis on ensuring that the Executive Directors' incentive arrangements have the potential to provide a greater reward than base salary. Combined with an approach that requires incentive arrangements to be linked directly to business-specific measures, this ensures that rewards will be based on the continued creation of shareholder value and that the senior management team remain incentivised to remain with the Company and deliver outstanding returns to shareholders.

In fixing remuneration packages, the Remuneration Committee has regard to the compensation commitments that would result in the event of early termination.

In line with the Association of British Insurers' (**ABI**s) Guidelines on Responsible Investment Disclosure, the Remuneration Committee ensures that the incentive structure for the Executive Directors will not raise environmental, social or governance (**ESG**) risks by inadvertently motivating irresponsible behaviour. The Remuneration Committee has discretion to consider corporate performance on ESG issues when setting the remuneration of the Executive Directors.

The remuneration policy is expected to be applied in respect of the forthcoming and subsequent years.

Remuneration package

Base salary

Base salaries are reviewed annually and reflect the level of responsibility of the Executive Director, his market value and individual performance. The Remuneration Committee's objective is to offer base salaries around the market median level. Above median levels of pay may be agreed for outstanding performance or to attract executives of the right calibre. In reviewing base salaries, the Remuneration Committee has regard to comparable jobs in manufacturing companies of a similar size and reach.

The Remuneration Committee has recently reviewed the base salaries of the Executive Directors in the context of the overall business performance. In agreement with the Executive Directors, base salary was yet again not increased during the year ended 31 March 2010. Variable pay incentivisation has been modified to be further aligned to improvements in business performance. The current contractual salary levels as at the date of this report are set out below (the figures in brackets reflect salary levels effective as at 10 July 2009):

Robert Davies £285,000 (£285,000)

Peter Bream £180,000 (£180,000)

However, with effect from 1 April 2009, in line with most other Group employees, both Robert Davies and Peter Bream agreed to temporarily reduce their salaries by 10% in recognition of the difficult economic trading environment. Again, in line with most other Group employees, Robert Davies' and Peter Bream's full base salaries were reinstated with effect from 1 February 2010.

Benefits in kind

Benefits consist of a fully expensed company car (or cash equivalent) and private medical insurance, in addition to life assurance. The value of benefits is not pensionable.

Directors' remuneration report
continued

Pensions
The Executive Directors are not members of the Company pension scheme and they have their own pension arrangements into which the Company made contributions of £42,750 during the year ended 31 March 2010 (£42,750 during the year ended 31 March 2009) for Robert Davies and £27,000 during the year ended 31 March 2010 (£27,000 during the year ended 31 March 2009) for Peter Bream (being 15% of base salary for both). The Company has no pension liability beyond making these annual contributions. On death, a lump sum death-in-service benefit of four times base salary is payable.

Annual bonus
For the year ended 31 March 2010, no bonus was triggered under the scheme rules. Bonus payments are based on Group financial targets and personal objectives for each Executive Director, set by the Chief Executive or, in the case of the Chief Executive, the Chairman. Maximum bonus payments are made only upon the achievement of outstanding performance. Bonuses are not pensionable. For Robert Davies, the maximum annual bonus during the year ended 31 March 2010 was 130% (£370,500). The maximum annual bonus for Peter Bream during the year ended 31 March 2010 was 60% (£108,000) of base salary.

A decision was taken in principle during the year ended 31 March 2010 to change the criteria for the short term bonus scheme for Executive Directors to more closely align it with shareholders' interests. During the year ended 31 March 2011 and in future years, a significant portion of short term bonus will be paid in Company shares with a requirement that those shares be held for a minimum period of three years. The detailed criteria are in the process of being prepared in conjunction with the Company's advisers.

Long term incentive arrangements
2004 Option Plans

In 2007, the Remuneration Committee carried out a review of the Company's senior executive remuneration policy, with a particular focus on the long term incentive provision afforded to the Executive Directors and other key personnel. The main conclusion of that review was that the Renold plc 2004 Inland Revenue Approved Company Share Option Plan and the Renold plc 2004 Non-Inland Revenue Approved Company Share Option Plan (together the **2004 Option Plans**) would be the sole long term incentive arrangements for Executive Directors and senior management.

In a general meeting of the Company on 27 March 2008, shareholders approved various amendments to the 2004 Option Plans necessary to give effect to the conclusions contained within the aforementioned review. The key features of the 2004 Option Plans are therefore as follows:

- market value share options will become exercisable on the third anniversary of the grant date provided that: (a) the participant is still employed by the Company (subject to the discretion of the Remuneration Committee); and (b) the performance conditions (see below) have been satisfied over a fixed three year performance period;
- the maximum annual option grant limit is 200% of base salary (with no scope to exceed this limit) and (in line with market practice) "base salary" is base salary during a financial year of the Company; and
- commitments to issue new shares under all share plans operated by the Company (including executive share plans) are subject to a maximum of 10% of the Company's issued share capital in any ten year period.

To ensure that the amended 2004 Option Plans had an immediate and motivational impact, initial awards following the general meeting were made to the Chief Executive, the Finance Director and the executive team.

The performance conditions attaching to options granted under the 2004 Option Plans are considerably more challenging than those used by other comparable companies. For awards made prior to the year ended 31 March 2010, there are two performance conditions, operating independently of each other. Approximately two-thirds of an option grant is subject to an earnings per share (**EPS**) performance condition based on annualised compound growth in the Company's adjusted EPS[1] in excess of the rate of inflation as measured by the retail price index (**RPI**) over a fixed three-year performance period (the **performance period**). The number of shares under option that vest in respect of this portion are as follows:

Annualised compound growth in adjusted EPS	% of two-thirds of the shares under option that vest
Less than RPI + 5% p.a.	Nil
RPI + 5% p.a.	25%
Between RPI + 5% p.a. and RPI + 17% p.a.	On a straight-line basis between 25% and 100%
RPI + 17% p.a. or more	100%

Adjusted EPS is used because it is a key internal measure of long term Company performance.

The remaining one-third is subject to an absolute total shareholder return (**TSR**) performance condition measured over the performance period. No part of an option subject to the TSR performance condition vests unless the Remuneration Committee is satisfied that, over the performance period, the Company's underlying financial position is satisfactory.

To the extent that the performance conditions are not met, in whole or in part at the end of the performance period, the options lapse. The introduction of a TSR element to the Company's remuneration policy was a fundamental shift from the previous policy that had been exclusively based on EPS. The number of shares under option that vest in respect of this portion is as follows:

Growth in the Company's TSR over the performance period	% of one-third of the shares under option that vest
Less than 80%	Nil
80%	25%
Between 80% and 200%	On a straight-line basis between 25% and 100%
200% or more	100%

1 Being basic EPS from continuing operations less exceptional items after tax.

For options granted during the year ended 31 March 2010, the performance condition is based on a varying percentage of the shares under option becoming exercisable depending on the Company's share price on the date three years following the date of the grant of the option as follows:

Share price (p)	% of option that becomes exercisable (with the corresponding number of shares being rounded down to the nearest whole number)
30	25
40	50
50	75
60	100

Under the 2004 Option Plans, the Remuneration Committee is to impose an appropriate performance target subject to which option grants are made. At the date of grant of the share options during the year ended 31 March 2010, EPS and TSR targets were considered not to be the best measure of Company performance because of the turbulence in the financial markets which is more as a result of external factors than management action. The Remuneration Committee's objective was to fully align business performance with that of rebuilding shareholder value and therefore aligning the performance condition to improvements in share price, on the basis set out above, was believed to best fulfil this objective.

The Remuneration Committee will always review the performance conditions prior to options being granted to ensure that they remain appropriate given the Company's expectations of future performance.

Other long term incentive plans

Executive Directors have historically been eligible to participate in the Renold Performance Share Plan and the Renold Deferred Annual Bonus Scheme (the **DABS**). No awards have ever been granted under these incentive arrangements.

In relation to the DABS, in the event that the Executive Directors decide to defer all or part of any annual bonus they might receive in the acquisition of deferred shares, the Company may, at its discretion, grant a conditional award of matching shares up to a maximum matching ratio of 1.5:1 (matching shares to deferred shares). Matching shares only vest if certain performance conditions are met. The performance conditions require growth in the Company's adjusted EPS over a fixed three-year performance period (from the commencement of the financial year in which a matching award is made) to exceed the percentage growth in the Consumer Price Index (**CPI**) over the same period, by a minimum of 3% per annum compounded, which will trigger 40% of the matching shares comprised in the award to vest and increasing to 100% vesting (on a straight-line basis) if the percentage growth in the CPI is exceeded by 6% per annum compounded. No matching awards have ever been made.

In addition, the Company operates a savings related share option scheme (**SAYE Scheme**) in which the Executive Directors are eligible to participate on the same terms as all UK employees. Options granted under this scheme have been exercisable on completion of either a three-year or five-year savings contract. No options were granted during the year under the SAYE Scheme and all options previously granted under the SAYE Scheme have now lapsed.

Details of the market price at the end of the year and the highest and lowest market price, are set out in Note 19 to the financial statements.

Capital reorganisation and share issue

Following the capital reorganisation and share issue which was completed during December 2009, the Committee reviewed, in accordance with the rules of each of the Company's executive share option plans, the appropriate adjustments to be made to reflect the dilutive effect of both transactions. The calculations were made in accordance with a standard formula (explained below) and, in the case of options which have been granted under schemes approved by HM Revenue and Customs (**HMRC**), HMRC approved the calculations.

After the nominal value of the shares under the outstanding options was changed from 25 pence to 5 pence to reflect the capital reorganisation, a further adjustment was made using the theoretical ex-rights price calculation (**TERP**) as agreed with HMRC. The number of shares under each outstanding option made under the Company's executive share option plans was multiplied by a TERP factor of 1.17439 and the respective option price was multiplied by a factor of 0.85151. These adjustments were designed to minimise the effect of the share issue upon outstanding options and, subject to rounding, ensured that the overall value of outstanding options was the same after adjustment. The adjustments made to the share options outstanding at the time of the share issue (and which remained outstanding at the time of adjustment) are shown on the next page.

Directors' remuneration report
continued

Date of grant	Original number of options granted	Original option price (p)	Number of adjusted options (outstanding in December 2009)	Adjusted option price (p)
The Renold plc (1995) Executive Share Option Scheme				
19 July 2000	45,000	118.50	52,848	100.90
28 November 2001	122,000	67.34	143,276	57.34
27 November 2002	106,000	58.50	124,485	49.81
27 November 2003	90,000	83.50	105,695	71.10
11 March 2004	125,000	76.50	146,799	65.14
The Renold plc 2004 Company Share Option Plan				
2 September 2004	475,000	88.00	557,835	74.93
22 November 2004	105,000	74.30	123,312	63.27
26 July 2006	495,000	61.60	581,325	52.45
30 November 2006	120,000	100.10	140,926	85.24
2 January 2007	360,000	114.20	422,782	97.24
27 November 2007	560,000	92.55	657,662	78.81
31 March 2008	1,493,687	75.90	1,754,171	64.63
1 April 2008	180,292	77.00	211,733	65.57
25 November 2008	54,054	37.00	63,481	31.51

Executive Directors' service contracts

Each of the Executive Directors, in line with the Remuneration Committee's policy, has a contract with a 12 month notice period. As a matter of policy, in the event of new external appointments, the length of service contracts would be determined by the Remuneration Committee in light of the then prevailing market practice. Details of the Executive Directors' terms of appointment and notice periods are as follows:

	Date of contract	Expiry date of current term/ notice period
Robert Davies	2 March 2004	No specified term/ terminable on 12 months' notice
Peter Bream	29 June 2006	No specified term/ terminable on 12 months' notice

Other than normal payments due during the notice period, there are no express provisions for compensation payable upon early termination of the Executive Directors' contracts. In the event of early termination, the Company's policy is to act fairly in all circumstances. The Remuneration Committee has noted the ABI/National Association of Pension Funds joint statement on Executive Contracts and Severance. Neither of the contracts provides for compensation to be paid in the event of a change of control of the Company. Copies of the two service contracts will be available for inspection by shareholders at the Annual General Meeting.

External non-executive directorships

The Board encourages Executive Directors to broaden their experience outside the Company by taking up non-executive directorships.

Non-Executive Directors

Policy

The Company's policy in respect of Non-Executive Directors' remuneration is managed by the Board. Remuneration for Non-Executive Directors is confined to fees alone, without a performance-related element. Each of the Non-Executive Directors is entitled to reimbursement of reasonable expenses incurred in the course of their duties.

Chairman's and Non-Executive Directors' fees

The contractual fee levels paid to the Chairman and Non-Executive Directors as at 31 March 2010 are set out below:

Matthew Peacock	£50,000
David Shearer	£37,500
John Allkins	£35,000
Ian Griffiths	£30,000

Appointment details

The dates of the Chairman's and Non-Executive Directors' appointments who have served during the year ended 31 March 2010 are as follows:

	Date of appointment	Unexpired term (approximate months from 31 May 2010)	Date of election/ last re-election
Matthew Peacock	21 September 2006	28	21 September 2009
David Shearer	1 May 2007	35	21 September 2009
John Allkins	17 April 2008	11	30 July 2008 (to be proposed for re-election at the Annual General Meeting)
Ian Griffiths	13 January 2010	31	To be proposed for election at the Annual General Meeting
Rod Powell	21 September 2006	–	Retired on 21 September 2009

The letters of appointment of the Non-Executive Directors confirm that the appointment in each case is for a specified term and that reappointment is not automatic.

When making a decision on reappointment, the Board reviews the Non-Executive Director's attendance and performance at meetings and the composition and skill of the Board as a whole.

Each Non-Executive Director is appointed for an initial period of three years, subject to earlier termination by either party. Thereafter, their appointment may be renewed, provided that both the Non-Executive Director and the Board agree. Their letter of appointment contains no provision for payment or compensation on early termination. Copies of the individual contracts of appointment are available for inspection by shareholders at the Annual General Meeting.

Directors' remuneration (audited information)

The remuneration for each of the Directors for the year ended 31 March 2010 is as set out below:

	Year ended 31 March 2010					Year ended 31 March 2009
			Benefits			
	Salaries and fees (£000)	Annual bonus (£000)	Cash (£000)	Non-cash (£000)	Total (£000)	Total (£000)
Executive Directors						
Robert Davies	**261**	**–**	**–**	**33**	**294**	318
Peter Bream	**165**	**–**	**11**	**1**	**177**	192
	426	**–**	**11**	**34**	**471**	510
Non-Executive Directors						
Matthew Peacock	**46**	**–**	**–**	**–**	**46**	50
David Shearer	**33**	**–**	**–**	**–**	**33**	35
John Allkins	**32**	**–**	**–**	**–**	**32**	33
Rod Powell[1]	**13**	**–**	**–**	**–**	**13**	30
Ian Griffiths[2]	**7**	**–**	**–**	**–**	**7**	–
Barbara Beckett[3]	**–**	**–**	**–**	**–**	**–**	10
	557	**–**	**11**	**34**	**602**	668

1 Rod Powell retired from the Board on 21 September 2009.
2 Ian Griffiths was appointed to the Board on 13 January 2010 and therefore did not receive fees for the full year.
3 Barbara Beckett retired from the Board on 30 July 2008.

The Company has provided pension contributions of £42,750 during the year ended 31 March 2010 (£42,750 during the year ended 31 March 2009) for Robert Davies and £27,000 during the year ended 31 March 2010 (£27,000 during the year ended 31 March 2009) for Peter Bream.

Robert Davies received a non-cash benefit of £33,000 for his company car and private healthcare. Peter Bream received a cash benefit of £11,000 for his company car and a non-cash benefit of £1,000 for private healthcare.

Directors' remuneration report
continued

Directors' beneficial interests in shares (unaudited information)

The beneficial interests of the Directors who held office at 31 March 2010 in the ordinary shares of the Company were as follows:

	31 March 2010	31 March 2009
Matthew Peacock[1]	**24,688,990**	12,937,500
David Shearer	**68,442**	30,000
John Allkins	**Nil**	Nil
Ian Griffiths	**Nil**	Nil
Robert Davies	**723,669**	254,000
Peter Bream	**78,348**	27,500

1 Matthew Peacock was indirectly interested in all of these shares through Hanover I Master Fund LP/Vidacos Nominees Limited.

No Directors held non-beneficial interests in the ordinary shares of the Company as at 31 March 2010 or at the date of this report. As a result of the capital reorganisation which was completed on 9 December 2009, each of the Directors with a holding in the ordinary shares of the Company noted above now holds a number of deferred shares of 20 pence each. These deferred shares hold no value or voting rights and accordingly have not been disclosed in the table above.

There have been no other changes in the interests of Directors in the share capital of the Company between 31 March 2010 and the date of this report.

Directors' share options as at 31 March 2010 (audited information)

Robert Davies

Scheme	Options held at 1 April 2009	Number of share options granted	Number of share options lapsed	Adjusted number of options held following capital reorganisation and share issue in December 2009[2]	Options held at 31 March 2010	Original option price (p)	Adjusted option price (p)	Date from which exercisable	Expiry date
Executive	125,000	–	–	146,799	146,799	76.50	65.14	11.03.2007	10.03.2014
	475,000	–	–	557,835	557,835	88.00	74.93	02.09.2007	01.09.2014
	100,000	–	–	117,439	117,439	61.60	52.45	26.07.2009	25.07.2016
	100,000	–	–	117,439	117,439	114.20	97.24	02.01.2010	01.01.2017
	150,000	–	150,000	176,159	–	92.55	78.81	27.11.2010	26.11.2017
	568,083	–	–	667,151	667,151	75.90	64.63	31.03.2011	30.03.2018
	180,292	–	–	211,733	211,733	77.00	65.57	01.04.2011	31.03.2018
		2,456,896	–	–	2,456,896	–	23.20	05.02.2013	04.02.2020
Total	1,698,375	2,456,896	150,000	1,994,555	4,275,292				
SAYE	10,744	–	10,744	–	–	–	54.3	01.03.2009	31.08.2009
Total	10,744	–	–	–	–				

2 Outstanding options were subject to an adjustment following the capital reorganisation and share issue to reflect the dilutive effect of these transactions. The number of shares under each outstanding option under the Company's executive share option plans was multiplied by a TERP factor of 1.17439 and the respective option price was multiplied by a factor of 0.85151.

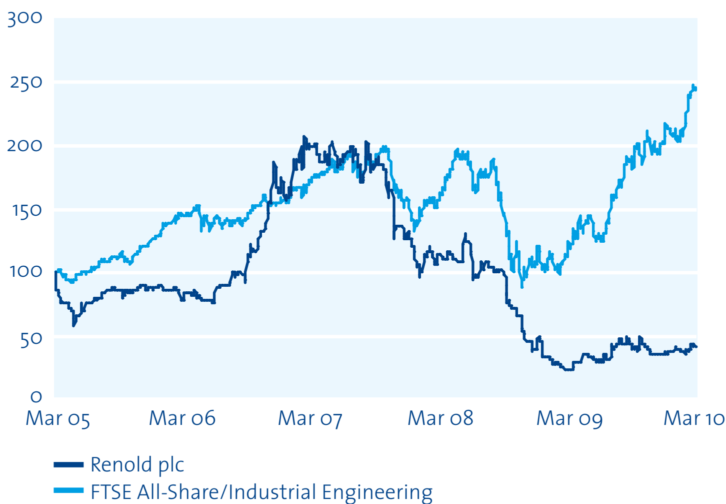
Peter Bream

Scheme	Options held at 1 April 2009	Number of share options granted	Number of share options lapsed	Adjusted number of options held following capital reorganisation and share issue in December 2009	Options held at 31 March 2010	Original option price (p)	Adjusted option price (p)	Date from which exercisable	Expiry date
Executive	150,000	–	–	176,159	176,159	61.60	52.45	26.07.2009	25.07.2016
	60,000	–	–	70,463	70,463	114.20	97.24	02.01.2010	01.01.2017
	100,000	–	100,000	117,439	–	92.55	78.81	27.11.2010	26.11.2017
	237,154	–	–	278,511	278,511	75.90	64.63	31.03.2011	30.03.2018
		1,551,724	–	–	1,551,724	–	23.20	05.02.2013	04.02.2020
Total	547,154	1,551,724	100,000	642,572	2,076,857				
SAYE	–	–	–	–	–	–	–	–	–
Total	–	–	–	–	–				

The performance conditions disclosed on pages 22 and 23 are included in this audited information section by reference.

The market value of shares at 31 March 2010, and the highest and lowest values, have been disclosed in Note 19 to the financial statements.

Performance graph
The graph below shows the Company's total shareholder return (share price growth plus dividends reinvested where applicable) for each of the last five financial years of a holding of Company shares against a hypothetical holding of shares in the FTSE Engineering and Machinery index. The Remuneration Committee considers this index to be an appropriate index for total shareholder return and comparison disclosure as it represents a broad equity index of which the Company is a constituent.



Approved by the Board

Hannah Woodcock
Company Secretary
7 June 2010

Governance

Statement of Directors' responsibilities in relation to the Group financial statements

The Directors are responsible for preparing the annual report and the Group financial statements in accordance with applicable United Kingdom law and those IFRSs as adopted by the European Union.

Under company law the Directors must not approve the Group financial statements unless they are satisfied that they present fairly the financial position, financial performance and cash flows of the Group for that period. In preparing the Group financial statements the Directors are required to:

- select suitable accounting policies in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance;
- state that the Group has complied with IFRSs, subject to any material departures disclosed and explained in the financial statements; and
- make judgements and estimates that are reasonable and prudent.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the Group financial statements comply with the Companies Act 2006 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors who were members of the Board at the time of approving the Directors' report are listed on page 16. Having made enquiries of fellow Directors and of the Company's auditors, each of these Directors confirms that:

- to the best of each Director's knowledge and belief, there is no information (that is, information needed by the Group's auditors in connection with preparing their report) of which the Company's auditors are unaware; and
- each Director has taken all the steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

Each of the Directors listed on page 16 confirms that to the best of their knowledge:

- The financial statements, prepared in accordance with IFRS as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and (loss)/profit of the Company and the undertakings included in the consolidation taken as a whole; and
- The Directors' report and the Business review include a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

On behalf of the Board:

Robert Davies
Chief Executive

Peter Bream
Finance Director

Statutory information

The Directors submit their report which incorporates the management report required under the Financial Services Authority's Disclosure and Transparency rules for listed companies, the Corporate Governance Report and the Group financial statements as set out on pages 34 to 74. In compiling this report, the Directors have consulted with the management of the Company and its subsidiaries.

Group

The Company is a public limited company incorporated in England, registered number 249688, with its registered office at Renold House, Styal Road, Wythenshawe, Manchester M22 5WL.

The Group is an international engineering group, producing a wide range of high quality engineering products, operating in 20 countries worldwide.

The Group's principal activities are the manufacture and sale of industrial chains and torque transmission products.

A summary of the principal undertakings of the Group are set out in Note xiii to the Company financial statements.

Business review and future developments

A review of the business and future developments of the Group, together with a description of the principal risks and uncertainties affecting the business, is set out in the Business review contained in the Directors' report on pages 9 to 15.

Results

Loss for the year ended 31 March 2010 before tax is £13.6 million compared with a profit of £2.9 million for the year ended 31 March 2009. The loss for the year is £9.7 million (a profit of £2.1 million for the year ended 31 March 2009).

Key performance indicators (KPIs)

Performance in the current and prior years is summarised as follows:

	2010	2009
Operating (loss)/profit before exceptional items	**£(2.1)m**	£10.0m
Return on sales[1]	**(1.3)%**	5.1%
Average working capital as a percentage of sales[2]	**27%**	20%
Low cost countries' direct labour[3]	**–**	59%
Adjusted (loss)/earnings per share[4]	**(1.4)p**	7.3p
Group reportable injury rate (**RIR**)[5]	**1,037**	1,818

1 Operating profit before exceptional items as a percentage of sales.
2 Working capital before the sum of inventories, trade and other receivables and trade and other payables.
3 Low cost countries' direct labour is no longer used as a KPI because the target percentage was achieved during the year ended 31 March 2009 and is no longer seen as a key metric for the business going forward so the figure is no longer monitored on a monthly basis.
4 This is basic (loss)/earnings per share from continuing operations before exceptional items after tax.
5 The RIR has been included as a KPI as the Group takes the health and safety of its employees very seriously and wishes to demonstrate its commitment to this. The RIR is calculated by dividing the number of reportable injuries in a rolling 12 month period by the year to date average number of Group employees and multiplying by 100,000. The figures therefore show an improving trend to the Group's health and safety record.

The Group monitors the performance of its business through detailed monthly operational and financial reporting, with comparisons to budgets and updated forecasts being routinely made. In addition, the Group maintains regular reviews and dialogue with the management of each of the Group's businesses.

At Board level, the most important key performance measures are:

- operating profit before exceptional items;
- return on sales;
- working capital as a percentage of sales, being net working capital as a percentage of sales;
- adjusted EPS, being basic EPS adjusted for the after tax effects of exceptional items; and
- the Group RIR.

Directors

The Directors' biographical details can be found on page 16. All Directors were Directors throughout the year.[6]

The Company's articles of association give power to the Board to appoint Directors to fill a vacancy or as additional Directors, but also require Directors to retire and submit themselves for election at the first annual general meeting following their appointment. Accordingly, Ian Griffiths will retire and offer himself for election at the Annual General Meeting.

Under the terms of reference of the Nomination Committee, appointments to the Board of the Company are recommended by the Nomination Committee for approval by the Board.

Shareholders may also appoint a Director by ordinary resolution. Further information on the Company's internal procedures for the appointment and replacement of Directors is given in the Corporate Governance section on pages 17 to 20.

The Company's articles of association require that one-third of Directors retire by rotation each year and that each Director must retire where he or she has not been elected or re-elected at either of the two preceding annual general meetings. At the Annual General Meeting, John Allkins will retire and offer himself for re-election by shareholders in accordance with the Company's articles of association.

Directors' interests

Details of the interests of the Directors and their connected persons in the Company's share capital and in options held under share option schemes, along with any changes in such interests since the end of the year, are detailed in the Directors' remuneration report on pages 21 to 27. No Director had any interests in contracts of significance in relation to the Company's business during the year.

Directors' and officers' liability insurance

Liability insurance for Directors and officers was maintained throughout the year. No qualifying third-party indemnity provision or qualifying pension scheme indemnity provision was in force when this Directors' report was approved or was in force during the year.

6 With the exception of Ian Griffiths, who was appointed to the Board on 13 January 2010.

Governance

Statutory information
continued

Going concern
After making enquiries, we, the Directors, have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. We therefore continue to adopt the going concern basis in preparing the financial statements.

The basis on which this conclusion has been reached is set out on page 34.

Statement of Directors' responsibilities
Please refer to page 28 for the statement of Directors' responsibilities in relation to the Group financial statements.

Employees
As at 31 March 2010, the Group employed 2,257 people, including 571 in the UK.

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

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

Group policy is to ensure that disabled applicants for employment are given full and fair consideration having regard to their particular aptitudes and abilities, and that existing disabled employees are given equal access to training, career development and promotion opportunities. In the event of existing employees becoming disabled, all reasonable means would be explored to achieve retention in employment in the same or an alternative capacity, including arranging appropriate training.

UK pension schemes
UK pension schemes are largely defined benefit type schemes with assets held separately from those of the Group in trustee administered funds, managed by independent managers. Under the terms of their management agreements, the investment managers of the schemes' assets are not permitted to invest in the securities of the Company. The boards of trustees of the principal schemes include employee representatives.

In April 2002, the Renold Group Pension Scheme and the Jones & Shipman plc Retirement Benefits Plan were closed to new entrants subject to appropriate transitional arrangements for existing eligible employees being put in place, and a defined contribution scheme was established as from that date.

Neither the Chairman nor the Chief Executive is a trustee of the defined benefit or the defined contribution schemes. An independent trustee company has been appointed to provide an individual to act as Chairman of the board of trustees of the principal schemes.

The Group has reviewed its UK pension position, along with its other pension provisions around the world. Following consultation in the UK, the defined benefit schemes were closed to future accrual from 1 June 2009 and the Renold Personal Pension Plan, a defined contribution plan, which is not trust based and is contracted in, has been offered to employees.

Shares

Share capital
Following the completion of the capital reorganisation and share issue in December 2009, as detailed on page 86, and as at 31 March 2010, the issued share capital of the Company was £26,971,657.75 divided into 219,564,703 ordinary shares of 5 pence each, 580,482 units of 6% cumulative preference stock of £1 each and 77,064,703 deferred shares of 20 pence each. The ordinary shares of 5 pence each represent 40.70%, the 6% cumulative preference stock of £1 each represent 2.15% and the deferred shares of 20 pence each represent 57.14% of the Company's total share capital. The Company's ordinary shares and 6% cumulative preference stock are listed on the London Stock Exchange. The deferred shares have no voting or dividend rights and are not able to be traded. At the 2009 Annual General Meeting, the requirement for the Company to have an authorised share capital was removed from the articles of association with effect from 1 October 2009.

The Company obtained shareholder authority at the 2009 annual general meeting to make market purchases of up to 7,706,470 ordinary shares, which remains outstanding until the conclusion of the Annual General Meeting. The minimum price which must be paid for such shares is 5 pence and the maximum price payable is an amount equal to 105% of the average of the middle market quotations of the Company's ordinary shares as derived from the London Stock Exchange's Daily Official List for the five business days immediately preceding the date on which the share is contracted to be purchased. As at the date of this report, the Company had not purchased any of its own ordinary shares in the market pursuant to such authority. The Directors will seek authority from shareholders at the forthcoming Annual General Meeting for the Company to purchase, in the market, up to 21,956,470 of its own ordinary shares (which represents approximately 10% of the Company's ordinary share capital as at the date of this report) either to be cancelled or retained as treasury shares.

Details of the Company's share capital and any changes during the year are set out in Note 18 to the financial statements on page 64.

The rights and obligations attaching to the Company's shares are contained in the articles of association, a copy of which is available at www.renold.com or can be obtained upon request to the Company Secretary. The articles of association may only be changed by a special resolution passed at a general meeting of the Company.

Governance

Voting rights
The Directors confirm that no person has any special rights of control over the Company's share capital and that no shares have been issued that carry any special rights with regard to control of the Company.

Participants in employee share schemes have no voting or other rights in respect of the shares subject to those awards until the options are exercised, at which time the shares rank pari passu in all respects with shares already in issue. No such schemes carry any special rights with regard to control of the Company.

In August 2009, warrants were granted to West Register (Investments) Limited and Fortis Bank, UK Branch over an aggregate number of 3,500,000 ordinary shares in the capital of the Company (circa 4.3% of the existing ordinary share capital of the Company at that time). The warrant holders have no rights to vote at general meetings of the Company unless and until they exercise their subscription rights under the terms of the warrant instruments and shares in the Company are issued to them.

No member shall, unless the Directors otherwise determine, be entitled to vote at a general meeting either personally or by proxy, or to exercise any other right conferred by membership in relation to meetings of the Company, if any call or other sum presently payable by him to the Company in respect of such shares remains unpaid. The Directors also have powers to suspend voting rights in certain limited circumstances when a shareholder has failed to comply with a notice issued under section 793 of the Companies Act 2006.

Full details of the deadlines for exercising voting rights and appointing a proxy or proxies in respect of the resolutions to be considered at the Annual General Meeting are set out in the Notice of Annual General Meeting which accompanies this report.

Major shareholdings
As at the date of this report, the Company had been notified of the following major holdings of voting rights attached to its ordinary shares under the Financial Services Authority's Disclosure and Transparency Rule 5:

Shareholder	Number of voting rights	% of total number of voting rights
Prudential plc group of companies	32,323,668	14.72
Gartmore Investment Limited	26,498,844	12.07
Hanover Investors Limited	24,688,990	11.24
Henderson Global Investors Limited	11,033,816	5.03
Lowland Investment Company plc	10,792,266	4.92
Cazenove Capital Management Limited	10,591,636	4.82
Hargreave Hale Limited	9,933,956	4.52

No major shareholder had any interest in derivatives or financial instruments relating to shares carrying voting rights that are linked to the Company's shares.

Dividends
Details about dividend policy are set out on page 40.

The Board has decided to recommend that no ordinary dividend be paid, but it will consider future dividend policy in the light of results from the business going forward.

Preference dividend payments were made on 1 July 2009 and 1 January 2010.

Directors' rights in respect of shares
The Board, which is responsible for the management of the Company's business, may exercise all the powers of the Company subject to the provisions of relevant legislation and the Company's articles of association. The powers of the Directors set out in the articles of association include those in relation to the issue and buyback of shares.

Issue of shares
The Directors are authorised to issue equity securities for cash either by way of rights issue or in any other way, provided that the shares issued other than by way of rights issue, open offer or other pre-emptive offer or under the various share option schemes of the Company be limited to shares with a nominal value of £963,308.75, being equal to 5% of the aggregate nominal amount of the Company's ordinary share capital in issue as at the date of the Company's 2009 annual general meeting. The authority will expire at the forthcoming Annual General Meeting.

In addition, the Directors have authority to allot shares up to a maximum nominal amount of £12,831,273 representing approximately two-thirds of the issued ordinary share capital at the date of passing of the relevant resolution. The authority will expire at the forthcoming Annual General Meeting. The Directors will seek authority from shareholders at the Annual General Meeting to allot shares up to a maximum nominal amount of £7,311,504.60 representing approximately 66.6% of the issued ordinary share capital at the date of passing of the relevant resolution.

Transfer of shares
The registration of transfers may be suspended at such times and for such periods as the Directors may determine. The Directors may refuse to register the transfer of any share which is not a fully paid-up share and may refuse to register any transfer in favour of more than four persons jointly. The Directors may also refuse to recognise any instrument of transfer unless it is in respect of any one class of share, is lodged at the requisite place and, where appropriate, is accompanied by any relevant share certificate and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer.

The Directors may suspend transfers where a shareholder has failed to comply with a notice issued under section 793 of the Companies Act 2006.

There are no other restrictions on the transfer of shares in the Company other than certain restrictions which may from time to time be imposed by laws and regulations (for example, insider trading laws and market requirements relating to close periods) and pursuant to the Financial Services Authority's Listing Rules whereby certain employees of the Company require the approval of the Company to deal in the Company's securities.

Statutory information
continued

The Directors are not aware of any agreements between holders of securities which may result in restrictions on the transfer of securities or voting rights.

Finance

Financial instruments

Financial risk management objectives and policies, and exposure to risk (including credit risk) are discussed in the Business review on page 12, in the Directors' report and in the Notes to the financial statements on pages 68 and 72.

Policy on payment of suppliers

Under the supervision of the head office of the Company, individual operating businesses are responsible for agreeing the terms and conditions under which transactions with their suppliers are undertaken, including the terms of payment. It is Group policy that payments to suppliers are made in accordance with these terms, provided that the supplier complies with all relevant terms and conditions.

As at 31 March 2010, trade creditors of the Group's businesses in the UK and overseas represented 110 days' purchases, compared with 97 last year.

Donations

During the year, the Group made no contributions to UK organisations for charitable purposes nor any political donations.

Contracts

Change of control provisions

The Company's main UK facilities agreement with The Royal Bank of Scotland and Fortis Bank S.A./N.V. contains a change of control provision. This requires the Company to provide notification to the agent in the event of a change of control. The banks may then demand cancellation and repayment of the commitments and the loans.

The share subscription and shareholders' agreement between L. G. Balakrishnan & Bros Ltd, Renold International Holdings Limited and Renold Chain India Private Limited dated 24 June 2008 contains certain change of control provisions. On the change of control of a shareholder (being one of the parties to the agreement), the other shareholders have a right to terminate the agreement and/or to require the shareholder suffering the change of control to sell, at a fair price, all of its equity shares to the terminating shareholder or a nominee of such shareholder.

No other material contracts contain change of control provisions. There are no agreements between the Company and its Directors or employees providing for compensation for loss of office or employment (whether through resignation, purported redundancy or otherwise) that occurs because of a takeover bid.

Contractual or other arrangements essential to the business

There are no contractual or other arrangements essential to the business, other than those described under the section on change of control provisions above, that require disclosure under the enhanced Business review requirements of the Companies Act 2006.

Related party transactions

As part of the non pre-emptive part of the share issue on December 2009, 8,096,935 new ordinary shares were allotted and issued to M&G Investment Management, which constituted a related party transaction for the purposes of Chapter 11 of the Listing Rules. Consequently, the approval of shareholders to such transaction was obtained at the general meeting of the Company on 9 December 2009 and M&G Investment Management did not vote on the relevant resolution approving such allotment.

Other related party transactions which took place during the year ended 31 March 2010 are set out in Note xii to the Company financial statements on page 84 which are incorporated by reference here.

By order of the Board

Hannah Woodcock
Company Secretary
7 June 2010

Report of the independent auditors

To the members of Renold plc

We have audited the Group financial statements of Renold plc for the year ended 31 March 2010 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash flows, the Accounting policies and the related notes 1 to 25. The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

As explained more fully in the Statement of Directors' Responsibilities in relation to the Group financial statements set out on page 28, the Directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the Group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Directors; and
- the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the Group financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 March 2010 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' report for the financial year for which the Group financial statements are prepared is consistent with the Group financial statements.

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- 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.

Under the Listing Rules, we are required to review:

- the Directors' statement, set out on page 30, in relation to going concern; and
- the part of the Corporate Governance section of the Directors' report relating to the Company's compliance with the nine provisions of the Combined Code specified for our review.

Other matter

We have reported separately on the parent company financial statements of Renold plc for the year ended 31 March 2010 and on the information in the Directors' remuneration report that is described as having been audited.

Eamonn McGrath
(Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Manchester
7 June 2010

Financial statements

Accounting policies

Basis of preparation

Renold plc is a public limited company incorporated and domiciled in the United Kingdom. The consolidated financial statements of the Company comprise the Company and its subsidiaries (together referred to as the **Group**). The Company financial statements present information about the Company as a separate entity and not about the Group. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU (**IFRS**s). In addition, the financial statements have been prepared in accordance with those parts of the Companies Act 2006 applicable to groups reporting under IFRS.

The Company has elected to prepare its Company financial statements in accordance with UK GAAP; these are presented on pages 75 to 85. The financial statements were approved by the Board on 7 June 2010.

The Group financial statements are presented in Sterling and all values are rounded to the nearest million pounds (£m) except when otherwise stated.

Going concern

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

Further information in relation to the Group's business activities, together with the factors likely to affect its future development, performance and position is set out in the Directors' report on pages 9 to 15.

The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Business review. In addition Note 24 to the financial statements includes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities and its exposure to foreign exchange, credit and interest rate risk. Further details of the Group's cash balances and borrowings are included in Notes 12, 13 and 23 to the financial statements.

The Directors have assessed the future funding requirements of the Group and the Company and compared them to the level of available borrowing facilities. The assessment included a detailed review of financial forecasts, financial instruments and hedging arrangements for at least the 12 month period from the date of signing the accounts and a review of cash flow projections. Recognising the impact of the global recession, the Directors considered a range of potential scenarios within the key markets the Group serves and how these might impact on the Group's cash flow, facility headroom and banking covenants. The Directors also considered what mitigating actions the Group could take to limit any adverse consequences. The Group's forecasts and projections, taking account of reasonably possible scenarios, show that the Group should be able to operate within the level of its borrowing facilities and covenants.

Having undertaken this work, the Directors are of the opinion that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the annual report and financial statements.

Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous year except as follows:

The Group has adopted the following new and amended IFRS and IFRIC interpretations during the year. Adoption of these revised standards and interpretations did not have any effect on the financial performance or position of the Group.

Amendment to IFRS 2	– Share-based Payment: Vesting Conditions and Cancellations
Amendment to IFRS 7	– Improving Disclosures about Financial Instruments
IFRS 8	– Operating Segments
IAS 1 (Revised)	– Presentation of Financial Statements
Amendments to IAS 23	– Borrowing Costs
IAS 39 and IFRS 7	– Reclassification of Financial Assets effective 1 July 2008
Amendments to IFRIC 9 and IAS 39	– Embedded Derivatives effective for periods ending on or after 30 June 2009
IFRIC 16	– Hedges of a Net Investment in a Foreign Operation effective 1 October 2008

Improvements to IFRSs (issued May 2008).

Adoption of these standards and interpretations did not have a material impact on the Group's results or financial position but IAS 1, IFRS 7 and IFRS 8 did give rise to additional or changes in disclosures in the Group's financial statements.

The Group has not adopted the following pronouncements, which have been issued by the IASB but are not effective for the year ended 31 March 2010.

International Accounting Standards (IAS/IFRSs)		Effective date[1]
IAS 24	– Related Party Disclosures	1 January 2011
IAS 27	– Consolidated and Separate Financial Statements (revised)	1 July 2009
IFRS 3	– Business Combinations (revised)	1 July 2009
IFRS 9	– Financial Instruments: Classification and Measurement	1 January 2013
IFRIC 18	– Transfer of Assets from Customers	1 July 2009
IFRIC 19	– Extinguishing Financial Liabilities with Equity Instruments	1 July 2010
	– Improvements to IFRSs (issued April 2009 and May 2010)	Various dates

1 The effective dates stated above are those given in the original IASB/IFRIC standards and interpretations. As the Group prepares its financial statements in accordance with IFRS as adopted by the European Union, the application of new standards and interpretations will be subject to their having being endorsed for use in the EU via the EU endorsement mechanism. In the majority of cases this will result in an effective date consistent with that given in the original standard or interpretation but the need for endorsements restricts the Group's discretion to early adopt standards.

Management does not expect that these standards will have a material impact on the Group's results or financial position. However, IFRS 3 (revised) will impact the recognition of goodwill, acquisition costs and contingent consideration for acquisitions made after adoption.

Basis of consolidation – The consolidated financial statements incorporate the financial statements of the Company and enterprises controlled by the Company (its **subsidiaries**). Its subsidiaries, which are those entities in which the Group has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies, are consolidated. Under the transitional options of IFRS 1, business combinations that occurred prior to the transition date have not been restated.

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus costs directly attributable to the acquisition. The excess of the cost of acquisition over the fair value of the net assets of the subsidiary acquired is recorded as goodwill. Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated; unrealised losses are also eliminated unless the cost cannot be recovered.

Foreign currency translation – Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity (the **functional currency**). The consolidated financial statements are presented in Sterling, which is the functional and presentation currency of the parent, Renold plc.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction or average rates where applicable. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except for monetary items that form part of the net investment in foreign operations, which are taken to other comprehensive income.

Assets and liabilities of overseas subsidiaries are translated into Sterling at the exchange rates ruling at the end of the financial year. Income statements and cash flows are translated at the appropriate average rates of exchange for the year. Differences on exchange arising on the retranslation of net assets in overseas subsidiaries at the beginning of the year, borrowings used to finance or provide a hedge against those investments and from the translation of the results at average rates are taken directly to reserves. When a foreign entity is sold, related exchange differences previously taken to reserves are recognised in the income statement as part of the gain or loss on sale.

Intangible assets

a) Goodwill

Goodwill represents the excess of the cost of an acquired entity over the fair value of the Group's share of the net identifiable assets, liabilities and contingent liabilities of the acquired entity at the date of acquisition. Goodwill arising on the acquisition of an entity is included as an intangible asset. Goodwill is not amortised but is tested at least annually for impairment and carried at cost less accumulated impairment losses. Any impairment charge is recognised immediately in the income statement.

In circumstances where the fair value of the interest acquired in an entity's assets, liabilities and contingent liabilities exceeds the consideration paid, the excess is recognised immediately as a gain in the income statement.

As permitted by IFRS 1, the Group elected not to apply IFRS 3 – Business Combinations to business acquisitions that occurred before 4 April 2004. Therefore, the carrying amount of goodwill (being cost less accumulated amortisation) included under UK GAAP forms the "cost" of goodwill recognised under IFRS at the date of transition. Goodwill that was written off directly to reserves under former UK GAAP will not be taken into account when determining the gain or loss on disposal of previously acquired businesses after 4 April 2004.

b) Computer software

Computer software that is not integral to an item of plant and equipment is recognised separately as an intangible asset. Amortisation is charged on a straight-line basis so as to charge the cost of software to the income statement over its expected useful life which is between three and five years. Costs associated with developing or maintaining computer software programs are recognised as an expense as incurred.

c) Research and development

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are only recognised as intangible assets in circumstances where certain strict criteria are satisfied. These include the expectation that it is probable that the project will be a success, considering its commercial and technological feasibility, and that all associated costs can be measured reliably. Otherwise development expenditure is recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Development costs that have been capitalised are amortised from the commencement of the commercial production of the product on a straight-line basis over the period of its expected benefit, not exceeding five years.

Property, plant and equipment – Property, plant and equipment are stated at cost, being purchase cost plus any incidental costs of acquisition, less accumulated depreciation.

Accounting policies
continued

Depreciation is calculated on a straight-line basis so as to charge the depreciable amount of the respective assets to the income statement over its expected useful life. The useful lives of assets are as follows:

Freehold buildings – 50 years

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

Plant and equipment – various according to type of asset, the principal categories being:

	Years
General plant and equipment	15
Fixtures	15
Precision cutting and grinding machines	10
Motor vehicles	3

Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in operating profit.

As permitted by IFRS 1, at 4 April 2004, the Group has measured its freehold properties on a fair value basis and used that value as the deemed cost at the transition date.

Asset impairment – Intangible assets and property, plant and equipment are reviewed, at least annually, to ensure that assets are not carried above their recoverable amounts. Where some indication of impairment exists, calculations are made of the discounted cash flows resulting from continued use of the assets (value in use) or from their disposal (fair value less costs to sell). Where these values are less than the carrying amount of the assets, an impairment loss is charged to the income statement.

Leases – Tangible assets held under finance leases, which are those where substantially all the risks and rewards of ownership of the asset have passed to the Group, are capitalised in the balance sheet at the lower of the fair value of the leased asset or the present value of the minimum lease payments. Assets acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term. The corresponding liability to the leasing company, net of finance charges, is included as an obligation under finance leases in creditors. The interest element of the lease payment is charged to the income statement on a basis which produces a constant rate of charge over the period of the liability.

Leases where a significant portion of the risk and reward of ownership is retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Investment property – One of the Group's properties is classified as an investment property on the basis that it will be held for the long-term, earning a rental income. This is a contractual arrangement arising from the disposal of a former business segment. The investment property was previously a manufacturing facility of the Group but owner-occupation ceased upon disposal of its Automotive business. On the date of disposal a transfer was made from property to investment property. The cost model has been applied since that date and depreciation charged at 2% straight-line.

Inventories – Inventories are stated at the lower of cost and estimated net realisable value, after due allowance for obsolete or slow moving items. Cost includes all direct expenditure and attributable overhead expenditure incurred in bringing goods to their current state under normal operating conditions. The first in, first out method of valuation is used. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses. In the Group accounts, unrealised profit on sales within the Group is deducted from inventories.

Taxation – The tax charge comprises current tax payable and deferred tax.

The Group is subject to taxes in numerous jurisdictions. The current tax charge represents an estimate of the amounts payable to tax authorities in respect of taxable profits. It is based on tax rates and laws that have been enacted, or substantively enacted, by the balance sheet date.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Currently enacted, or substantively enacted, tax rates as at the balance sheet date are used in the determination of deferred income tax.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised or taxable profit will be available against which unused tax losses can be utilised before they expire.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax relating to items recognised directly in other comprehensive income is recognised in other comprehensive income and not the income statement. Similarly, income tax is charged or credited to other comprehensive income if it relates to items that are credited or charged directly to other comprehensive income. Otherwise income tax is recognised in the income statement.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable authority and taxable entity, or where deferred tax relates to different taxable entities, the tax authority permits the Group to make a single net payment.

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

Trade receivables – Trade receivables are recognised and carried at the original invoice amount less an allowance for any identified impairment. The impairment allowance is established when there is objective evidence that the Group will not collect all amounts due under the original terms of the transaction. The impairment is charged to the income statement and represents the difference between the carrying amount and the recoverable amount. Balances are written off when the probability of recovery is assessed as remote.

Financial assets and liabilities

a) Financial assets – Financial assets are recognised when the Group becomes party to the contracts that give rise to them and are classified as financial assets at fair value through the income statement or loans and receivables, as appropriate. The Group determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end. When financial assets are recognised initially, they are measured at fair value, being the transaction price plus, in the case of financial assets not at fair value through the income statement, directly attributable transaction costs. The Group considers whether a contract contains an embedded derivative when the entity first becomes a party to it. The embedded derivatives are separated from the host contract if it is not measured at fair value through the income statement and when the economic characteristics and risks are not closely related to those of the host contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

All standard purchases and sales of financial assets are recognised on the trade date, being the date that the Group commits to purchase or sell the asset. Standard transactions require delivery of assets within the timeframe generally established by regulation or convention in the market place. The subsequent measurement of financial assets depends on their classification, as follows:

i) Financial assets at fair value through the income statement – Financial assets classified as held for trading and other assets designated as such on inception are included in this category. Financial assets are classified as held for trading if they are acquired for sale in the short term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments or as financial guarantee contracts. Assets are carried in the balance sheet at fair value with gains or losses recognised in the income statement.

Financial assets may be designated at initial recognition as at fair value through the income statement if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; or (ii) the assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis in accordance with a documented risk management strategy; or (iii) the financial asset contains an embedded derivative that would need to be separately recorded.

(ii) Loans and receivables – Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, do not qualify as trading assets and have not been designated as either fair value through the income statement or available-for-sale. Such assets are carried at amortised cost using the effective interest method if the time value of money is significant. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

b) Impairment of financial assets – The Group assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

(i) Assets carried at amortised cost – If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced, through the use of an allowance account. The amount of the loss is recognised in administration costs.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognised when they are assessed as irrecoverable.

Accounting policies
continued

ii) Assets carried at cost – If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

c) Interest bearing loans and borrowings – Obligations for loans and borrowings are recognised when the Group becomes party to the related contracts and are measured initially at the fair value of consideration received less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in finance revenue and finance cost.

d) Financial liabilities at fair value through the income statement
Financial liabilities at fair value through the income statement includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through the income statement.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the income statement.

Exceptional items – Exceptional items are items in the profit from operations which individually or, if of a similar type, in aggregate, are relevant to an understanding of the Group's financial performance. These items are separately disclosed as memorandum information on the face of the income statement with additional information provided in the Notes to the financial statements.

Employee benefits

a) Pension obligations
Group companies have various pensions plan arrangements matching the local conditions and practices in the countries in which they operate.

The Group operates a number of defined benefit plans around the world. The cost is calculated by independent actuaries using the projected unit credit method. Any past service costs resulting from enhanced benefits are recognised immediately in income, unless the changes are conditional on the employees remaining in service for a specified period of time (the **vesting period**). In this case, the past service costs are amortised on a straight-line basis over the vesting period.

Material administrative costs of running the plans, including the Pension Protection Fund levy, are treated as a deduction in the expected return on plan assets.

Actuarial gains and losses, which represent differences between the expected and actual returns on plan assets and the effect of changes in actuarial assumptions, are recognised in the Statement of Other Comprehensive Income in the period in which they occur.

The defined benefit liability or asset recognised in the balance sheet represents the net total for each plan of the present value of the benefit obligation at the balance sheet date, less any past service costs not yet recognised, less the fair value of plan assets (for funded schemes) at the balance sheet date. If a plan records a surplus, the asset recognised is limited to the amount of any unrecognised past service cost and the present value of any amount expected to be recoverable by the Group by way of refunds or reduction in future contributions.

For defined contribution plans, the Group's contributions are charged to the income statement in the period in which they fall due. Once the contributions have been paid the Group has no further payment obligation.

b) Share-based compensation
The Group operates equity settled, share-based compensation plans. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense in the income statement, with the corresponding amount being recognised in equity. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions, using a Black-Scholes pricing model. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period. No expense is recognised for awards that do not ultimately vest except for awards where vesting is conditional upon market or non-vesting conditions which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied provided that all other performance or service conditions are satisfied. The Black-Scholes pricing model is adjusted as necessary for market and non-vesting conditions. The market-based conditions are linked to the price of shares of the Company.

Where the terms of an equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of the modification. No reduction is recognised if this difference is negative.

As permitted by IFRS 1 the Group has applied IFRS 2 – Share-based Payment only to equity settled awards granted after 7 November 2002 and which vested on or after 1 January 2005.

Financial instruments

The Group uses derivative financial instruments such as forward currency contracts to hedge its risks associated with foreign currency fluctuations. Since 1 April 2005, such derivative financial instruments have been initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

For those derivatives designated as hedges and for which hedge accounting is desired, the hedging relationship is formally designated and documented at its inception. This documentation identifies the risk management objective and strategy for undertaking the hedge, the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how effectiveness will be measured throughout its duration. Such hedges are expected at inception to be highly effective in offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the reporting period for which they were designated.

For the purpose of hedge accounting, hedges are classified as:

- cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction; or
- hedges of a net investment in a foreign operation.

There are no fair value hedges.

Any gains or losses arising from changes in the fair value of derivatives that do not qualify for hedge accounting are taken to the income statement. The treatment of gains and losses arising from revaluing derivatives designated as hedging instruments depends on the nature of the hedging relationship, as follows:

a) Cash flow hedges
For cash flow hedges, the effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income, while the ineffective portion is recognised in the income statement. Amounts taken to other comprehensive income are transferred to the income statement when the hedged transaction affects the income statement, such as when a forecast sale or purchase occurs.

If a forecast transaction is no longer expected to occur, amounts previously recognised in other comprehensive income are transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in other comprehensive income remain in equity until the forecast transaction occurs and are transferred to the income statement or to the initial carrying amount of a non-financial asset or liability as above. If the related transaction is not expected to occur, the amount is taken to the income statement.

b) Hedges of a net investment
Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses relating to the effective portion are recognised in other comprehensive income while any gains or losses relating to the ineffective portion are recognised in the income statement. On disposal of the foreign operation, the cumulative value of any such gains or losses recognised directly in equity is transferred to the income statement.

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not stated at its fair value, with changes in its fair value recognised in the income statement.

From 1 April 2005, the Group's 6% cumulative preference stock of £1 each have been classified as liabilities. Dividends payable are included within net finance costs.

Cash and cash equivalents – Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are included within borrowings in current liabilities on the balance sheet to the extent that there is no right of offset nor intention to settle net, with cash balances.

Borrowing costs – Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the costs of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

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

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

Assets held for sale and discontinued operations – In accordance with IFRS 5, assets are classified as held for sale if their carrying amount will be recovered by sale rather than by continuing use in the business and where the sale is highly probable. For this to be the case, the asset must be available for immediate sale in its present condition, management must be committed to and have initiated a plan to sell the asset which, when initiated, is expected to result in a completed sale within a year. Assets that are classified as held for sale are measured at the lower of their carrying amount or fair value less costs to sell. No depreciation is charged on items of property, plant and equipment held for sale.

Accounting policies
continued

Assets held for sale and discontinued operations (continued)
A discontinued operation is a component of the business that has either been disposed of, or satisfies the criteria to be classified as held for sale, and represents a separate major line of business or geographical area of operations (**disposal group**) or is part of a single co-ordinated plan to achieve such a disposal. The post-tax profit or loss on a discontinued operation is shown as a single amount on the face of the Group income statement, separate from the continuing results of the Group; prior year amounts are restated on a comparable basis. In the balance sheet, the assets relevant to the disposal group are reported as a separate line item after current assets; liabilities associated with the disposal group are similarly disclosed as a line item below current liabilities. Comparative balance sheet amounts are not restated.

Dividend distribution – Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are paid or approved by the Company's shareholders.

Significant accounting judgements, estimates and assumptions

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

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

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

a) Impairment of non-financial assets
The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Goodwill is tested for impairment annually and at other times when such indicators exist.

When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash generating unit and choose a suitable discount rate in order to calculate the net present value of those cash flows. Further details are included in Note 7.

b) Deferred tax assets
Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management adjustment judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with the future tax planning strategies. Actual outcomes may vary that could require a material adjustment to the carrying amounts. Further details are contained in Note 16.

c) Retirement benefit obligations
The cost of the Group's defined benefit plans are determined by using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long term nature of these plans, such estimates are subject to significant uncertainty. Further details are given in Note 17.

Consolidated income statement
for the year ended 31 March 2010

	Note	2010 £m	2009 £m
Revenue	1	**156.1**	194.7
Operating costs	2	**(160.9)**	(187.1)
Operating (loss)/profit		**(4.8)**	7.6
Operating (loss)/profit before exceptional items		**(2.1)**	10.0
Exceptional items	2	**(2.7)**	(2.4)
Operating (loss)/profit		**(4.8)**	7.6
Financial costs		**(15.7)**	(16.0)
Financial revenue		**9.7**	11.3
Exceptional refinancing costs	2	**(2.8)**	–
Net financing costs	3	**(8.8)**	(4.7)
(Loss)/profit before tax		**(13.6)**	2.9
Taxation	4	**3.9**	(0.8)
(Loss)/profit for the financial year		**(9.7)**	2.1
Attributable to:			
Owners of the parent		**(9.6)**	2.1
Minority interests		**(0.1)**	–
		(9.7)	2.1
(Loss)/earnings per share	5		
Basic (loss)/earnings per share		**(8.0)p**	2.8p
Diluted (loss)/earnings per share		**(8.0)p**	2.8p
Adjusted (loss)/earnings per share[1]		**(1.4)p**	7.3p
Diluted adjusted (loss)/earnings per share[1]		**(1.4)p**	7.3p

1 Adjusted for the after tax effects of exceptional items and the IAS 19 charge.

Financial statements

Consolidated statement of comprehensive income
for the year ended 31 March 2010

	2010 £m	2009 £m
(Loss)/profit for the year	**(9.7)**	2.1
Other comprehensive income/(expense):		
Reclassification of losses on cash flow hedges to the income statement	**0.1**	0.5
Net gains/(losses) on cash flow hedges	**2.7**	(1.8)
Foreign exchange translation differences	**1.2**	3.4
Foreign exchange differences on borrowings	**–**	(2.6)
Foreign exchange differences on loans forming part of the net investment in foreign operations	**(1.8)**	8.1
Actuarial losses on retirement benefit obligations	**(21.5)**	(22.3)
Actuarial gain on retirement benefit obligation – restriction removed	**1.5**	–
Tax on components of other comprehensive income	**4.9**	4.6
Other comprehensive expense for the year, net of tax	**(12.9)**	(10.1)
Total comprehensive expense for the year, net of tax	**(22.6)**	(8.0)
Attributable to:		
Owners of the parent	**(22.5)**	(8.0)
Minority interest	**(0.1)**	–
	(22.6)	(8.0)

Financial statements

Consolidated balance sheet
as at 31 March 2010

	Note	2010 £m	2009 £m
ASSETS			
Non-current assets			
Goodwill	7	**23.5**	24.5
Other intangible assets	7	**1.6**	1.1
Property, plant and equipment	8	**49.9**	51.1
Investment property	9	**2.1**	2.2
Other non-current assets	11	**0.4**	0.4
Deferred tax assets	16	**22.9**	14.2
		100.4	93.5
Current assets			
Inventories	10	**42.9**	46.4
Trade and other receivables	11	**28.3**	37.1
Retirement benefit surplus	17	**1.5**	–
Current tax asset		**–**	0.7
Cash and cash equivalents	12	**7.3**	11.3
		80.0	95.5
TOTAL ASSETS		**180.4**	189.0
LIABILITIES			
Current liabilities			
Borrowings	13	**(13.4)**	(44.4)
Trade and other payables	14	**(33.0)**	(37.6)
Current tax		**(0.2)**	–
Derivative financial instruments	24	**(0.2)**	(2.9)
Provisions	15	**(0.6)**	(2.9)
		(47.4)	(87.8)
NET CURRENT ASSETS		**32.6**	7.7
Non-current liabilities			
Borrowings	13	**(11.3)**	(3.6)
Provisions	15	**(0.5)**	(0.5)
Preference shares	13	**(0.5)**	(0.5)
Trade and other payables	14	**(0.5)**	(0.5)
Deferred tax liabilities	16	**(0.9)**	(0.9)
Retirement benefit obligations	17	**(74.5)**	(55.1)
		(88.2)	(61.1)
TOTAL LIABILITIES		**(135.6)**	(148.9)
NET ASSETS		**44.8**	40.1
EQUITY			
Issued share capital	18	**26.4**	19.3
Share premium account		**29.4**	9.6
Currency translation reserve	20	**7.0**	7.6
Other reserves	20	**0.9**	(1.9)
Retained earnings	20	**(20.7)**	3.9
Equity attributable to equity holders of the parent		**43.0**	38.5
Minority interests		**1.8**	1.6
TOTAL SHAREHOLDERS' EQUITY		**44.8**	40.1

Approved by the Board on 7 June 2010 and signed on its behalf by:

Matthew Peacock
Chairman

Robert Davies
Director

Consolidated statement of changes in equity
for the year ended 31 March 2010

	Share capital £m Note 18	Share premium account £m	Retained earnings £m Note 20	Currency translation reserve £m Note 20	Other reserves £m Note 20	Minority interests £m	Total equity £m
At 1 April 2008	17.5	6.3	19.1	(1.3)	(0.6)	–	41.0
Profit for the year	–	–	2.1	–	–	–	2.1
Other comprehensive income	–	–	(17.7)	8.9	(1.3)	–	(10.1)
Total comprehensive income for the year	–	–	(15.6)	8.9	(1.3)	–	(8.0)
Proceeds from share placing	1.8	3.5	–	–	–	–	5.3
Associated costs of placing	–	(0.2)	–	–	–	–	(0.2)
Employee share options:							
– value of employee services	–	–	0.4	–	–	–	0.4
Minority interests arising on acquisition	–	–	–	–	–	1.6	1.6
At 31 March 2009	19.3	9.6	3.9	7.6	(1.9)	1.6	40.1
Loss for the year	–	–	(9.6)	–	–	(0.1)	(9.7)
Other comprehensive income	–	–	(15.1)	(0.6)	2.8	–	(12.9)
Total comprehensive income for the year	–	–	(24.7)	(0.6)	2.8	(0.1)	(22.6)
Proceeds from share placing	7.1	21.4	–	–	–	–	28.5
Associated costs of placing	–	(1.6)	–	–	–	–	(1.6)
Employee share options:							
– value of employee services	–	–	0.1	–	–	–	0.1
Proceeds from minority interests	–	–	–	–	–	0.3	0.3
At 31 March 2010	26.4	29.4	(20.7)	7.0	0.9	1.8	44.8

Consolidated statement of cash flows
for the year ended 31 March 2010

	2010 £m	2009 £m
Cash flows from operating activities (Note 23)		
Cash generated from operations	**0.9**	1.1
Income taxes refunded/(paid)	**1.0**	(1.7)
Net cash from operating activities	**1.9**	(0.6)
Cash flows from investing activities		
Acquisition of subsidiary undertaking (Note 25)	**(0.5)**	(5.6)
Purchase of property, plant and equipment	**(3.3)**	(5.5)
Purchase of intangible assets	**(0.9)**	(0.3)
Proceeds on disposal of property, plant and equipment	**–**	1.7
Proceeds from minority interests capital injection	**0.3**	–
Interest received	**–**	0.1
Net cash from investing activities	**(4.4)**	(9.6)
Cash flows from financing activities		
Financing costs paid	**(5.6)**	(2.5)
Proceeds from borrowings	**3.0**	4.8
Repayment of borrowings	**(24.0)**	(4.6)
Issue of ordinary shares	**26.9**	5.1
Payment of finance lease liabilities	**(0.1)**	(0.1)
Net cash from financing activities	**0.2**	2.7
Net decrease in cash and cash equivalents	**(2.3)**	(7.5)
Net cash and cash equivalents at beginning of year	**8.6**	14.2
Effects of exchange rate changes	**(0.4)**	1.9
Net cash and cash equivalents at end of year (Note 12)	**5.9**	8.6

Financial statements

Notes to the consolidated financial statements

1. Segmental information

For management purposes, the Group is organised into business units according to the nature of their products and services. Having considered the management reporting and organisational structure of the Group, the Directors' have concluded that the Company has two reportable operating segments as follows:

- The Chain segment manufactures and sells power transmission and conveyor chain and also includes sales of Torque Transmission product through Chain national sales centres (**NSC**);
- The Torque Transmission segment manufactures and sells torque transmission products such as gearboxes and couplings used in power transmission.

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

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. The Chief Operating Decision Maker (**CODM**) for the purposes of IFRS 8 – Operating Segment is considered to be the Board of Directors. Segment performance is evaluated based on operating profit and loss and is measured consistently with operating profit and loss in the consolidated financial statements. However, Group financing (including finance costs and finance income), retirement benefit obligations and income taxes are managed on a Group basis and are not allocated to operating segments.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

Year ended 31 March 2010	Chain £m	Torque Transmission £m	Adjustments and eliminations £m	Consolidated £m
Revenue				
External customer	111.2	44.9	–	**156.1**
Inter-segment	0.4	5.3	(5.7)	**–**
Total revenue	111.6	50.2	(5.7)	**156.1**
Operating (loss)/profit before exceptional items	(7.4)	3.0	2.3	**(2.1)**
Exceptional operating costs	(2.2)	(0.3)	(0.2)	**(2.7)**
Segment operating (loss)/profit	(9.6)	2.7	2.1	**(4.8)**
Net financing costs				**(8.8)**
Loss before tax				**(13.6)**
Other disclosures				
Inventories	33.8	9.1	–	**42.9**
Capital expenditure	3.3	0.9	–	**4.2**
Depreciation and amortisation	4.1	0.9	–	**5.0**

i. Inter-segment revenues are eliminated on consolidation;

ii. Segment operating results do not include certain Head Office income of £2.1 million;

iii. Capital expenditure consists of additions to property, plant and equipment, and intangible assets;

iv. Included in Chain external sales is £9.7 million of Torque Transmission product sold through the Chain NSCs. The Torque Transmission businesses may use the Chain NSC framework in countries where it does not have its own presence. Where this occurs Torque Transmission represents a low proportion of total sales for the NSC;

v. The measurement of segment assets reviewed by the CODM is inventories.

1. Segmental information (continued)

Year ended 31 March 2009	Chain £m	Torque Transmission £m	Adjustments and eliminations £m	Consolidated £m
Revenue				
External customer	142.1	52.6	–	**194.7**
Inter-segment	0.2	7.3	(7.5)	**–**
Total revenue	142.3	59.9	(7.5)	**194.7**
Operating profit before exceptional items	2.2	6.3	1.5	**10.0**
Exceptional operating costs	(2.1)	(0.2)	(0.1)	**(2.4)**
Segment operating profit/(loss)	0.1	6.1	1.4	**7.6**
Net financing costs				**(4.7)**
Profit before tax				**2.9**
Other disclosures				
Inventories	36.5	9.9	–	**46.4**
Capital expenditure	3.9	1.9	–	**5.8**
Depreciation and amortisation	3.8	0.9	–	**4.7**

i. Inter-segment revenues are eliminated on consolidation;

ii. Segment operating results do not include certain Head Office income of £1.4 million;

iii. Capital expenditure consists of additions to property, plant and equipment, and intangible assets;

iv. Included in Chain external sales is £13.1 million of Torque Transmission product sold through the Chain NSCs. The Torque Transmission businesses may use the Chain NSC framework in countries where it does not have its own presence. Where this occurs Torque Transmission represents a low proportion of total sales for the NSC;

v. The measurement of segment assets reviewed by the CODM is inventories.

The operations of the Group are based in four main geographical areas. The UK is the home country of the parent company, Renold plc. The main operations in the principal territories are as follows:

- United Kingdom
- Rest of Europe
- US
- Other countries

The sales analysis in the table below is based on the location of the customer; the analysis of non-current assets is based on the location of the assets:

Revenues from external customers	2010 £m	2009 £m
United Kingdom	**14.7**	19.9
Rest of Europe	**44.3**	63.9
US	**47.7**	61.5
Other countries	**49.4**	49.4
	156.1	194.7

All revenue relates to the sale of goods.

No individual customer, or group of customers, represents more than 10% of Group revenue (2009 – none).

Non-current assets (excluding deferred tax and other non-current assets)	2010 £m	2009 £m
United Kingdom	**12.5**	11.5
Rest of Europe	**15.8**	17.6
US	**26.3**	28.2
Other countries	**22.5**	21.6
	77.1	78.9

Non-current assets consist of goodwill, other intangible assets, property, plant and equipment and investment property.

Notes to the consolidated financial statements
continued

2. Operating costs and exceptional items

(a) Operating (loss)/profit is stated after charging/(crediting):

	2010		2009	
	£m	£m	£m	£m
Change in inventory of finished goods and work in progress		**2.9**		0.6
Other operating income		**(2.4)**		(2.3)
Raw materials and consumables		**66.7**		86.5
Other external charges		**25.0**		25.8
Employee costs				
Gross wages and salaries	**48.4**		54.1	
Social security costs	**7.8**		8.6	
Pension costs – Defined benefit (Note 17)	**(0.5)**		1.1	
– Defined contribution (Note 17)	**1.0**		0.7	
Cost of share-based incentive plans	**0.1**		0.4	
		56.8		64.9
Depreciation of property, plant and equipment				
– owned assets		**4.5**		4.3
– leased assets		**0.1**		0.1
Amortisation of intangible assets		**0.4**		0.3
Operating leases – minimum lease payments				
– plant and machinery	**0.5**		0.4	
– property	**2.0**		1.9	
		2.5		2.3
Loss/(profit) on disposal of property, plant and equipment		**0.5**		(0.7)
Research and development expenditure		**0.4**		0.4
Auditors' remuneration (Note 2(b))		**0.6**		0.6
Trade receivables impairment charge		**0.2**		0.2
Foreign exchange		**–**		1.7
Exceptional items (Note 2(c))		**2.7**		2.4
		160.9		187.1

b) Auditors' remuneration

	2010 £000 Total	2009 £000 Total
Fees payable to the Company's auditors for the audit of the Group's annual financial statements	**64**	68
Fees payable to the Company's auditors and their associates for other services:		
Audit of the Company's subsidiaries pursuant to legislation	**241**	253
	305	321
Taxation services	**247**	96
Corporate finance services	**924**	29
All other services	**103**	142
	1,579	588
This is analysed in the following captions in the financial statements:		
Exceptional financing costs	**798**	–
Share premium	**126**	–
Operating costs	**655**	588
	1,579	588

In the year ended 31 March 2010, the Group's auditors also received fees of £30,000 for audit services provided to Group pension schemes (2009 – £30,000). These were the only services provided to the pension schemes.

2. Operating costs and exceptional items (continued)

c) Exceptional items

	2010 £m	2009 £m
Included in operating costs		
Reorganisation and redundancy costs	**2.7**	2.4
	2.7	2.4

Exceptional costs associated with the restructuring of the Group's manufacturing and distribution facilities have originated as follows: UK £1.2 million (2009 – £0.5 million), Germany £0.1 million (2009 – £0.6 million), Poland £0.7 million (2009 – £0.6 million) and other countries £0.7 million (2009 – £0.7 million).

	2010 £m	2009 £m
Included in net financing costs		
Costs associated with refinancing	**2.8**	–
	2.8	–

Exceptional refinancing costs include professional fees of £1.5 million, warranty waiver fee of £0.3 million, bank arrangement fee of £0.6 million, and the fair value of the warrants over shares of £0.4 million.

d) Employees and key management compensation

Employee costs, including Directors, are set out in Note 2(a) above. Key management personnel are represented by the Board and their aggregate emoluments were as follows:

	2010 £000	2009 £000
Short-term employee benefits	**602**	668
Post employment benefits	**70**	70
Share-based payments	**67**	162
	739	900

Further details of the remuneration of Directors are provided in the auditable part of the Directors' remuneration report on pages 21 to 27.

During the year key management personnel subscribed for 12,310,449 shares at 20 pence per share under the December 2009 share issue, as detailed in Note 18. This includes shares which were subscribed for by Hanover Investors Limited, which are held beneficially for Matthew Peacock, an entity over which Matthew Peacock exercises significant influence.

During the year commissions and fees of £978,000 were paid in relation to the December 2009 share issue, as detailed in Note 18, to Singer Capital Markets Limited, an entity of which Matthew Peacock is the Chairman.

The average monthly number of persons employed by the Group during the year was:

	2010	2009
United Kingdom	**591**	700
Rest of Europe	**368**	604
US	**288**	381
Other countries	**909**	945
	2,156	2,630

Notes to the consolidated financial statements
continued

3. Net financing costs

	2010		2009	
	£m	£m	£m	£m
Financial costs:				
Interest payable on bank loans and overdrafts	(2.6)		(2.8)	
Costs associated with refinancing – old arrangement	(0.2)		(0.2)	
Interest cost on financial liabilities not at fair value through the income statement		(2.8)		(3.0)
Interest cost on pension plan balances		(12.9)		(13.0)
		(15.7)		(16.0)
Exceptional financing costs:				
Costs associated with refinancing		(2.8)		–
Total financing costs		(18.5)		(16.0)
Financial revenue:				
Interest receivable on bank deposits and cash equivalents	–		0.1	
Interest income on financial assets not at fair value through the income statement		–		0.1
Ineffectiveness of net investment hedge		0.6		–
Expected return on pension plan assets		9.1		11.2
Total financial revenue		9.7		11.3
Net financing costs		(8.8)		(4.7)

4. Taxation

Analysis of tax (credit)/charge in the year

	2010 £m	2009 £m
United Kingdom		
UK corporation tax at 28% (2009 – 28%)	0.2	0.2
Less: double taxation relief	(0.2)	(0.2)
	–	–
Overseas taxes		
Corporation taxes	(0.2)	0.9
Current income tax (credit)/charge	(0.2)	0.9
Deferred tax		
UK – origination and reversal of temporary differences	(0.5)	0.2
Overseas – origination and reversal of temporary differences	(3.2)	(0.3)
Total deferred tax credit	(3.7)	(0.1)
Tax (credit)/charge on (loss)/profit on ordinary activities	(3.9)	0.8

	2010 £m	2009 £m
Tax on items taken directly to equity		
Deferred tax on pension plan balances	4.9	5.5
Deferred tax on other direct movements in reserves	–	(0.9)
Tax charge in the statement of other comprehensive income	4.9	4.6

4. Taxation (continued)

Factors affecting the Group tax charge for the year
The Group's tax charge in future years will be affected by the profit mix, effective tax rates in the different countries where the Group operates and utilisation of tax losses. No deferred tax is recognised on the unremitted earnings of overseas subsidiaries.

The tax assessed for the year is more than (2009 – the same as) the standard rate of corporation tax in the UK of 28% (2009 – 28%). The differences are explained below:

	2010 £m	2009 £m
(Loss)/profit on ordinary activities before tax	(13.6)	2.9
Tax on ordinary activities at 28% (2009 – 28%)	(3.8)	0.8
Effects of:		
Permanent differences	0.6	0.2
Overseas tax rate differences	(0.5)	0.4
Utilisation of brought forward unrecognised tax losses	(1.2)	(0.6)
Other temporary differences	1.2	0.2
Adjustments in respect of prior periods	(0.2)	(0.2)
Total tax (credit)/charge	(3.9)	0.8

5. (Loss)/earnings per share

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

	2010			2009		
	(Loss)/ earnings £m	Weighted average number of shares (Thousands)	Per share amount (p)	Earnings £m	Weighted average number of shares (Thousands)	Per share amount (p)
Basic EPS						
(Loss)/earnings attributed to ordinary shareholders	(9.7)	120,520	(8.0)	2.1	74,363	2.8
Effect of dilutive securities:						
Employee share options	–		–	–	17	–
Diluted EPS	(9.7)	120,520	(8.0)	2.1	74,380	2.8
Adjusted EPS						
Basic EPS	(9.7)	120,520	(8.0)	2.1	74,363	2.8
Effect of exceptional items, after tax:						
Redundancy and restructuring	2.5		2.1	2.0		2.7
Exceptional financing costs	2.8		2.3	–		–
Net finance costs arising on pension plan assets	2.7		2.2	1.3		1.8
Adjusted EPS	(1.7)	120,520	(1.4)	5.4	74,363	7.3

Inclusion of the dilutive securities, shown above, in the calculation of adjusted EPS does not change the amounts shown above (2009 – no change).

Warrants over 3,500,000 ordinary shares of 5 pence each issued during the year ended 31 March 2010 have been excluded from the EPS calculation above on the grounds that these are anti-dilutory. Further details relating to the warrants can be found in Note 14.

The adjusted EPS numbers have been provided in order to give a useful indication of underlying performance by the exclusion of exceptional items.

6. Dividends

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

Notes to the consolidated financial statements
continued

7. Intangible assets

	Goodwill £m	Computer software £m	Total £m
Cost			
At 1 April 2009	24.5	3.7	28.2
Exchange adjustment	(1.0)	–	(1.0)
Additions	–	0.9	0.9
Disposals	–	(0.2)	(0.2)
At 31 March 2010	**23.5**	**4.4**	**27.9**
Accumulated amortisation and impairment			
At 1 April 2009	–	2.6	2.6
Amortisation charge	–	0.4	0.4
Disposals	–	(0.2)	(0.2)
At 31 March 2010	**–**	**2.8**	**2.8**
Net book amount at 31 March 2010	**23.5**	**1.6**	**25.1**
Net book amount at 31 March 2009	24.5	1.1	25.6

	Goodwill £m	Computer software £m	Total £m
Cost			
At 1 April 2008	16.3	3.3	19.6
Exchange adjustment	6.1	0.1	6.2
Additions	2.1	0.3	2.4
At 31 March 2009	**24.5**	**3.7**	**28.2**
Accumulated amortisation and impairment			
At 1 April 2008	–	2.1	2.1
Exchange adjustment	–	0.2	0.2
Amortisation charge	–	0.3	0.3
At 31 March 2009	**–**	**2.6**	**2.6**
Net book amount at 31 March 2009	**24.5**	**1.1**	**25.6**
Net book amount at 31 March 2008	16.3	1.2	17.5

Goodwill is tested for impairment at least annually and following that exercise in 2010 no impairment charge has been recognised in the period (2009 – £nil).

For the purposes of impairment testing of goodwill, these businesses are defined as cash generating units (**CGU**s).

The carrying amounts of goodwill allocated to CGUs are as follows:

	2010 £m	2009 £m
Jeffrey Chain, US	**19.1**	20.4
Renold Hangzhou, China	**1.5**	1.5
Ace Chains, Australia	**0.5**	0.4
Renold Chain India	**2.4**	2.2
	23.5	24.5

The recoverable amount of each CGU has been determined on a value in use basis. Value in use is calculated as the net present value of cash flows derived from detailed financial plans for the next two financial periods as approved by the Board. Cash flows beyond the two year plans are extrapolated using the long term country growth rates disclosed as follows:

7. Intangible assets (continued)

Key assumptions used in the value-in-use calculations:

Sales volume, selling prices and cost changes

The Group prepares cash flow forecasts based on the latest management estimates for the next two financial years. The expected sales prices and volumes reflect management's experience of how sales will develop at this point of the economic cycle. The expected profit margin reflects management's experience of each CGUs profitability at the level of sales and incorporates the impact of restructuring that took place during the year ended 31 March 2010.

Growth rates

Cash flows beyond the period of projections are extrapolated using the long term growth rate published by the OECD (Organisation for Economic Co-operation and Development) for the territory in which the CGU is based.

Growth rate	**2010 %**	2009 %
Jeffrey Chain, US	**3.0**	3.1
Renold Hangzhou, China	**8.1**	8.1
Ace Chains, Australia	**3.7**	3.7
Renold Chain India	**7.0**	7.0

Discount rates

Discount rates applied to the cash flow forecasts reflect the current market assessment of the risks specific to each CGU. The discount rates used are as follows:

Discount rate	**2010 %**	2009 %
Jeffrey Chain, US	**14.7**	13.4
Renold Hangzhou, China	**14.2**	14.6
Ace Chains, Australia	**11.5**	11.4
Renold Chain India	**21.6**	23.5

The discount rates applied to the cash flows of each of the CGUs is based on the risk free rate for long term bonds (typically ten years) issued by the government in the respective market, adjusted for a risk premium to reflect both the increased risk of investing in equities and the systematic risk of the specific CGU. In making this adjustment, inputs required are the equity market risk premium (that is the required increased return over and above a risk free rate by an investor who is investing in the market as a whole) and the risk adjustment (**beta**) applied to reflect the risk of the CGU relative to the market as a whole.

In determining the risk adjusted discount rate, management has applied an adjustment for the systematic risk to each of the CGUs determined using an average of the betas of comparable companies.

Sensitivity to the changes in assumptions

Management believes that no reasonably possible change in any of the key assumptions would cause the carrying value of Jeffrey Chain, Renold Hangzhou, Ace Chains or Renold Chain India to materially exceed each CGUs recoverable amount.

Notes to the consolidated financial statements
continued

8. Property, plant and equipment

	Land and buildings £m	Plant and equipment £m	Total £m
Cost			
At 1 April 2009	22.2	123.5	145.7
Exchange adjustment	0.8	(1.2)	(0.4)
Additions	0.3	3.0	3.3
Disposals	–	(4.2)	(4.2)
At 31 March 2010	**23.3**	**121.1**	**144.4**
Aggregate depreciation			
At 1 April 2009	2.8	91.8	94.6
Exchange adjustment	–	(1.0)	(1.0)
Charge for the year	0.4	4.2	4.6
Disposals	–	(3.7)	(3.7)
At 31 March 2010	**3.2**	**91.3**	**94.5**
Net book amount at 31 March 2010	**20.1**	**29.8**	**49.9**
Net book amount at 31 March 2009	19.4	31.7	51.1

	Land and buildings £m	Plant and equipment £m	Total £m
Cost			
At 1 April 2008	19.9	101.7	121.6
Exchange adjustment	2.4	14.0	16.4
Acquisitions	0.5	4.0	4.5
Additions	0.3	5.2	5.5
Disposals	(0.9)	(1.4)	(2.3)
At 31 March 2009	**22.2**	**123.5**	**145.7**
Aggregate depreciation			
At 1 April 2008	2.4	79.7	82.1
Exchange adjustment	0.1	9.3	9.4
Charge for the year	0.3	4.1	4.4
Disposals	–	(1.3)	(1.3)
At 31 March 2009	**2.8**	**91.8**	**94.6**
Net book amount at 31 March 2009	**19.4**	**31.7**	**51.1**
Net book amount at 31 March 2008	17.5	22.0	39.5

Net book amount for plant and equipment includes £0.2 million (2009 – £0.3 million) in respect of assets acquired under finance leases.

Future capital expenditure
At 31 March 2010 capital expenditure contracted for but not provided for in these accounts amounted to £0.8 million (2009 – £0.8 million).

9. Investment property

	£m
Cost	
At 1 April 2009	2.3
Exchange adjustment	(0.1)
As at 31 March 2010	**2.2**
Aggregate depreciation	
At 1 April 2009	0.1
Charge for the year	–
At 31 March 2010	**0.1**
Net book amount at 31 March 2010	**2.1**
Net book amount at 31 March 2009	2.2
Cost	
At 1 April 2008	2.0
Exchange adjustment	0.3
At 31 March 2009	**2.3**
Aggregate depreciation	
At 1 April 2008	0.1
Charge for the year	–
At 31 March 2009	**0.1**
Net book amount at 31 March 2009	**2.2**
Net book amount at 31 March 2008	1.9

The present lease of the Group's Calais property commenced on 3 August 2007 for a period of nine years. This agreement is terminable by the tenant at the end of each three year period. The rental income recognised in the period was £0.3 million (2009 – £0.3 million). The total future minimum lease payments under the non-cancellable term amount to £0.9 million (2009 – £0.3 million) and of this £0.3 million (2009 – £0.2 million) is due in the next financial year and £0.6 million (2009 – £0.1 million) is due in the period after one year but not later than five years from the balance sheet date.

The property has been accounted for on a cost model basis. The most recent valuation of the property was conducted in November 2008 by Foncier Expertise, French chartered surveyors and property consultants. At that date, the fair value of the property was assessed at £2.2 million. The fair value of the property was determined from the market value based upon transactions of similar properties in the area at that time. The Directors are not aware of any circumstances that have arisen to materially alter that external valuation.

10. Inventories

	2010 £m	2009 £m
Materials	**6.6**	7.6
Work in progress	**9.9**	9.1
Finished products	**26.4**	29.7
	42.9	46.4

Inventories pledged as security for liabilities amounted to £14.7 million (2009 – £22.7 million).

Write-offs taken to the income statement amount to £1.0 million (2009 – £0.7 million).

Notes to the consolidated financial statements
continued

11. Trade and other receivables

	2010 Current £m	2010 Non-current £m	2009 Current £m	2009 Non-current £m
Trade receivables[1]	**26.1**	**–**	33.8	–
Less: provision for impairment of receivables	**(0.7)**	**–**	(0.7)	–
Trade receivables – net	**25.4**	**–**	33.1	–
Other receivables	**1.6**	**0.3**	2.0	0.3
Prepayments and accrued income	**1.3**	**0.1**	2.0	0.1
	28.3	**0.4**	37.1	0.4

1 Financial assets carried at amortised cost.

The Group has recognised a loss of £0.2 million (2009 – loss of £0.2 million) for the impairment of its trade receivables during the year. The Group has no significant concentration of credit risk.

The Group has a concentration of translational and transactional foreign exchange risk in both US Dollars and Euros. However, the Group hedges against these risks.

Trade receivables are non-interest bearing and are generally on 30-90 days' terms. See Note 24(d) for credit risk policy.

As at 31 March, the ageing analysis of trade receivables is as follows:

	Total £m	Neither past due nor impaired £m	Past due but not impaired <30 days £m	30-60 days £m	60-90 days £m	>90 days £m
2010	**25.4**	**20.9**	**3.0**	**0.8**	**0.3**	**0.4**
2009	33.1	28.4	3.1	0.9	0.3	0.4

	2010 £m	2009 £m
Movement on impairment provision		
Opening provision	**0.7**	0.6
Exchange adjustment	**(0.1)**	0.1
Net charge to income statement	**0.2**	0.2
Utilised in year through assets written off	**(0.1)**	(0.2)
Closing provision	**0.7**	0.7

12. Cash and cash equivalents

	2010 £m	2009 £m
Cash at bank and in hand	**5.1**	9.3
Short term bank deposits	**2.2**	2.0
Cash and cash equivalents	**7.3**	11.3

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

	2010 £m	2009 £m
Cash and cash equivalents (as shown above)	**7.3**	11.3
Less: Overdrafts (Note 13)	**(1.4)**	(2.7)
Net cash and cash equivalents	**5.9**	8.6

13. Borrowings

	2010 £m	2009 £m
Amounts falling due within one year:		
Overdrafts	**1.4**	2.7
Bank loans	**11.9**	41.6
Obligations under finance leases	**0.1**	0.1
	13.4	44.4
Amounts falling due after more than one year:		
Bank loans	**11.2**	3.5
Obligations under finance leases	**0.1**	0.1
	11.3	3.6
Preference stock	**0.5**	0.5
	11.8	4.1
Total borrowings (Note 24(d))	**25.2**	48.5

All financial liabilities, excluding finance lease obligations above, are carried at amortised cost.

Refinancing
On 13 July 2009, the Group reached agreement to enter into a three year bank facility with the existing bank syndicate members led by The Royal Bank of Scotland plc, with Fortis Bank S.A./N.V. as a participant and the key terms of this new facility were effective from 13 August 2009. The key terms were a Multi Revolving Credit Facility (**MRCF**) of £20.0 million and a Multi Currency Term-Loan Facility (**MTLF**) of £11.0 million with both facilities expiring on 30 June 2012. This facility was itself amended in December 2009 following the successful share issue (see Note 18) with the repayment and cancellation of the £11.0 million MTLF and certain financial and non-financial covenants were relaxed. The remaining £20.0 million MRCF is the Group's principal credit facility although the Group also benefits from numerous overseas facilities. At the year end the undrawn facility was £11.7 million.

The Group pays interest at Libor plus a variable margin in respect of the MRCF. The average rate of interest paid in the year was LIBOR plus 3.375%. This facility has a number of financial and non-financial covenants which are tested on a quarterly basis.

Secured borrowings
Included in Group borrowings are secured borrowings of £16.9 million (2009 – £40.5 million). Security is provided by fixed and floating charges over UK assets (including certain property, plant and equipment) and the assets of certain overseas subsidiaries.

Finance leases
The Group has finance leases for various items of plant and machinery. These leases have terms of renewal but no purchase options or escalation clauses.

	2010 £m	2009 £m
Obligations under finance leases		
Minimum payments under finance leases are as follows:		
Amounts payable within one year	**0.1**	0.1
Amounts payable between two and five years	**0.1**	0.1
Total gross payments	**0.2**	0.2
Less: Finance charges allocated to future periods	**–**	–
	0.2	0.2
Allocated as:		
Current obligations	**0.1**	0.1
Non-current obligations	**0.1**	0.1
	0.2	0.2

Notes to the consolidated financial statements
continued

13. Borrowings (continued)

Preference stock

At 31 March 2010 there were 580,482 units of 6% cumulative preference stock of £1 each in issue (2009 – 580,482).

All payments of dividends on the 6% cumulative preference stock have been paid on the due dates. The 6% cumulative preference stock has the following rights:

i) a fixed cumulative preferential dividend at the rate of 6% per annum payable half yearly on 1 January and 1 July in each year;

ii) rank both with regard to dividend (including any arrears to the commencement of a winding up) and return of capital in priority to all other stock or shares of the Company, but with no further right to participate in profits or assets;

iii) no right to attend or vote, either in person or by proxy, at any general meeting of the Company or to have notice of any such meeting, unless the dividend on the 6% cumulative preference stock is in arrears for six calendar months; and

iv) no redemption entitlement.

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

14. Trade and other payables

	2010 Current £m	**2010 Non-current £m**	2009 Current £m	2009 Non-current £m
Trade payables[1]	**20.1**	**–**	22.9	–
Other tax and social security	**1.9**	**–**	2.3	–
Other payables	**1.3**	**–**	1.4	–
Accruals and deferred income	**9.7**	**0.5**	11.0	0.5
	33.0	**0.5**	37.6	0.5

1 Financial liabilities carried at amortised cost.

Trade payables are non-interest bearing and are normally settled within 60 day terms. The Group does have a concentration of translational foreign exchange risk in both US Dollars and Euros. However, the Group hedges against this risk.

Other payables include £0.4 million (2009 – £nil) being the fair value of warrants issued to the Group's lenders as part of the refinancing that was completed in August 2009. The warrants are over 3,500,000 ordinary shares of 5 pence each and have a seven year term commencing from 13 August 2009 during which they can be exercised at any time.

15. Provisions

	Business restructuring £m	Contingent consideration £m	Other provisions £m	Total provisions £m
At 1 April 2009	1.7	1.5	0.2	3.4
Exchange adjustment	(0.2)	0.1	–	(0.1)
Arising during the year	0.4	–	–	0.4
Utilised in year	(1.3)	(1.1)	(0.2)	(2.6)
At 31 March 2010	**0.6**	**0.5**	**–**	**1.1**

Allocated as:	**2010 £m**	2009 £m
Current provisions	**0.6**	2.9
Non-current provisions	**0.5**	0.5
	1.1	3.4

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15. Provisions (continued)

Business restructuring
This provision relates to the reorganisation and restructuring of businesses and will be utilised within the next financial year.

Contingent consideration
Renold Chain India Private Limited – India
The contingent consideration following the acquisition of Renold Chain India Private Limited was finalised by the year end at £1.1 million. This was fully paid in April 2010.

Renold (Hangzhou) Co Limited – China
A provision was established following the acquisition of 90% of the equity interest in Renold (Hangzhou) Co Limited in the period ended 31 March 2008.

Other provisions
Provisions retained in respect of former discontinued operations have been utilised in the year.

16. Deferred tax

	Assets		Liabilities		Net	
	2010 £m	2009 £m	**2010 £m**	2009 £m	**2010 £m**	2009 £m
Accelerated capital allowances	**1.3**	1.4	**(0.3)**	(1.5)	**1.0**	(0.1)
Pension plans	**16.6**	10.7	**(0.4)**	0.3	**16.2**	11.0
Tax losses	**5.9**	4.6	**0.1**	–	**6.0**	4.6
Other temporary differences	**(0.9)**	(2.5)	**(0.3)**	0.3	**(1.2)**	(2.2)
Tax assets/(liabilities)	**22.9**	14.2	**(0.9)**	(0.9)	**22.0**	13.3
Net off (liabilities)/assets	**(0.9)**	(0.9)	**0.9**	0.9	**–**	–
Net deferred tax assets	**22.0**	13.3	**–**	–	**22.0**	13.3

The net deferred tax asset recoverable after more than one year is £22.0 million (2009 – £13.3 million).

The movement in the net deferred tax balance relating to assets is as follows:

2010	Opening balance £m	Exchange adjustments £m	Recognised in income statement £m	Recognised directly in other comprehensive income £m	**Closing balance £m**
Accelerated capital allowances	1.4	(0.1)	–	–	**1.3**
Pension plans	10.7	0.1	0.5	5.3	**16.6**
Tax losses	4.6	0.2	1.1	–	**5.9**
Other temporary differences	(2.5)	(0.2)	1.8	–	**(0.9)**
	14.2	–	3.4	5.3	**22.9**

2009	Opening balance £m	Exchange adjustments £m	Recognised in income statement £m	Recognised directly in other comprehensive income £m	Closing balance £m
Accelerated capital allowances	3.0	(0.5)	(1.1)	–	1.4
Pension plans	4.7	0.5	–	5.5	10.7
Tax losses	2.5	0.6	1.5	–	4.6
Other temporary differences	(0.3)	(0.5)	(0.5)	(1.2)	(2.5)
	9.9	0.1	(0.1)	4.3	14.2

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16. Deferred tax (continued)

The movement in the net deferred tax balance relating to liabilities in the year is as follows:

2010	Opening balance £m	Exchange adjustments £m	Recognised in income statement £m	Recognised directly in other comprehensive income £m	**Closing balance £m**
Accelerated capital allowances	(1.5)	0.2	1.0	–	**(0.3)**
Pension plans	0.3	(0.1)	(0.2)	(0.4)	**(0.4)**
Tax losses	–	–	0.1	–	**0.1**
Other temporary differences	0.3	–	(0.6)	–	**(0.3)**
	(0.9)	0.1	0.3	(0.4)	**(0.9)**

2009	Opening balance £m	Exchange adjustments £m	Recognised in income statement £m	Recognised directly in other comprehensive income £m	Closing balance £m
Accelerated capital allowances	(2.2)	0.2	0.5	–	(1.5)
Pension plans	0.1	–	0.2	–	0.3
Tax losses	0.3	–	(0.3)	–	–
Other temporary differences	0.2	–	(0.2)	0.3	0.3
	(1.6)	0.2	0.2	0.3	(0.9)

During the year the Group has reported an operating loss of £2.1 million, before exceptional items. The businesses in all jurisdictions where deferred tax assets have been recognised will, more likely than not, generate suitable profits based on approved management forecasts from which the future reversal of the underlying timing differences can be deducted.

A deferred tax asset amounting to £18.1 million (2009 – £18.3 million) consisting of a deferred tax asset in relation to unrecognised losses of £15.6 million (2009 – £17.0 million) representing losses of £50.0 million (2009 – £54.1 million) and a deferred tax asset in relation to other timing differences of £2.5 million (2009 – £1.3 million) has not been recognised in certain subsidiaries where, based on available evidence, it is considered unlikely that they will be recovered within the foreseeable future. Materially all of these losses are not subject to time limits.

17. Pensions

The Group operates a number of pension plans throughout the world covering many of its employees. The principal funds are those in the UK: (i) the Renold Group Pension Scheme (**RGPS**); (ii) the Jones & Shipman plc Retirement Benefits Plan (1971) (**J&S**); and (iii) the Renold Supplementary Pension Scheme 1967 (**RSPS**). These three plans are funded plans of the defined benefit type with assets held in separate trustee administered funds. Future accrual to the J&S and RSPS ceased in August 2008 and RGPS in June 2009.

The Renold Group Money Purchase Pension Scheme (**RGMPS**) is a defined contribution type plan. Future contributions to the RGMPS ceased in April 2009. All current and future UK employees have the opportunity to join the Renold Personal Pension Plan which is a contract based defined contribution scheme.

Overseas employees participate in a variety of different pension arrangements of the defined contribution or defined benefit type, funded in accordance with local practice.

The most recent actuarial valuations of the RGPS and the RSPS were at 5 April 2007. The valuations of both plans used the projected unit method and were carried out by Barnett Waddingham, professionally qualified actuaries. The last valuation of the J&S RBP was at April 2006, also carried out by Barnett Waddingham. These valuations are updated as of the balance sheet date for financial reporting purposes.

For all defined benefit plans operated by the Group the disclosures in the financial statements are based on the most recent actuarial valuations. Where material, these have been updated to the balance sheet date by qualified independent actuaries. The disclosures provided on the next page are presented on a weighted average basis where appropriate.

17. Pensions (continued)

The principal financial assumptions used to calculate plan liabilities as at 31 March 2010 are presented below. The assumptions adopted by the plans' actuaries represent the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

	UK		Overseas	
	2010	2009	**2010**	2009
Rate of increase in pensionable salaries[1]	**–**	3.5%	**2.3%**	2.8%
Rate of increase in pensions in payment and deferred pensions	**3.5%**	3.0%	**1.5%**	2.8%
Discount rate	**5.6%**	6.9%	**5.6%**	6.2%
Inflation assumption	**3.7%**	3.0%	**2.1%**	2.8%
Expected return on plan assets	**6.5%**	6.8%	**7.3%**	7.6%

1 Following the closure of the UK defined benefit pension schemes to future accrual, no assumption for the rate of increase in pensionable salaries is necessary.

Plan assets are stated at their market values at the respective balance sheet dates and overall expected rates of return are established by applying published brokers' forecasts to each category of plan assets.

The predominant defined benefit obligation for funded plans within the Group resides in the UK (£197.4 million of the £238.2 million Group obligation for funded plans). In addition to the assumptions shown above, mortality assumptions have a significant bearing on the calculated obligation. The assumed life expectations for the RGPS on retirement at age 65 are as follows (different rates apply for the RSPS and the J&S).

	2010	2009
Retiring today		
Males	**19.6**	19.5
Females	**22.3**	22.3
Retiring in 20 years		
Males	**20.8**	20.7
Females	**23.4**	23.4

The post-retirement mortality tables used for the plan are the PA92 series tables published by the UK actuarial profession. The mortality rates for the RGPS (which represents approximately two-thirds of the UK defined benefit obligation) are based on average year of birth for both non-pensioners and pensioners with an allowance for the medium cohort projection. An uplift of 40% has been applied to the standard rates. The effect of this adjustment is to reduce life expectancy. The assumed life expectancy is longer for the other two UK defined benefit plans.

Sensitivity analysis:

Assumption

	Change in assumption	Impact on plan liabilities
Discount rate	Increase/decrease by 0.5%	Decrease/increase by 7.0%
Rate of inflation	Increase/decrease by 0.5%	Increase/decrease by 4.0%
Rate of mortality	Increase by 1 year[2]	Increase by 3.0%

2 Calculated using a reduction to assumed mortality rates of 12.5% at all ages. This is broadly equivalent to an increase in life expectancy of 1 year at age 65.

The expected long term rates of return and market values of assets of the principal defined benefit plans of the Group, together with the present value of plan liabilities, are shown below. It should be noted that the market values of the plans' assets are stated as at the Group's year end. It is not intended to realise the assets in the short term and the value may therefore be subject to significant change before being realised. The present values of the plans' liabilities are derived from cash flow projections over long periods and are thus inherently uncertain.

The fair values of plan assets were:

	UK		Overseas		Total	
	2010 £m	2009 £m	**2010 £m**	2009 £m	**2010 £m**	2009 £m
Equities	**70.1**	67.8	**7.8**	5.3	**77.9**	73.1
Bonds	**66.8**	62.0	**4.6**	4.3	**71.4**	66.3
Other	**10.8**	0.9	**5.1**	6.0	**15.9**	6.9
Total market value of assets	**147.7**	130.7	**17.5**	15.6	**165.2**	146.3
Present value of plan liabilities	**(197.4)**	(157.8)	**(40.8)**	(43.6)	**(238.2)**	(201.4)
Deficits in plans	**(49.7)**	(27.1)	**(23.3)**	(28.0)	**(73.0)**	(55.1)

Equities includes investments in quoted equities, funds of hedge funds and property investment vehicles.

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17. Pensions (continued)

Pension commitments

Pension obligations

The movement in the present value of the defined benefit obligation is as follows:

	2010 UK £m	2010 Overseas £m	2010 Total £m	2009 UK £m	2009 Overseas £m	2009 Total £m
Opening obligation	(157.8)	(43.6)	(201.4)	(168.0)	(36.9)	(204.9)
Current service cost	(0.1)	(0.5)	(0.6)	(1.0)	(0.5)	(1.5)
Interest cost	(10.5)	(2.4)	(12.9)	(10.8)	(2.2)	(13.0)
Contributions by plan participants	–	(0.2)	(0.2)	(0.5)	–	(0.5)
Actuarial gains and losses	(40.9)	2.2	(38.7)	12.5	0.4	12.9
Gains on curtailments	1.1	–	1.1	0.4	–	0.4
Benefits paid	10.8	3.4	14.2	9.6	2.3	11.9
Liabilities extinguished on settlement	–	1.5	1.5	–	–	–
Exchange adjustment	–	(1.2)	(1.2)	–	(6.7)	(6.7)
Closing obligation	(197.4)	(40.8)	(238.2)	(157.8)	(43.6)	(201.4)
The total defined benefit obligation can be analysed as follows:						
Obligations related to funded pension plans	(197.4)	(19.6)	(217.0)	(157.8)	(21.6)	(179.4)
Obligations related to unfunded pension plans	–	(21.2)	(21.2)	–	(22.0)	(22.0)
	(197.4)	(40.8)	(238.2)	(157.8)	(43.6)	(201.4)

Pension assets

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

	2010 UK £m	2010 Overseas £m	2010 Total £m	2009 UK £m	2009 Overseas £m	2009 Total £m
Opening assets	130.7	15.6	146.3	158.5	15.2	173.7
Expected return on plan assets	8.0	1.1	9.1	9.9	1.3	11.2
Actuarial gains and losses	17.7	1.0	18.7	(31.5)	(3.7)	(35.2)
Contributions by the employer	2.1	1.3	3.4	2.9	1.1	4.0
Contributions by plan participants	–	0.2	0.2	0.5	–	0.5
Benefits paid	(10.8)	(2.2)	(13.0)	(9.6)	(1.1)	(10.7)
Assets distributed on settlement	–	(1.5)	(1.5)	–	–	–
Exchange adjustment	–	2.0	2.0	–	2.8	2.8
Closing assets	147.7	17.5	165.2	130.7	15.6	146.3
Balance sheet reconciliation:						
Plan obligations	(197.4)	(40.8)	(238.2)	(157.8)	(43.6)	(201.4)
Plan assets	147.7	17.5	165.2	130.7	15.6	146.3
Retirement benefit obligation	(49.7)	(23.3)	(73.0)	(27.1)	(28.0)	(55.1)
Analysed as follows:						
Current assets						
Retirement benefit surplus	–	1.5	1.5	–	–	–
Non-current liabilities						
Retirement benefit obligations	(49.7)	(24.8)	(74.5)	(27.1)	(28.0)	(55.1)
Net retirement benefit obligation	(49.7)	(23.3)	(73.0)	(27.1)	(28.0)	(55.1)

The retirement benefit surplus shown above is a net asset of £1.5 million (2009 – £nil) in respect of a closed South African defined benefit pension scheme. Following a number of key events in respect of the South African scheme in accordance with South African legislation a surplus was identified. These events included a surplus apportionment exercise undertaken by the Company and trustees. As a result of these events the surplus qualifies as an asset under IFRIC 14 and therefore has been recognised in the balance sheet. The Directors expect that upon final liquidation of the scheme that the Group will receive a cash settlement.

17. Pensions (continued)

The net amount of actuarial gains and losses taken to the statement of comprehensive income is as follows:

	2010 £m	2009 £m
Actuarial (losses)/gains arising on plan obligations	**(38.7)**	12.9
Actuarial gains/(losses) arising on plan assets	**18.7**	(35.2)
Net actuarial losses	**(20.0)**	(22.3)

The actual gain on plan assets was £27.8 million (2009 – loss £24.0 million).

An analysis of amounts (credited)/charged to operating costs is set out below:

	2010 £m	2009 £m
Operating costs		
Current service cost	**(0.6)**	(1.5)
Gains on curtailments	**1.1**	0.4
	0.5	(1.1)

History of experience gains and losses

	UK				
	2010	2009	2008	2007	2006
Experience adjustments arising on plan assets					
Amount (£m)	**17.7**	(31.5)	(11.0)	(3.5)	14.5
Percentage of plan assets	**12.0%**	24.1%	6.9%	2.1%	8.9%
Experience adjustments arising on plan liabilities					
Amount (£m)	**(40.9)**	12.5	26.8	4.5	(15.2)
Percentage of present value of plan liabilities	**20.7%**	7.9%	16.0%	2.3%	7.8%
Present value of plan liabilities (£m)	**(197.4)**	(157.8)	(168.0)	(192.5)	(195.6)
Fair value of plan assets (£m)	**147.7**	130.7	158.5	164.4	162.7
Deficit (£m)	**(49.7)**	(27.1)	(9.5)	(28.1)	(32.9)

	Overseas				
	2010	2009	2008	2007	2006
Experience adjustments arising on plan assets					
Amount (£m)	**1.0**	(3.7)	(0.9)	0.8	1.7
Percentage of plan assets	**5.7%**	23.7%	5.9%	5.3%	11.0%
Experience adjustments arising on plan liabilities					
Amount (£m)	**2.2**	0.4	1.1	(0.9)	(6.3)
Percentage of present value of plan liabilities	**5.4%**	0.9%	3.0%	2.6%	17.3%
Present value of plan liabilities (£m)	**(40.8)**	(43.6)	(36.9)	(35.0)	(36.5)
Fair value of plan assets (£m)	**17.5**	15.6	15.2	15.1	15.5
Deficit (£m)	**(23.3)**	(28.0)	(21.7)	(19.9)	(21.0)

Notes to the consolidated financial statements
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17. Pensions (continued)

	Total				
	2010	2009	2008	2007	2006
Experience adjustments arising on plan assets					
Amount (£m)	**18.7**	(35.2)	(11.9)	(2.7)	16.2
Percentage of plan assets	**11.3%**	24.1%	6.9%	1.5%	9.1%
Experience adjustments arising on plan liabilities					
Amount (£m)	**(38.7)**	12.9	27.9	3.6	(21.5)
Percentage of present value of plan liabilities	**16.2%**	6.4%	13.6%	1.6%	9.3%
Present value of plan liabilities (£m)	**(238.2)**	(201.4)	(204.9)	(227.5)	(232.1)
Fair value of plan assets (£m)	**165.2**	146.3	173.7	179.5	178.2
Deficit (£m)	**(73.0)**	(55.1)	(31.2)	(48.0)	(53.9)

The cumulative amount of actuarial losses recognised in other comprehensive income since 4 April 2004 was £46.6 million (2009 – £26.6 million). The Group expects to contribute approximately £0.7 million (2009 – £3.5 million) to defined benefit plans in the year ended 31 March 2011.

As a result of the deficits in the main UK plans, it has been agreed with the actuaries and trustees that, under existing arrangements, annual lump sum payments commencing at £1.6 million will be paid to the RGPS plan and £0.5 million to the RSPS plan over a twelve year period.

The Group operates a number of defined contribution plans. The cost for the period was £1.0 million (2009 – £0.7 million). There were outstanding contributions in creditors of £nil (2009 – £nil) at the balance sheet date.

18. Called-up share capital

	Authorised		Issued	
	2010 £m	2009 £m	**2010 £m**	2009 £m
Equity interests				
Ordinary shares of 25 pence each	**–**	23.1	**–**	19.3
Ordinary shares of 5 pence each	**–**	–	**11.0**	–
Deferred shares of 20 pence each	**–**	–	**15.4**	–
	–	23.1	**26.4**	19.3

At 31 March 2010, the issued ordinary share capital comprised 219,564,703 ordinary shares of 5 pence each (2009 – 77,064,703 ordinary shares of 25 pence each).

On 9 December 2009, each issued ordinary share of 25 pence was subdivided and converted into one ordinary share of 5 pence and one deferred share of 20 pence. The deferred shares have no voting or dividend rights.

On 10 December 2009, 87,500,000 new ordinary shares of 5 pence each were issued through a placing and open offer and 55,000,000 new ordinary shares of 5 pence each were issued through a firm placing raising £28.5 million gross (£26.9 million after transaction expenses). The new shares rank pari passu with the existing ordinary shares.

At the 2009 annual general meeting, new articles of association of the Company were adopted whereby the requirement for the Company to have an authorised share capital has been removed.

During the year the Company issued no ordinary shares (2009 – 42,509 ordinary shares of 25 pence each) for a cash consideration of £nil (2009 – £23,319) by the exercise of options under the Company's share option schemes.

19. Share-based payments

Details of the share-based payment arrangements are provided in the Directors' remuneration report on pages 21 to 27.

Following the division of the existing shares on 9 December 2009 and issue of new ordinary shares on 10 December 2009, the comparative numbers have been restated to take account of the adjustments required to calculate the dilutory impact of the share issue on the value of the share options outstanding at that date. Whilst this adjustment changes the quantity and exercise price, it does not impact the net overall value of the share options awarded.

At 31 March 2010, unexercised options for ordinary shares amounted to 10,903,517 (2009 – 6,104,307 restated).

The fair value per option granted in the period and the assumptions used in the calculation are as follows:

	2010 Executive share option scheme	restated 2009 Executive share option scheme	
Grant date	**5.2.10**	25.11.08	1.4.08
Share price at date of grant	**23.0p**	31.1p	67.3p
Exercise price	**23.2p**	31.5p	65.6p
Number of employees	**8**	1	1
Shares under option	**6,474,849**	63,481	211,735
Vesting period (years)	**3**	3	3
Expected volatility	**48.0%**	33.6%	30.8%
Option life (years)	**10**	10	10
Expected life (years)	**6**	6	6
Risk free interest rate	**1.9%**	2.3%	3.9%
Assumed dividends expressed as a dividend yield	**Zero**	Zero	Zero
Possibility of ceasing employment before vesting	**Zero**	Zero	Zero
Fair value per option	**10.9p**	11.3p	26.1p
Probability of meeting market based vesting conditions	**40%**	60%	60%

The expected volatility is based on historical volatility over the last three years. The expected life is the average expected period to exercise based on historical data. The risk free rate of return is the yield on zero coupon UK government bonds of a term consistent with the assumed option life. Dividend yields indicated above are an expression of assumed dividends over the respective periods included in the calculation. These assumptions may not be borne out in practice. A reconciliation of option movements over the year ended 31 March 2010 is shown as follows:

Executive share option schemes

	2010		restated 2009	
	Number	**Weighted average exercise price**	Number	Weighted average exercise price
Outstanding at 1 April	**5,424,596**	**69.9p**	5,358,423	73.1p
Granted	**6,474,849**	**23.2p**	275,216	57.7p
Lapsed	**(745,742)**	**83.4p**	(209,043)	134.4p
Forfeited	**(250,186)**	**70.4p**	–	n/a
Outstanding at 31 March	**10,903,517**	**41.2p**	5,424,596	69.9p
Exercisable at 31 March	**2,203,159**	**71.0p**	1,069,878	68.9p

Notes to the consolidated financial statements continued

19. Share-based payments (continued)

Savings related share option scheme

	2010 Number	2010 Weighted average exercise price	restated 2009 Number	restated 2009 Weighted average exercise price
Outstanding at 1 April	**679,711**	**46.2p**	777,588	46.2p
Lapsed	**(674,615)**	**46.2p**	(38,568)	46.3p
Forfeited	**(5,096)**	**46.2p**	(9,386)	46.3p
Exercised	**–**	**n/a**	(49,923)	46.7p
Outstanding at 31 March	**–**	**–**	679,711	46.2p
Exercisable at 31 March	**–**	**–**	679,711	46.2p

Executive share option scheme

	2010				restated 2009			
Range of exercise prices	Weighted average exercise price	Number of shares	Weighted average remaining life Expected	Weighted average remaining life Contractual	Weighted average exercise price	Number of shares	Weighted average remaining life Expected	Weighted average remaining life Contractual
31.5.p to 63.3p	**27.3p**	**7,510,728**	**5.2**	**9.1**	52.8p	1,059,366	2.4	6.2
64.6p to 80.5p	**67.0p**	**2,776,233**	**2.9**	**6.9**	69.5p	3,660,586	4.0	8.1
85.2p to 100.9p	**94.8p**	**616,556**	**2.5**	**6.2**	94.8p	616,562	3.4	7.2
101.0p to 117.4p	**–**	**–**	**–**	**–**	117.4p	88,082	–	0.3

Savings related share option scheme

	2010				restated 2009			
Range of exercise prices	Weighted average exercise price	Number of shares	Weighted average remaining life Expected	Weighted average remaining life Contractual	Weighted average exercise price	Number of shares	Weighted average remaining life Expected	Weighted average remaining life Contractual
54.3p to 55.08p	**–**	**–**	**–**	**–**	46.2p	679,711	–	0.2

The weighted average share price during the period for options exercised over the year was nil (2009 – 64.4p restated). The total charge for the year relating to employee share-based payment plans was £110,000 (2009 – £368,000), all of which related to equity settled share-based transactions. After deferred tax, the total charge was £110,000 (2009 – £269,000).

The middle market price of ordinary shares at 31 March 2010 was 24.25p and the range of prices during the year was 15.5p to 33.25p.

20. Reserves

The currency translation reserve is used to record exchange differences arising from the translation of financial statements of foreign operations and the proportion of the gains or losses on hedging instruments used to hedge against movements in net investments in foreign operations that are determined to be effective.

Other reserves records the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge.

Cumulative goodwill written off directly to Group reserves at 31 March 2010, subsequent to the capital reorganisation in January 1985, amounted to £2.0 million (2009 – £2.0 million).

Included in retained earnings is an amount of £7.0 million (net of tax) (2009 – £7.1 million) relating to the revaluation of freehold property that was undertaken at the date of IFRS adoption. The amount is not distributable until it is realised.

21. Operating lease obligations

The Group has entered into leases on commercial properties and plant and equipment.

At the end of the year there were the following minimum rental commitments under non-cancellable operating leases:

	2010		2009	
	Properties £m	**Equipment £m**	Properties £m	Equipment £m
Within one year	**2.1**	**0.5**	2.1	0.5
Between two and five years	**6.6**	**0.4**	7.4	0.4
Over five years	**17.3**	**–**	13.9	–
	26.0	**0.9**	23.4	0.9

Certain of the leased properties have been sublet and the future minimum sublease payments expected to be received under non-cancellable sublease agreements is £0.9 million (2009 – £1.2 million).

22. Contingent liabilities

Performance guarantees given to third parties in respect of Group companies were £3.8 million (2009 – £3.9 million).

23. Additional cash flow information

Reconciliation of (loss)/profit before tax to net cash flows from operations:

	2010 £m	2009 £m
Cash generated from operations:		
(Loss)/profit before taxation	**(13.6)**	2.9
Depreciation and amortisation	**5.0**	4.7
Loss/(profit) on plant and equipment disposals	**0.5**	(0.7)
Equity share plans	**0.1**	0.4
Net finance costs	**8.8**	4.7
Decrease in inventories	**4.0**	3.4
Decrease in receivables	**8.6**	3.8
Decrease in payables	**(5.3)**	(13.0)
Decrease in provisions	**(2.2)**	(2.0)
Movement on pension plans	**(5.1)**	(3.9)
Movement in derivative financial instruments	**0.1**	0.8
Cash generated from operations	**0.9**	1.1

Reconciliation of net increase/(decrease) in cash and cash equivalents to movement in net debt:

	2010 £m	2009 £m
Decrease in cash and cash equivalents	**(2.3)**	(7.5)
Change in net debt resulting from cash flows	**21.0**	(0.2)
Foreign currency translation differences	**0.6**	(5.6)
Change in net debt during the period	**19.3**	(13.3)
Net debt at start of year	**(37.2)**	(23.9)
Net debt at end of year	**(17.9)**	(37.2)
Net debt comprises:		
Cash and cash equivalents (Note 12)	**7.3**	11.3
Total borrowings (Note 13)	**(25.2)**	(48.5)
	(17.9)	(37.2)

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Notes to the consolidated financial statements
continued

24. Financial instruments

These notes should be read in conjunction with the narrative disclosures in the Finance Director's Review on pages 11 to 13.

Exchange rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in the US Dollar and Euro exchange rates, with all other variables held constant, of the Group's loss before tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity (due to changes in the fair value of forward exchange contracts and the effect of hedging borrowings in reserves). The impact of translating the net assets of foreign operations into Sterling is excluded from the sensitivity analysis:

Change in US Dollar rate:

	Increase/ (decrease) in US$ rate	Effect on loss before tax £m	Effect on shareholders equity £m
2010	25%	1.9	0.6
	(10%)	(1.2)	(0.2)

	Increase/ (decrease) in US$ rate	Effect on profit before tax £m	Effect on shareholders equity £m
2009	25%	0.2	3.9
	(10%)	(0.1)	(2.1)

Change in Euro rate:

	Increase/ (decrease) in Euro rate	Effect on loss before tax £m	Effect on shareholders equity £m
2010	25%	0.3	2.5
	(10%)	(0.1)	(1.5)

	Increase/ (decrease) in Euro rate	Effect on profit before tax £m	Effect on shareholders equity £m
2009	25%	0.3	0.8
	(10%)	(0.2)	(0.5)

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in the basis points of the Group's floating interest rates:

	Increase in basis point	Effect on loss before tax £m
2010		
Sterling	+150	–
US Dollar	+150	(0.2)
Euro	+150	–
Other	+150	(0.2)
		(0.4)

Financial statements

24. Financial instruments (continued)

	Increase in basis point	Effect on profit before tax £m
2009		
Sterling	+150	(0.1)
US Dollar	+150	(0.2)
Euro	+150	(0.2)
Other	+150	(0.2)
		(0.7)

(a) The balance sheet position on financial instruments is set out below:

	2010 £m	2009 £m
Current liabilities:		
Forward foreign currency contracts – cash flow hedge	**(0.2)**	(2.9)

The cash flow hedges of the expected future transactions in US Dollars and Euros were assessed to be highly effective. A loss of £0.1 million (2009 – loss £0.5 million) was transferred to operating costs in the income statement in the period.

b) Short-term receivables and payables
The carrying amount of short term receivables and payables (being those with a remaining life of less than one year) is deemed to approximate to their fair value.

c) Hedge of net investment in foreign entity
The Group has US Dollar denominated borrowings which it has designated as a hedge of the net investment in its subsidiaries in the US. The carrying value of the US Dollar borrowings at 31 March 2010 was £8.5 million (1 April 2009 – £9.1 million). A foreign exchange gain of £0.6 million (2009 – loss of £2.6 million taken to reserves) on translation of the borrowings into Sterling is included in net financing costs as interest income on financial assets not at fair value as the hedge of the net investment in the US subsidiaries was deemed not to be effective.

d) Currency and interest rate profile of financial liabilities of the Group

Currency	Fixed rate £m	Floating rate £m	Total £m
2010			
Sterling			
– Financial liabilities	0.2	–	0.2
– Preference stock	0.5	–	0.5
US Dollar	–	11.4	11.4
Euro	–	0.9	0.9
Other	0.4	11.8	12.2
	1.1	24.1	25.2

Financial statements

Notes to the consolidated financial statements
continued

24. Financial instruments (continued)

d) Currency and interest rate profile of financial liabilities of the Group (continued)

Currency	Fixed rate £m	Floating rate £m	Total £m
2009			
Sterling			
– Financial liabilities	0.2	10.6	10.8
– Preference stock	0.5	–	0.5
US Dollar	–	11.6	11.6
Euro	–	13.0	13.0
Other	0.6	12.0	12.6
	1.3	47.2	48.5

The 6% cumulative preference stock of £1 each has no fixed repayment date.

Floating rate financial liabilities bear interest at rates based on relevant national base rate equivalents, which can fluctuate on a daily basis.

The other financial instruments of the Group that are not included in the above tables are non-interest bearing and are therefore not subject to interest rate risk.

Interest rate risk
The Group's exposure to the risk of changes in market interest rates relate primarily to the Group's Sterling, US Dollar and Euro debt obligations.

Foreign currency risk
As a result of the significant investment operations in the US and Europe, the Group's balance sheet can be affected significantly by movements in the US Dollar/Sterling and Euro/Sterling exchange rates.

Credit risk
The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. The maximum exposure is the carrying amount as disclosed in Note 11. There are no significant concentrations of credit risk within the Group.

With respect to credit risk arising from other financial assets of the Group, which comprise cash and cash equivalents and certain derivative instruments, the Group's exposure to credit risk has a maximum exposure equal to the carrying value of these instruments.

e) Currency and interest rate profile of financial assets at 31 March 2010

	2010			2009		
Currency	**Cash at bank and in hand £m**	**Short term deposits £m**	**Total £m**	Cash at bank and in hand £m	Short term deposits £m	Total £m
Sterling	**1.4**	**1.0**	**2.4**	0.6	–	0.6
Euro	**1.3**	**0.6**	**1.9**	3.6	1.3	4.9
US Dollar	**0.1**	**–**	**0.1**	3.0	–	3.0
Other	**2.3**	**0.6**	**2.9**	2.1	0.7	2.8
	5.1	**2.2**	**7.3**	9.3	2.0	11.3

Cash balances and short term deposits are held with the Group's bankers. These deposits are held largely in Germany and South Africa and earn interest at bank deposit interest rates for periods of up to three months.

24. Financial instruments (continued)

f) Maturity of financial liabilities
The maturity profile of the contracted amount of the Group's financial liabilities was as follows:

2010	1 year or less or on demand £m	1 to 2 years £m	2 to 5 years £m	More than 5 years £m	Total £m
Interest bearing loans and borrowings	14.2	0.5	10.8	0.3	25.8
Leases	0.1	0.1	–	–	0.2
Trade payables	20.1	–	–	–	20.1
Forward foreign exchange contracts – outflow	17.2	–	–	–	17.2
Preference stock[1]	–	–	–	0.5	0.5
	51.6	0.6	10.8	0.8	63.8

2009	1 year or less or on demand £m	1 to 2 years £m	2 to 5 years £m	More than 5 years £m	Total £m
Interest bearing loans and borrowings	46.2	1.8	1.1	0.7	49.8
Leases	0.1	0.1	–	–	0.2
Trade payables	22.9	–	–	–	22.9
Forward foreign exchange contracts – outflow	14.3	–	–	–	14.3
Preference stock[1]	–	–	–	0.5	0.5
	83.5	1.9	1.1	1.2	87.7

1 No fixed repayment date.

The Group has contracted forward contracts consisting of Euro forward contracts of £13.3 million (2009 – £5.0 million) and US Dollar forward contracts of £3.9 million (2009 – £9.3 million) due within one year.

g) Borrowing facilities
The Group has the following undrawn committed borrowing facilities available at the year end date in respect of which all conditions precedent had been met at that date:

	2010 £m	2009 £m
Expiring within one year or less, or on demand	**20.5**	18.6

The facilities expiring in one year or less, or on demand, are primarily annual facilities subject to review at various dates during the year ending 31 March 2011.

h) Fair values
Set out below is a comparison by category of the carrying amounts and fair values of the Group's financial instruments excluding derivatives, short term trade payables and short term trade receivables which are already carried at fair value:

	Carrying value		**Fair value**	
	2010 £m	2009 £m	**2010 £m**	2009 £m
Financial assets				
Cash	**7.3**	11.3	**7.3**	11.3
Financial liabilities				
Bank overdraft (floating rate borrowing)	**1.4**	2.7	**1.4**	2.7
Interest bearing loans and borrowings				
Floating rate borrowing	**22.7**	44.5	**22.7**	44.5
Fixed rate borrowing	**0.6**	0.8	**0.5**	0.8
Preference stock	**0.5**	0.5	**0.5**	0.5

The fair value of derivatives and borrowings has been calculated by discounting the expected future cash flows at prevailing interest rates.

Notes to the consolidated financial statements
continued

24. Financial instruments (continued)

h) Fair values (continued)

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable financial market data.

As at 31 March 2010, the Group held the following financial instruments measured at fair value:

	£m	Level 1 £m	Level 2 £m	Level 3 £m
Liabilities measured at fair value				
Forward foreign currency contracts – cash flow hedge	0.2	–	0.2	–
Warrants over shares	0.4	–	–	0.4

The assumptions used to calculate the fair value of the warrants over shares are an exercise price of 21.06p in line with the agreement, a risk-free rate of 3.5% and a seven year term. Upon recognition of the warrants a liability and charge of £0.4 million was recognised in the income statement.

i) Capital management

The primary objective of the Group's capital management is to ensure that it maintains a satisfactory credit rating and capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to the shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 March 2010 and 31 March 2009.

To this end the Group raised £26.9 million from investors in December 2009 in order to repay some of its debt and strengthen the balance sheet. Having successfully completed this share issue the Directors are satisfied that the capital structure of the Group is appropriate.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt.

	2010 £m	2009 £m
Net debt (Note 23)	**17.9**	37.2
Preference stock	**0.5**	0.5
Total debt	**18.4**	37.7
Equity	**43.0**	38.5
Total capital	**43.0**	38.5
Capital and net debt	**61.4**	76.2
Gearing ratio	**30%**	49%

25. Business combinations

Acquisition made in the year ended 31 March 2009

On 29 September 2008, the Group acquired an interest in the assets forming the industrial chain business of L. G. Balakrishnan & Bros Ltd (**LGB**), located in India. The acquisition has been accounted for using the purchase method of accounting.

The Group's interest is represented by a 75% equity investment in Renold Chain India Private Limited (**RCIPL**), the vehicle used to acquire the respective trade and business assets of LGB. The shareholders' agreement contains a call option allowing Renold International Holdings Limited to acquire the remaining 25% equity interest from LGB at any time after 29 September 2010. The fair value of the call option at the balance sheet date is not material.

In addition, the shareholders' agreement also includes a put option that sets out certain circumstances in which the minority interest could acquire the Group's 75% interest. The exercise of this option is within the Group's control. The fair value of the put option is not material.

The purchase consideration is summarised as follows:

	£m
Cash consideration paid[1]	6.1
Direct costs relating to the acquisition	0.6
Total purchase consideration	6.7
Fair value of net identifiable assets acquired	(4.6)
Goodwill	2.1

1 Includes deferred consideration of £0.8 million and contingent consideration of £0.9 million net of a working capital adjustment of £0.6 million.

The deferred consideration, which was calculated based on the minimum amount of total consideration payable under the terms of the sale and purchase agreement and contingent consideration which is dependent upon the adjusted audited results of the acquired business for the year ended 31 March 2009 was agreed with the vendor of the business during the year.

A payment of £0.5 million was made by the Group to LGB representing a partial payment of the amount due in relation to the deferred and contingent consideration payable net of the working capital adjustment. As at 31 March 2010 a balance of £0.7 million was payable to the vendor.

The goodwill resulting from the acquisition is attributable to certain intangible assets that cannot be individually separated and reliably measured due to their nature. These include the synergies expected to result from integrating RCIPL into the Group and the acquisition of an assembled workforce.

The assets and liabilities arising from the acquisition are as follows:

	Book value £m	Provisional fair values £m
Property, plant and equipment	1.3	4.5
Inventories	1.9	1.7
Net assets	3.2	6.2
Minority interests (25%)		(1.6)
Net assets acquired		4.6

Cash outflow on acquisition:

	£m
Purchase consideration settled in cash	5.0
Direct costs relating to the acquisition	0.6
Cash outflow on acquisition	5.6

25% of the equity interest in RCIPL is owned by LGB and resulted in a minority interest of £1.6m at acquisition.

There has been no adjustment to the goodwill calculated at 31 March 2009 as there was no change to the provisional fair values during the current year.

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Group five-year financial review (unaudited)

		2010 £m	2009 £m	2008 £m	2007 £m	2006 £m
Group revenue		**156.1**	194.7	172.6	188.4	225.1
Less discontinued operations		–	–	–	(29.1)	(70.1)
Revenue from continuing operations		**156.1**	194.7	172.6	159.3	155.0
Operating (loss)/profit before exceptional items – continuing		**(2.1)**	10.0	12.0	9.8	6.8
Operating (loss)/profit		**(4.8)**	7.6	12.2	3.9	5.4
(Loss)/profit before tax		**(13.6)**	2.9	9.3	1.4	1.8
Taxation		**3.9**	(0.8)	(3.1)	(0.6)	(1.5)
		(9.7)	2.1	6.2	0.8	0.3
Discontinued operations:						
Profit/(loss) from discontinued operations		**–**	–	1.5	(13.5)	(13.9)
(Loss)/profit for the year		**(9.7)**	2.1	7.7	(12.7)	(13.6)
Net assets employed						
Property, plant and equipment, intangible software and investment property		**53.6**	54.4	42.6	36.2	38.4
Working capital and other net assets		**37.9**	42.9	33.2	26.2	30.7
Operating assets		**91.5**	97.3	75.8	62.4	69.1
Assets of discontinued operations		**–**	–	–	–	37.1
Liabilities of discontinued operations		**–**	–	–	–	(28.1)
Properties held for sale		**–**	–	–	3.4	3.4
Goodwill		**23.5**	24.5	16.3	15.2	17.1
Net debt		**(17.9)**	(37.2)	(23.9)	(19.4)	(20.7)
Deferred and current taxation		**21.8**	14.0	8.4	15.5	17.0
Provisions		**(1.1)**	(3.4)	(4.4)	(5.2)	(0.4)
Net assets excluding pension obligations		**117.8**	95.2	72.2	71.9	94.5
Pension obligations		**(73.0)**	(55.1)	(31.2)	(48.0)	(53.9)
Total net assets		**44.8**	40.1	41.0	23.9	40.6
Other data and ratios						
Operating return on average operating assets[1]	%	**(2.2)**	11.6	17.4	14.9	7.7
Operating (loss)/profit on turnover[2]	%	**(3.1)**	5.1	7.0	6.2	4.4
Capital expenditure	£m	**4.2**	5.8	8.2	5.8	6.6
Basic (loss)/earnings per share	p	**(8.0)**	2.8	11.0	(18.3)	(19.6)
Employees at year end (continuing)		**2,257**	2,301	2,536	2,041	2,008

1 Being operating profit before exceptional items divided by average operating assets.
2 Based on operating profit before exceptional items.

Report of the independent auditors

To the members of Renold plc

We have audited the financial statements of Renold plc for the year ended 31 March 2010 which comprise the Company Balance Sheet, the Company Statement of Total Recognised Gains and Losses, and the related notes (i) to (xiii). The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report of the independent auditors 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

We have reported separately on the Group financial statements of the Company for the year ended 31 March 2010.

Respective responsibilities of Directors and auditors

As explained more fully in the Statement of Directors' responsibilities for the Company financial statements set out on page 76, the Directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Directors; and
- the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the Company financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2010;
- 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.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the Company financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company financial statements and the part of the Directors' remuneration report to be audited 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.

Other matter

We have reported separately on the Group financial statements of Renold plc for the year ended 31 March 2010.

Eamonn McGrath
(Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Manchester
7 June 2010

Accounting policies

A summary of the principal Company accounting policies is set out below. These have been applied on a consistent basis unless otherwise indicated.

As permitted by section 408 of the Companies Act 2006 the Company has not presented its own profit and loss account.

Basis of accounting – The accounts have been prepared in compliance with the Companies Act 2006 and in accordance with UK Generally Accepted Accounting Principles. They have been prepared under the historical cost convention.

Statement of Directors' responsibilities for the Company financial statements
The Directors are responsible for preparing the Directors' 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). 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 those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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.

Foreign currencies – Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Financial instruments and risk management – The accounting policies of the Company in respect of financial instruments are consistent with those of the Group, and are detailed in the consolidated financial statements. In accordance with paragraph 2(d) of FRS 29, the Company is exempt from the disclosure requirements of FRS 29. The Company's financial instruments are consolidated with those of the Group and are incorporated into the disclosures in Note 24.

Derivative financial instruments – The Company uses derivative financial instruments to hedge the Group's exposure to foreign exchange and interest rate risks arising from operating and financing activities. In accordance with its treasury policy, the Company does not hold or use derivative financial instruments for trading or speculative purposes.

Tangible fixed assets – Tangible fixed assets represented by properties and equipment are stated at cost, being purchase cost plus any incidental costs of acquisition, less accumulated depreciation. The book values of certain assets which were the subject of past revaluations have been retained as permitted by the transitional arrangements of FRS 15 – Tangible Fixed Assets. Depreciation is calculated by reference to original cost at fixed percentages assuming effective useful lives as follows:

- Leasehold properties – the period of the lease
- Equipment and fixtures – 10 to 15 years
- Motor vehicles – 25% per annum for 3 years leaving 25% residual value

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

Leases – Annual rentals in respect of operating leases are charged against the profit of the year on a straight-line basis over the lease term.

Investments – Investments in subsidiary companies are accounted for at cost and reviewed for impairment on an annual basis. Where indicators of impairment are present, the cash flow of the underlying entities are reviewed to determine whether the investment value is recoverable.

Deferred tax – Deferred tax is recognised on all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more, or a right to pay less, tax in the future have occurred at the balance sheet date, with the following exceptions:

- Provision is not made for tax that would arise on the remittance of retained earnings of overseas subsidiaries unless the dividends have been accrued as receivable at the balance sheet date.
- Deferred tax assets are recognised only to the extent that, based on all available evidence, it is considered more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

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

Pension costs – Employees of the Company participate in the pension plans operated by the Group in the UK. These include pension plans of the defined benefit and defined contribution types. However, the contributions paid by the Company are accounted for as defined contribution plans in all cases. This is because the Company is unable to identify its share of the underlying assets and liabilities in the respective plans, as required by FRS 17 – Retirement Benefits. Therefore, contributions paid to the respective pension plans are charged to the profit and loss account as incurred. Disclosures associated with the Group defined benefit plans are provided in the Group financial statements.

Share-based compensation – The Company operates equity settled share-based compensation plans as detailed in the Group financial statements. The fair value of Company employee services received in exchange for the grant of the options is recognised as an expense in the income statement, with the corresponding amount being recognised in equity. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions, using a Black-Scholes pricing model. The model is adjusted as necessary for market based vesting conditions.

Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, an update is made of the estimates of the number of options that are expected to become exercisable. The impact of the revision of original estimates, if any, is recognised in the income statement, and a corresponding adjustment made to equity over the remaining vesting period. No expense is recognised for awards that do not ultimately vest except for awards where vesting is conditional upon market or non-vesting conditions which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied provided that all other performance or service conditions are satisfied. The model is adjusted as necessary for market based and non-vesting conditions. The market-based conditions are linked to the price of shares of the Company.

Where the terms of an equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of the modification. No reduction is recognised if this difference is negative.

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

Interest bearing loans and borrowings – All interest bearing loans and borrowings are initially recognised at net proceeds. After initial recognition, debt is subsequently measured at amortised cost using the effective interest method.

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

Cash flow statement – As permitted by FRS 1 – Cash Flow Statements (revised 1996), the financial statements do not contain a cash flow statement as the financial statements of the Group, which are publicly available, contain a cash flow statement.

Related party transactions – The Company has taken advantage of the exemption not to disclose related party transactions with wholly owned subsidiaries of the Group under FRS 8 – Related Party Disclosures.

Accounting policy on derivatives – Financial assets and financial liabilities are disclosed in the Group financial statements.

Company balance sheet
as at 31 March 2010

	Note	2010 £m	2009 £m
Fixed assets			
Tangible assets	i	2.0	0.4
Investments in subsidiary undertakings	ii	70.4	66.1
		72.4	66.5
Current assets			
Debtors	iii	9.1	4.7
Cash and short term deposits		16.4	13.0
		25.5	17.7
Creditors – amounts falling due within one year			
Other creditors	iv	(2.7)	(1.8)
Bank borrowings	v	–	(19.7)
Derivative financial instruments	vi	(0.1)	(2.8)
Net current assets/(liabilities)		22.7	(6.6)
Total assets less current liabilities		95.1	59.9
Creditors – amounts falling due after more than one year			
Bank borrowings	v	(8.6)	–
Preference stock	v	(0.5)	(0.5)
Net assets		86.0	59.4
Capital and reserves			
Called-up share capital	viii	26.4	19.3
Share premium account	ix	29.4	9.6
Profit and loss account	ix	30.2	30.5
Shareholders' funds		86.0	59.4

Approved by the Board on 7 June 2010 and signed on its behalf by:

Matthew Peacock
Chairman

Robert Davies
Director

Company statement of total recognised gains and losses
for the year ended 31 March 2010

	2010 £m	2009 £m
(Loss)/profit for the year	**(0.4)**	2.3
Total recognised (losses)/gains for the year	**(0.4)**	2.3
Equity shareholders of the Company	**(0.4)**	2.3

Financial statements

Notes to the Company financial statements

(i) Tangible assets

	Properties £m	Equipment £m	Total £m
Cost			
At beginning of year	0.4	1.0	1.4
Additions at cost	–	0.1	0.1
Group transfers	–	1.8	1.8
Disposals	–	(0.3)	(0.3)
At end of year	**0.4**	**2.6**	**3.0**
Depreciation			
At beginning of year	0.2	0.8	1.0
Depreciation for the year	–	0.2	0.2
Group transfers	–	0.1	0.1
Disposals	–	(0.3)	(0.3)
At end of year	**0.2**	**0.8**	**1.0**
Net book value at end of year	**0.2**	**1.8**	**2.0**
Net book value at beginning of year	0.2	0.2	0.4

Future capital expenditure
At 31 March 2010 authorised capital expenditure not provided for in these financial statements for which contracts have been placed amounted to £106,000 (2009 – £nil).

(ii) Investments in subsidiary undertakings

	Shares £m	Advances £m	Total £m
Subsidiary undertakings			
Cost or valuation			
At beginning of year	22.6	43.5	66.1
Increase in investment	20.8	–	20.8
Impairment of investment	(0.4)	–	(0.4)
Net advances/(repayments)	–	(16.1)	(16.1)
At end of year	43.0	27.4	70.4

The principal subsidiary undertakings of the Company at 31 March 2010 are set out in Note (xiii).

(iii) Debtors

	2010 £m	2009 £m
Amounts owed by Group undertakings	**8.7**	4.2
Deferred tax asset	**0.2**	0.1
Other debtors	**0.1**	0.2
Prepayments and accrued income	**0.1**	0.2
	9.1	4.7

The analysis of the deferred tax asset is as follows:

	2010 £m	2009 £m
All amounts falling due after more than one year:		
Decelerated capital allowances	**0.2**	0.1
	0.2	0.1

(iv) Other creditors

	2010 £m	2009 £m
Amounts falling due within one year:		
Trade creditors	1.1	0.7
Amounts owed by Group undertakings	0.4	0.4
Other taxation and social security	0.2	0.3
Accruals	0.5	0.4
Other creditors	0.5	–
	2.7	1.8

Other creditors include £0.4 million (2009– £nil) being the fair value of warrants issued over the Company's shares to the Company's lenders as part of the refinancing that was completed in August 2009. The warrants are over 3,500,000 ordinary shares of 5 pence each and have a seven year term commencing from 13 August 2009, during which they can be exercised at any time.

(v) Borrowings

	2010 £m	2009 £m
Amounts falling due within one year:		
Bank overdrafts	–	1.0
Bank loans	–	18.7
	–	19.7
Amounts falling due after one year:		
Bank loans	8.6	–
Repayable:		
In more than two years but not more than three years	8.6	–
	8.6	–
Summary of total borrowings:		
Bank overdrafts	–	1.0
Total bank loans	8.6	18.7
Preference stock	0.5	0.5
Total borrowings	9.1	20.2

Bank borrowings are secured by fixed and floating charges over the assets of UK subsidiaries.

Preference stock

At 31 March 2010 there were 580,482 units of 6% cumulative preference stock of £1 each in issue (2009 – 580,482).

All payments of dividends on the 6% cumulative preference stock have been paid on the due dates. The preference stock has the following rights:

(i) a fixed cumulative preferential dividend at the rate of 6% per annum payable half yearly on 1 January and 1 July in each year;

(ii) rank both with regard to dividend (including any arrears to the commencement of a winding up) and return of capital in priority to all other stock or shares of the Company but with no further right to participate in profits or assets;

(iii) no right to attend or vote, either in person or by proxy, at any general meeting of the Company or to have notice of any such meeting, unless the dividend on the preference stock is in arrears for six calendar months; and

(iv) no redemption entitlement.

Notes to the Company financial statements
continued

(vi) Derivative financial instruments

	2010 £m	2009 £m
Forward foreign currency contracts – cash flow hedge	(0.1)	(2.8)

The cash flow hedges of the expected future transactions in US Dollars and Euros were assessed to be highly effective. A loss of £0.1 million (2009 – loss £2.0 million) in respect of US Dollar contracts and £nil (2009 – loss £0.8 million) in respect of Euro contracts was included in equity.

A loss of £0.1 million (2009 – loss £0.5 million) was transferred to operating costs in the income statement in the period.

The Group has contracted forward contracts to sell foreign currency consisting of Euro forward contracts of £13.3 million (2009 – £5.0 million) and US Dollar forward contracts of £3.9 million (2009 – £9.3 million) due within one year.

(vii) Pensions

Employees of the Company include members of the principal UK defined benefit schemes. However, the contributions paid by the Company are accounted for as a defined contribution scheme, because the Company is unable to identify its share of the underlying assets and liabilities in the respective schemes. This is due to the fact that the Company cannot attribute the members of the schemes to the individual sponsoring employer company. As a consequence, the deficit in the UK defined benefit schemes is only recognised as a liability in the Group balance sheet. The basis used to determine the deficit in the schemes is disclosed in Note 17 in the consolidated financial statements. No contributions are outstanding at the year end. As the pension scheme is in a deficit position a plan has been put in place for the participating employers to make additional payments into the schemes. The Company will continue to make payments in line with the plan agreed with the trustees.

(viii) Called-up share capital

	Authorised[1]		Issued	
	2010 £m	2009 £m	2010 £m	2009 £m
Equity interests				
Ordinary shares of 25 pence each	–	23.1	–	19.3
Ordinary shares of 5 pence each	–	–	11.0	–
Deferred shares of 20 pence each	–	–	15.4	–
6% cumulative preference stock	–	0.6	0.5	0.5
	–	23.7	26.9	19.8

1 At the 2009 annual general meeting, new articles of association of the Company were adopted whereby the requirement for the Company to have an authorised share capital has been removed.

At 31 March 2010, the issued ordinary share capital comprised 219,564,703 ordinary shares of 5 pence each (2009 – 77,064,703 ordinary shares of 25 pence each).

On 9 December 2009, each issued ordinary share of 25 pence was subdivided and converted into one ordinary share of 5 pence and one deferred share of 20 pence. The deferred shares have no voting or dividend rights.

On 10 December 2009, 87,500,000 new ordinary shares of 5 pence each were issued through a placing and open offer and 55,000,000 new ordinary shares of 5 pence each were issued through a firm placing raising £28.5 million gross (£26.9 million after transaction expenses). The new shares rank pari passu with the existing ordinary shares.

During the year the Company issued no ordinary shares (2009 – 42,509 ordinary shares of 25 pence) each for a cash consideration of £nil (2009 – £23,319) by the exercise of options under share option schemes.

Details of the 6% cumulative preference stock are set out in Note (v).

Disclosures in respect of capital management can be found in Note 24 of the consolidated financial statements.

(viii) Called-up share capital (continued)

Share options

Share options have been granted under the executive share option schemes. Following the division of the existing shares on 9 December 2009, and issue of new ordinary shares on 10 December 2009, the comparative numbers have been restated to take account of the adjustments required to calculate the dilutory impact of the share issue on the value of the share options outstanding at that date. Whilst this adjustment changes the quantity and exercise price, it does not impact the net overall value of the share options awarded.

At 31 March 2010, unexercised options for ordinary shares amounted to 10,903,517 (2009 – 6,104,307 restated) made up as follows:

	restated Option price (p per share)	**Number of shares 2010**	restated Number of shares 2009
Date normally exercisable			
Executive Share Option Schemes			
Within seven years from:			
16 July 2002 (1995 Scheme)	117.4	**–**	88,080
19 July 2003 (1995 Scheme)	100.9	**52,848**	52,848
28 November 2004 (1995 Scheme)	57.3	**143,276**	143,276
27 November 2005 (1995 Scheme)	49.8	**124,485**	124,485
27 November 2006 (1995 Scheme)	71.1	**105,695**	117,440
11 March 2007 (1995 Scheme)	65.1	**146,799**	146,799
2 September 2007 (2004 Scheme)	74.9	**557,835**	557,835
22 November 2007 (2004 Scheme)	63.3	**123,312**	123,312
26 July 2009 (2004 Scheme)	52.5	**581,325**	604,816
30 November 2009 (2004 Scheme)	85.2	**140,926**	140,926
2 January 2010 (2004 Scheme)	97.2	**422,782**	422,782
27 November 2010 (2004 Scheme)	78.8	**–**	775,104
31 March 2011 (2004 Scheme)	64.6	**1,754,171**	1,851,679
1 April 2011 (2004 Scheme)	65.6	**211,733**	211,733
25 November 2011 (2004 Scheme)	31.5	**63,481**	63,481
5 February 2013 (2004 Scheme)	23.2	**6,474,849**	–
		10,903,517	5,424,596
Savings related share option schemes			
Within six months from:			
1 March 2009 (2004 Scheme)	46.2	**–**	679,711
		–	679,711

Further details of share-based payment schemes operated by the Company are provided in the Directors' remuneration report and Note 19 of the consolidated financial statements.

Notes to the Company financial statements
continued

(ix) Reserves

	Profit and loss account £m	Share premium £m	Total reserves £m
At beginning of year	**30.5**	**9.6**	**40.1**
Loss for the year	(0.4)	–	(0.4)
Employee share option schemes – value of employee services	0.1	–	0.1
Proceeds from share placing	–	21.4	21.4
Associated costs of placing	–	(1.6)	(1.6)
At end of year	**30.2**	**29.4**	**59.6**

As permitted by section 408 of the Companies Act 2006, no profit and loss account is presented in these financial statements. The Company incurred a loss for the financial year of £0.4 million (2009 – profit £2.3 million).

Total fees payable by the Company to Ernst & Young LLP for work in respect of the audit of the Company were £31,000 (2009 – £31,000). Fees paid to the Company's auditors for non-audit services to the Company are not disclosed in these financial statements because the Company's consolidated financial statements are required to disclose such fees on a consolidated basis.

(x) Operating lease obligations

At the end of the year there were annual commitments under non-cancellable operating leases in relation to a property as follows:

	2010 £000's	2009 £000's
Leases expiring:		
– between two and five years	**199**	199
	199	199

(xi) Contingent liabilities

The Company has guaranteed borrowings by subsidiary undertakings of £11.3 million (2009 – £23.6 million). Performance guarantees given to third parties in respect of Group companies were £3.6 million (2009 – £3.8 million). No material loss is expected to arise as a result of these contingent liabilities.

(xii) Related party transactions

The Company has taken advantage of the exemption in FRS 8, not to disclose transactions with its wholly owned subsidiaries.

During the year, the Company entered into transactions in the ordinary course of business with its 90% owned subsidiary Renold (Hangzhou) Co Limited and its 75% owned subsidiary Renold Chain India Private Limited. Transactions entered into and trading balances outstanding at 31 March 2010 (and 2009) with Renold Chain India Private Limited are not material. Transactions entered into and trading balances outstanding at 31 March with Renold (Hangzhou) Limited are as follows:

	2010 Renold (Hangzhou) Co Limited £m	2009 Renold (Hangzhou) Co Limited £m
Recharges of services	**0.2**	0.2
Amounts payable as at 31 March	**0.3**	0.1

Transactions with key management personnel

During the year key management personnel subscribed for 12,310,449 shares at 20 pence per share under the December 2009 share issue, as detailed in Note xiii. This includes shares which were subscribed for by Hanover Investors Limited, which are held beneficially for Matthew Peacock, an entity over which Matthew Peacock exercises significant influence.

During the year commissions and fees of £978,000 were paid in relation to the December 2009 share issue, as detailed in Note xiii, to Singer Capital Markets Limited, an entity of which Matthew Peacock is the Chairman.

(xiii) Significant undertakings as at 31 March 2010[1]

United Kingdom
Renold Power Transmission Limited (held directly by Renold plc)

Europe
(other than the United Kingdom)

Austria	Renold GmbH
Belgium	Renold Continental Limited (incorporated in the United Kingdom)
Denmark	Renold A/S
France	Brampton Renold SAS
Germany	Renold GmbH
Holland	Renold Continental Limited (incorporated in the United Kingdom)
Russia	Renold Russia (Obshchestvo s Ogranichennoj Otvetstvennost'u)
Sweden	Renold Transmission AB
Switzerland	Renold (Switzerland) GmbH

North America

Canada	Renold Canada Limited
US	Renold Inc
	Jeffrey Chain LP

Other countries

Australia	Renold Australia Proprietary Limited
China	Renold Transmission (Shanghai) Company Limited
	Renold Technologies (Shanghai) Company Limited
	Renold (Hangzhou) Co Ltd
India	Renold Chain India Private Limited
Malaysia	Renold (Malaysia) Sdn Bhd
New Zealand	Renold New Zealand Limited
Singapore	Renold Transmission Limited (incorporated in the United Kingdom)
South Africa	Renold Crofts (Pty) Limited

The subsidiary undertakings listed above are those which, in our opinion, principally affected the results and assets of the Group. Companies of minor importance are omitted by virtue of section 410 of the Companies Act 2006.

All of our companies other than Renold (Hangzhou) Co Ltd and Renold Chain India Private Limited (in which we hold an interest of 90% and 75% of the equity shares and voting rights respectively) are direct or indirect subsidiaries of Renold plc, a company incorporated in England and Wales, which ultimately holds a 100% interest in the equity shares and voting rights. Renold Power Transmission Limited and Renold Continental Limited are registered in England and Wales. Our overseas companies are incorporated in the countries in which they operate except where otherwise stated.

1 All companies held indirectly unless otherwise stated.

Corporate details

2009 share issue information

On 17 November 2009, the Company announced a capital reorganisation and placing and open offer and firm placing. Following receipt of shareholder approval, each of the 25 pence ordinary shares of the Company was divided into one ordinary share of 5 pence and one deferred share of 20 pence on 9 December 2009. On 17 November 2009, eligible shareholders were given the opportunity to participate in an open offer on the basis of 1.1354 new ordinary shares for every existing ordinary share held on 13 November 2009, at a subscription price of 20 pence per share. The open offer period ended on 8 December 2009 and dealing in the new fully paid 5 pence ordinary shares commenced on the London Stock Exchange on 10 December 2009. Information relating to the transaction is available in the prospectus available at www.renold.com.

Corporate calendar

Annual General Meeting	15 July 2010
Interim Management Statement (first)	Between 11 June 2010 and 17 August 2010
Half year end 2010/11	30 September 2010
Announcement of half year 2010/11 results	November 2010
Interim Management Statement (second)	Between 11 December 2010 and 16 February 2011
Year end 2010/11	31 March 2011
Announcement of annual results 2010/11	June 2011
Payment of preference dividends	1 July 2010 and 1 January 2011

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If calling from overseas: +44 208 639 3399

Email: shareholder.services@capitaregistrars.com
Website: www.capitaregistrars.com
Registrar's Share Portal: www.capitashareportal.com

If you receive two or more copies of this report please write to Capita Registrars at Shareholder Services, Capita Registrars, Northern House, Woodsome Park, Fenay Bridge, Huddersfield HD8 0GA and ask for your accounts to be amalgamated.

Notes

Notes

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