NOTICE OF ILLEGIBLE DOCUMENT

ON THE MICROFICHE RECORD

Companies House regrets that the microfiche record for this company, contain some documents, which are illegible.

The poor quality has been noted, but unfortunately steps taken to improve them were unsuccessful.

Companies House would like to apologise for any inconvenience this may cause

16-09-92

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ANNUAL REPORT 1992

"Whilst the harsh economic conditions had a severe impact on the year's results, management action has ensured that Renold is in good shape to benefit from an upturn in demand."

PETER FROST

PRINCIPAL ACTIVITIES

Renold PLC is an international engineering group, producing a wide range of high quality engineering products, and owning manufacturing and merchanting operations in seventeen countries.

The Group's principal products include transmission and conveyor chains; gearb[illegible] mechanical variable sp[illegible] clutches, couplings and spin[illegible]es; specialist machine tools and compressor rotors.

CONTENTS

FINANCIAL SUMMARY

£m	1992	1991
Turnover	121·5	[illegible]
Trading profit	0·3	[illegible]
Profit (loss) before exceptional items and tax	(1·5)	[illegible]
Profit (loss) on ordinary activities before tax	(3·0)	[illegible]
Earnings (loss) per share (excluding exceptional items)	(3·3p)	[illegible]
Earnings (loss) per share (including exceptional items)	(5·6p)	[illegible]
Dividend per share	1·0p	[illegible]
Capital expenditure	5 0	[illegible]
Gearing	25%	[illegible]
Net tangible assets per ordinary share	76p	[illegible]

FINANCIAL CALENDAR

[illegible]

Annual General Meeting
to be held at the Hotel *Piccadilly*, Manchester on 23 July 1992 at 2.30p.m.

Half Year 1992/3 November 1992

[illegible]

Ordinary dividends: Dividend for year 6 August 1992

Preference dividends: 1 July and 1 January

6¾% First Debenture Stock: 30 September and 31 March

8% First Debenture Stock: 25 September and 25 March

7⅝% Second Debenture Stock: 8 September and 8 March

GROUP FIVE YEAR FINANCIAL REVIEW

PROFIT AND LOSS ACCOUNT

£m	1992	1991	1990	1989	1988
Turnover	121·5	128·1	145·7	140·5	134·3
Trading profit	0·3	4·6	10·0	9·1	6·9
Profit (loss) before exceptional items and tax	(1·5)	4·2	9·0	6·7	3·7
Profit (loss) on ordinary activities before tax	(3·0)	2·5	9·4	7·1	7
Extraordinary credit (charge)	—	(1·9)	2·3	0·3	(0·9)
Profit (loss) for ordinary shareholders	(3·7)	(1·0)	9·5	5·9	1·3

BALANCE SHEET

£m	1992	1991	1990	1989	1988
Fixed assets	40·2	39·5	33·5	30·9	34·3
Stocks	33·0	33·4	33·3	36·1	43·8
Debtors	24·1	26·7	31·3	31·7	31·3
Creditors	(29·8)	(31·1)	(34·5)	(30·5)	(31·6)
Trading assets	67·7	68·5	63·6	68·2	77·8
Properties held for sale	6·1	6·2	6·9	1·2	0·8
Net borrowings	(12·8)	(10·4)	(0·2)	(11·1)	(25·6)
Provisions for rationalisation costs	(1·3)	(1·4)	(3·7)	(1·8)	(1·3)
Provisions for pensions	(9·3)	(8·1)	(7·4)	(5·8)	(5·6)
Net assets	50·4	54·8	59·2	50·7	46·1

KEY DATA

		1992	1991	1990	1989	1988
Trading return on trading assets	%	0·4	6·7	15·7	13·3	8·9
Trading profit on turnover	%	0·2	3·6	6·9	6·5	5·1
Gearing	%	25	19	—	22	57
Earnings (loss) per share						
excluding exceptional items	p	(3·3)	4·0	10·3	8·2	3·4
including exceptional items	p	(5·6)	1·4	10·9	8·6	3·4
Ordinary dividend per share	p	1·0	3·7	3·7	2·8	1·5
Employees at year end		2,900	3,242	3,691	3,991	4,329

CHAIRMAN'S STATEMENT

In the year to 28 March 1992, the Group sustained a loss before tax and exceptional items of £1·5 million, compared with a profit of £4·2 million in the previous year. After exceptional charges of £1·5 million (£1·7 million in 1990/1), there was a loss of £3·0 million compared with a profit of £2·5 million in the previous year.

The Board is recommending the payment of a dividend of 1·0p per share, which compares with total dividends of 3·7p per share paid in respect of 1990/1. It remains the Board's intention to revert to a progressive policy of dividend payments as trading perfomance improves.

The past two years have seen the worst recession that many of us have encountered. This has affected not only the UK, but most of the countries in which Renold operates, and has led to a severe reduction in demand for many of our chain and gears products. The weakest areas outside the UK have been France, North America and Australasia; Germany, an important market for the Group, remained resilient during the early part of the year, but started to flag as its economic difficulties became apparent. However, the Holroyd machine tools and rotors business, which has a dominant position for its specialised products, again had a successful year benefiting from an increase in machine tool exports to the Far East.

Whilst the harsh economic conditions had a severe impact on the year's results, management action has ensured that Renold is in good shape to benefit from an upturn in demand. Reduction of the cost base of the manufacturing operations continued, and notable productivity gains were achieved. Capital investment, of £5 million, mainly on new machine tools, further improved the Group's manufacturing capability, and has enhanced our ability to respond to an increase in volume requirements. New gears and couplings products were launched, to complement our existing ranges, with more new products coming on stream during 1992/3. Cash and working capital have been managed tightly.

I am delighted to welcome to the Board David Cotterill who joined Renold on 1 April 1992 as Chief Executive. David was previously a director of Senior Engineering Group plc and Chief Executive of its Construction Services and Mining Equipment Divisions, and prior to that appointment a main board member at Fenner PLC. His broad based international experience in the engineering industry, including specialist knowledge of the power transmission sector, makes him well placed to lead Renold in building on the strategies developed over recent years. David has taken over as Chief Executive from Trevor Grice, whose intention to conclude his term of office had been known to the Board for some time. In his five years with the Group, Trevor made an immense contribution to revitalising the business and to developing a clear strategy for the future. Two new executive directors have also been appointed to the Board during the last year, Ian Trotter and Roger Burdett, who are responsible respectively for the chain and gears operations and have in-depth experience of the engineering industry.

CHAIRMAN'S STATEMENT

Continued

EMPLOYEES

The disappointing results for the year do not convey the determined response of management and staff to the exceptionally difficult market conditions which they have faced. The efforts of all our employees, at home and abroad, are fully appreciated.

PROSPECTS

Since the turn of the year, there has been emerging evidence that, at least in some of the countries in which we operate, the widespread recession has bottomed out. Orders for chain and gear products remain low, but in recent months some areas have shown an improvement over the depressed levels of the corresponding period of 1991. The Group is well placed, with its high operational gearing and reduced cost base, to benefit from any sustained improvement in demand.

PETER FROST

DIRECTORS AND OFFICERS

CHAIRMAN

J P Frost
was appointed to the Board in June 1984 and became non-Executive Chairman in October 1986. He is also Chairman of Volex Group plc, and formerly Chairman and Managing Director of Thos W Ward plc.

EXECUTIVE DIRECTORS

D Cotterill *CHIEF EXECUTIVE*

J H B Allan *FINANCE DIRECTOR*

R L Burdett

I R Trotter

NON-EXECUTIVE DIRECTORS

A M Reid
was appointed to the Board in July 1983. He is also a Director of Trade Indemnity Group PLC and Bristol Development Corporation, and formerly Chairman and Chief Executive of Imperial Tobacco Limited.

R G J Telfer CBE
was appointed to the Board in October 1984. He is also Chairman of BSI Standards, a Director of Volex Group plc and formerly the Director of Manchester Business School

COMPANY SECRETARY

S Harrison

REGISTERED OFFICE

Renold House, Styal Road, Wythenshawe, Manchester M22 5WL
Registered No. 249688 Telephone: 061 437 5221 Fax: 061 437 7782

AUDITORS

Price Waterhouse, Manchester

MERCHANT BANKERS

J Henry Schroder Wagg & Co Limited

STOCKBROKERS

Rowe & Pitman

SOLICITORS

Linklaters & Paines
Davies Wallis Foyster

CHIEF EXECUTIVE'S REVIEW

The results for the year were severely affected by the worldwide recession, which led to a reduction in demand for our chain and gears products in many of the countries in which our products are sold.

Turnover for the year at £121·5 million was down by 6% from 1990/1, causing trading profit to fall from £4·6 million to £0·3 million. After interest charges, up from £0·4 million to £1·8 million, there was a loss, before tax and exceptional charges, of £1·5 million.

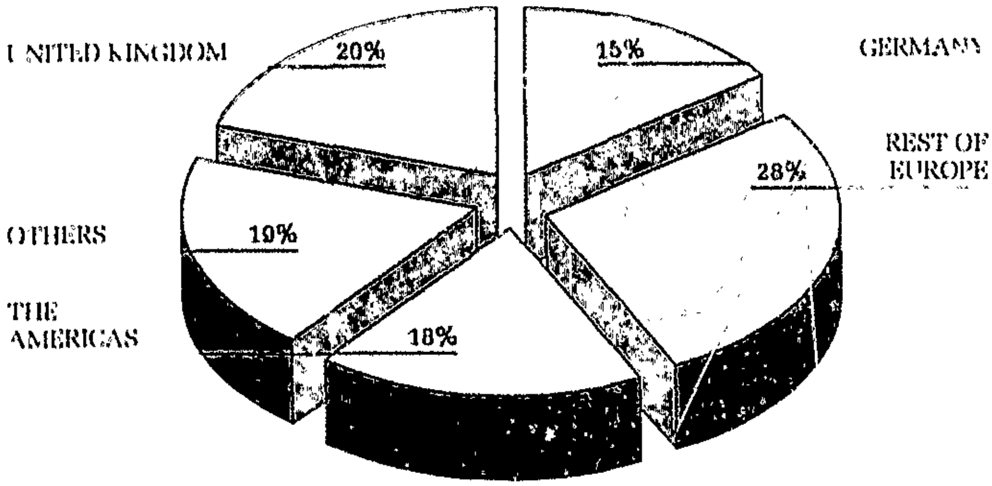
The exceptional charge of £1·5 million comprises almost wholly redundancy and restructuring costs, which were necessary to reduce further the cost base to improve the competitive position of the Group.

After a tax charge of £0·7 million, there was a loss for the year of £3·7 million, compared with a profit of £0·9 million in the previous year.

Capital investment fell to £5·0 million from £11·6 million in 1990/1, following the completion of major projects in the chain operations, but still exceeded the depreciation charge of £4·5 million.

Net borrowings rose to £12·8 million from £10·4 million, but gearing, at 25%, still remains reasonable, and reflects the continuing emphasis on tight cash management.

PERCENTAGE OF SALES BY MARKET AREA



In his report last year my predecessor, Trevor Grice, wrote that 'significant progress in profits is dependent on an upturn from the present low level of demand.' Unfortunately, no such upturn materialised. Indeed, the dramatic fall off in orders which occurred in late summer 1990 persisted throughout 1991. This fall in demand was not restricted to the UK market, but extended to almost all our major overseas markets, with France, USA, Australasia and Switzerland particularly affected. Germany started the year reasonably strongly, but demand became patchy as economic activity declined. Indeed, the only real growth geographically has been in exports to China, Korea and Japan and, although this is most welcome, we would have preferred at least one of our mainstream country market economies to be enjoying growth conditions.

The lower level of orders had a marked impact on the profitability of our chain and gears operations. It became necessary to make further cutbacks in the number of employees to 2,900 by March 1992, representing a reduction of over 20% from the start of the recession in mid-1990. A strike at the Calais plant, in reaction to the cutbacks, also affected profitability. On a brighter note, the Holroyd machine tools and rotors business consolidated its strong market position. Increased demand for rotors for use in air conditioning and refrigeration offset some fall off in demand for their use in compressors in the construction industry, whilst machine tool orders remained buoyant.

In these generally unfavourable conditions, we pushed on with our programme to rationalise manufacturing facilities. Key action in the early part of the year was the moving of helical gearbox manufacturing from Bradford to Milnrow. The Bradford plant now concentrates solely on variator production, whilst UK production of gearboxes is now wholly at Milnrow and couplings at Cardiff. We also manufacture specialised couplings and gearboxes in the USA and South Africa. The manufacture of precision gear components has been transferred in Milnrow from the Gears factory to Holroyd, where it will sit well with the high precision requirements of rotor production.

In chain, the manufacturing strategy has centred on allocating specific transmission chain products and sizes to each of the manufacturing plants at Manchester, Einbeck and Calais. At the same time, care has been taken to maintain the distinctive special features of each of our major brands 'Renold', 'Arnold & Stolzenberg' and 'Brampton'. The advanced equipment now operational in our UK and German factories can produce at speed the high quality components for these chain brands. It also gives us the ability to respond quickly to customer orders and achieve minimum throughput times for high volume standard chains. However, the benefits from this major investment have yet to be realised, with lower volumes inevitably resulting in shorter production runs. At the UK conveyor chain factory at Burton, new manufacturing processes based on cell manufacturing have been introduced, and have already contributed to substantial reductions in lead times and cost.

Our capital expenditure programme continued despite the recession, with further investment in flow lines at the Manchester and Einbeck chain factories. The capability for gear grinding and rotor cutting at the UK Gears business and Holroyd has been enhanced by substantial expenditure on new machine tools. In addition, management information systems have been updated with excellent new computer systems installed in several of our operations.

The programme of research and development continues in our manufacturing operations. The product development cell for automotive chains at Calais has become a major selling point with customers and, at Holroyd, significant developments are being made in rotor and gear cutting, as well as measurement technology. Our commitment to training new engineers is firm, and there is strong demand for places on the apprentice schemes at Milnrow and Einbeck, which are the foundations of Renold's reputation for long serving skilled engineers.

The main thrust this year in product development has been to accelerate the introduction of new gears products to enable Renold to move back into some mainstream markets for gears. The Ritepower helical gearbox was launched in the UK in November 1991 and it is being launched progressively in European markets in 1992. Ritepower is well positioned both on performance and on price against its main competitors worldwide. A number of our coupling products have been updated. In the rotor machine tool business, the highlight of the year was the sale to a Japanese customer of a rotor machining cell, complete with robotic loading and unloading. In chain, substantial progress has been made in gaining quality approvals for timing chain from major automotive manufacturers worldwide, and market penetration achieved with improved ranges of escalator and agricultural chain.

CHIEF EXECUTIVE'S REVIEW

Continued

In the current financial year, we will be launching a new shaft mount helical gearbox, designed to compete on a worldwide basis, with special features suited for local market conditions, whilst the Ritepower range is being extended to increase its market penetration. The recent investment in modern manufacturing equipment is enabling new gears products to be brought into production at relatively low cost. For conveyor chain, a full range of continental sizes is being introduced to complement the British Standard range.

The operations outside Europe have had a disappointing year, affected by the poor local economic conditions. In the USA, a major push is being made to establish Renold transmission chain to complement our presence in the automotive and fork lift truck markets. Common pricing has been established between the USA and Canada to protect market share following the implementation of the free-trade area. However the US manufacturing business suffered from the problems in the steel industry, its major customer, and a significant cutback in fixed costs was necessary. South Africa failed to make the expected progress, partly due to the weakness of the economy and partly due to the failure of management, where changes have since been made. Australia and New Zealand have ridden out the torrid times of their local economies and are now showing signs of recovery.

The overseas merchanting operations in Benelux, Austria and Malaysia have performed well in difficult market conditions, with Austria exploiting opportunities in Eastern Europe, but in other countries we have been severely affected by the downturn of local economies. In Switzerland we have formed a joint venture with Control Techniques to market electronic speed control products, but the local market for Renold power transmission products has been particularly weak.

What of the future? Since early 1992 there have been some encouraging signs from a modest increase in orders in the UK and in Australasia, whilst in the USA this trend was seen a little earlier. Germany remains flat, with the problems associated with German unification having an impact on market confidence. Overall any upturn so far is minimal — orders are still substantially below 1989 and early 1990 levels.

In this environment, we are continuing to reduce our cost base, including central costs. We are committed to making a return on the heavy capital investment of the last three years and are not planning any major new expenditure in the current year. Our balance sheet remains relatively strong with working capital levels well under control. Renold is certainly 'leaner and meaner' than it was two years ago when the impact of recession was first felt. We have reviewed the market positioning of our brands and intend to exploit the strengths of each of their particular product features. As demand picks up, we shall see the benefits of our operational gearing in improving profitability.

A lot of hard work has been put in by all our employees over the past few years, and particularly during the past twelve months. I thank everyone for their positive contribution and hope that we all can begin soon to enjoy the fruits of these efforts.

DAVID COTTERILL

REPORT OF THE DIRECTORS

for the year ended 28th March 1992

To be presented to the sixty-second Annual General Meeting of RENOLD PLC to be held at the Hotel Piccadilly, Piccadilly Plaza, Manchester on Thursday, 23 July 1992 at 2.30 p.m.

The Notice of Meeting is included in the separate Circular to Shareholders.

GROUP RESULTS

The loss for the year before tax was £3·0 million, after exceptional charges of £1·5 million, which compares with a profit before tax of £2·5 million, after exceptional charges of £[illegible]·7 million, last year. The loss attributable to ordinary shareholders for the year was £3·7 million, which compares with a loss last year of £1·0 million, after an extraordinary charge of £1·9 million.

After provision for a dividend for the year, there was a retained loss of £4·4 million. Last year the retained loss was £3·4 million.

The principal activities of the Group are set out on the inside front cover and a review of the development of the business is contained in the Chief Executive's Review on pages 6 to 8. An indication of future developments is also given in those pages and in the Chairman's Statement on page 3.

In the opinion of the directors, the activities of the Group are almost wholly within the power transmission sector of the engineering industry and therefore the results are disclosed as one class of business.

DIVIDEND

A dividend of 1·0p per ordinary share (net of related tax credit) is now recommended for the year which, if approved, will be paid on 6 August 1992 to members appearing on the register on 25 June 1992. Last year a total dividend of 3·7p per share (net of related tax credit) was paid.

Preference dividend payments were made on 1 July 1991 and 1 January 1992.

CAPITAL EXPENDITURE

Capital expenditure in 1991/2 amounted to £5·0 million compared with £11·6 million in 1990/1.

The major items of expenditure were for new machine tools and equipment at the chain factories in Manchester and in Germany, for automated gear grinding equipment for the gearbox factory at Milnrow, and for rotor and precision gear production equipment at Holroyd Machine Tools & Rotors.

EXPORTS

The value of goods exported by the Group from the United Kingdom, including goods sold to subsidiary companies, amounted to £29·8 million – 1990/1 £28·3 million.

DIRECTORS

The present constitution of the Board at the date of this Report is set out on page 5.

Mr D Cotterill was appointed a director and Chief Executive on 1 April 1992 following the resignation of Mr T C Grice on 31 March 1992.

Mr C S Wood resigned on 30 June 1991 and Mr I R Trotter and Mr R L Burdett were appointed directors on 25 July 1991 and 4 October 1991 respectively.

Mr D Cotterill, Mr I R Trotter and Mr R L Burdett being eligible offer themselves for re-election at the Annual General Meeting. Mr Cotterill has a service contract with the Company determinable on three years' notice, except that in the first year following his appointment the minimum notice required is two years, rising to

REPORT OF THE DIRECTORS

Continued

three years at the end of twelve months. Mr Trotter and Mr Burdett each have a service contract with the Company determinable on one year's notice.

Mr J H B Allan and Dr R G J Telfer retire by rotation and, being eligible, offer themselves for re-election. Mr Allan has a service contract with the Company determinable on two years' notice. Dr Telfer does not have a service contract with the Company.

DIRECTORS' INTERESTS

The information required to be given in respect of directors' interests is set out in note 22 to the Accounts.

SPECIAL BUSINESS – ANNUAL GENERAL MEETING

AMENDMENTS TO EMPLOYEE SHARE SCHEMES

The directors consider it desirable to make certain amendments to the rules of the Employee Share Schemes to reflect the latest statutory limits provided for in the Finance Acts 1989, 1990 and 1991. Other minor administrative changes are proposed, details of which are given in the separate Circular to Shareholders. Resolutions 9 to 11 will be proposed at the forthcoming Annual General Meeting for approval of the changes to the Schemes' rules.

POWER TO ALLOT SHARES

At last year's Annual General Meeting, a general authority was given to the directors pursuant to Section 80 of the Companies Act 1985 enabling them to allot shares for a period ending on the date of the next Annual General Meeting or on 22 October 1992 whichever is the earlier. At the same Annual General Meeting power was also given to the directors pursuant to Section 95 of the said Act enabling them to allot equity securities as if Section 89 (1) of the said Act, which gives pre-emption rights to existing shareholders, did not apply. The directors consider it desirable to renew these measures, details of which are given in the separate Circular to Shareholders. Special Resolution 12 will be proposed at the forthcoming Annual General Meeting to give effect to these measures.

ADOPTION OF NEW ARTICLES OF ASSOCIATION

The Company's Articles of Association are, in many respects, out of date. The directors therefore consider it desirable to make certain amendments to reflect current Stock Exchange practice, the recent changes in legislation resulting from the enactment of the Companies Act 1989 and modern practice generally. Details of the principal changes, which do not vary the existing class rights of the preference stockholders, to the existing Articles of Association are given in the separate Circular to Shareholders. Special Resolution 13 will be proposed at the forthcoming Annual General Meeting to adopt new Articles of Association.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The Companies Act 1989 has removed the prohibition on the Company providing insurance in respect of directors and officers for liabilities incurred in connection with the discharge of their duties. Article 57 of the Company's new Articles of Association now allows the Board to purchase and maintain insurance for or for the benefit of any directors and other specified persons and it is intended to take out such insurance following the forthcoming Annual General Meeting, subject to the shareholders' approval of the new Articles of Association.

SHARE CAPITAL

Changes in share capital during the year are set out in note 16 to the accounts on page 23 together with details of substantial shareholders who were interested in the equivalent of 3% or more of the issued ordinary shares. Share options were granted during the year under the Renold Executive Share Option Scheme in respect of 510,000 ordinary shares of 25p each.

EMPLOYEE SHARE SCHEMES

The number of shares reserved for issue under the three employee share schemes is currently 6,578,106 being the lesser of such number of ordinary shares of 25p each as represents 10% of the ordinary share capital in issue from time to time and 8,000,000 shares. Within these overall limits, the number of shares which may now be issued under the Executive Scheme may not exceed the lesser of such number of ordinary shares of 25p each as represents 5% of the ordinary share capital in issue from time to time (currently 3,289,053) and 4,000,000 shares.

EMPLOYMENT POLICIES

Arrangements for consulting and involving employees on matters affecting their interests at work, and informing them of the performance of their employing business and 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.

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

Copies of the report on employment conditions in our South African subsidiary, as submitted to the Department of Trade and Industry under the EEC Code of Conduct, are available on request.

EMPLOYEES

At 28 March 1992 the Renold Group employed 2,900 people, including 1,272 in the UK and 1,073 in the rest of Europe.

RESEARCH AND DEVELOPMENT

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

[illegible] diture on research and development in the year 1991/2 amounted to £0·7 [illegible]

[illegible] the year contributions to United Kingdom organisations for charitable purposes amounted to £250 – 1990/1 £1,000. There were no contributions made to political parties.

AUDITORS

A resolution to re-appoint the auditors, Price Waterhouse, will be put to the shareholders at the Annual General Meeting.

TAX STATUS

The close company provisions of the Income and Corporation Taxes Act 1988 do not apply to the Company.

By order of the Board
S HARRISON
Secretary
15 June 1992

16-09-92

GROUP PROFIT AND LOSS ACCOUNT

for the year ended 28 March 1992

	Note	1992 £m	1991 £m
Turnover	1	121·5	128·9
Trading costs	2	121·2	124·3
Trading Profit		0·3	4·6
Interest payable	3	1·8	0·4
Profit (loss) before Exceptional Items		(1·5)	4·2
Exceptional charge	4	1·5	1·7
Profit (loss) on Ordinary Activities before tax		(3·0)	2·5
Taxation	5	0·7	1·6
Profit (loss) on Ordinary Activities after tax		(3·7)	0·9
Extraordinary charge	6		1·9
Loss attributable to Ordinary Shareholders		(3·7)	(1·0)
Ordinary dividends	7	0·7	2·4
Loss for the year	17	(4·4)	(3·4)
Earnings (loss) per Share			
Excluding exceptional items	8	(3·3p)	4·0p
Including exceptional items	8	(5·6p)	1·4p

The Profit and Loss Account should be read in conjunction with the notes on pages 17 to 26.

16-09-92

BALANCE SHEETS

as at 28 March 1992

	Note	Group 1992 £m	Group 1991 £m	Renold PLC 1992 £m	Renold PLC 1991 £m
Fixed Assets					
Tangible assets	10	40·1	39·5	0·2	0·3
Investments	11	0·1		50·1	52·7
		40·2	39·5	50·3	53·0
Current Assets	12				
Stocks		33·0	33·4		
Debtors		30·2	32·9	14·4	13·3
Cash		3·8	11·2	2·9	6·4
		70·0	77·5	17·3	19·7
Creditors – amounts falling due within one year					
Bank loans and overdrafts	13	(5·4)	(7·0)		
Other	14	(28·6)	(31·3)	(3·1)	(4·4)
Net Current Assets		36·0	39 2	14·2	15·3
Total Assets less Current Liabilities		76·2	78·7	64·5	68·[illegible]
Creditors – amounts falling due after more than one year					
Loans	13	(14·2)	(14·6)	(1[illegible]·7)	(12·7)
Other	14	(2·3)	(1·2)		
Provisions for Pensions	15	(9·3)	(8·1)	(1·4)	(0·8)
Net Assets		50·4	54·8	50·4	54·8
Capital and Reserves					
Called up share capital	16	17·0	17·0	17·0	17·0
Share premium	17	3·6	3·6	3·6	3·6
Revaluation reserve	17	9·6	9·4	9·3	12·5
Other reserves	17	2·2	1·9		
Profit and loss account	17	18·0	22·9	20·5	21·7
Shareholders' Funds		50·4	54·8	50·4	54·8

Approved by the Board on 15 June 1992

Peter Frost
John Allan } Directors

The Balance Sheets should be read in conjunction with the notes on pages 17 to 26.

GROUP CASH FLOW STATEMENT

for the year ended 28 March 1992

		1992		1991	
	Note	£m	£m	£m	£m
Operating activities	25				
Cash generated by operations		4·0		4·7	
Decrease in working capital		2·0		0·9	
			6·0		5·6
Extraordinary costs					(1·9)
Returns on investments and servicing of finance					
Interest received		0·6		1·8	
Interest paid		(2·1)		(2·3)	
Finance charges paid under finance leases		(0·1)		(0·1)	
Dividends paid		(1·6)		(2·4)	
			(3·2)		(3·0)
Taxation – Corporate taxes paid					
UK (including advance corporation tax)		(0·9)		(0·9)	
Overseas		(0·7)		(1·0)	
			(1·6)		(1·9)
Investing activities					
Purchase of tangible fixed assets		(5·0)		(11·6)	
Sale of tangible fixed assets		0·3		2·4	
Purchase of investment in associated company		(0·1)			
			(4·8)		(9·2)
Net cash outflow before financing			(3·6)		(10·4)
Financing	24				
Issue of ordinary shares				0·3	
New finance leases		1·6			
Payment of capital element of finance leases		(0·3)		(0·3)	
Repayment of loans		(0·5)		(1·2)	
			0·8		(1·2)
Decrease in net cash			(2·8)		(11·6)
Statement of net cash	28				
Net cash at beginning of year			4·6		16·2
Net cash outflow			(2·8)		(11·6)
Net cash at end of year			1·8		4·6

ACCOUNTING POLICIES

A summary of the principal Group accounting policies is set out below. These policies have been applied consistently throughout the year and the preceding year, except for the change in the policy for the treatment of government grants as stated below which has had no effect on the results for the year.

BASIS OF CONSOLIDATION – The Group accounts set out on pages 12 to 26 have been prepared in compliance with the Companies Act 1985 and in accordance with applicable accounting standards. They have been prepared under the historical cost convention, but include some past revaluations of properties and equipment.

As permitted by Section 230 of the Companies Act 1985 the Holding Company has not presented its own Profit and Loss Account.

OVERSEAS CURRENCIES – Assets and liabilities of overseas subsidiaries are translated into sterling at the exchange rates ruling at the end of the financial year. Trading results are translated at the appropriate average rates of exchange for the year. Differences on exchange arising on the retranslation of net assets at the beginning of the year and from the translation of the results at average rate are taken direct to reserves.

TANGIBLE ASSETS represented by properties and equipment are stated at cost or valuation, less depreciation. Where revaluations are included the valuation of properties is based on the advice of professional valuers having regard to estimated realisable values and the valuation of equipment is based on replacement costs and the remaining years of estimated useful lives of the relevant assets. Depreciation is calculated by reference to original cost or valuation at fixed percentages assuming effective useful lives as follows:-

Freehold properties – 80 years; land is not depreciated

Leasehold properties – 80 years or the period of the lease if less

Equipment (including plant and machinery) – 5 to 25 years according to type of asset

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

Tangible assets financed by leasing agreements that give rights approximating to ownership (finance leases) are treated as if they had been purchased outright and the corresponding liability to the leasing company is included as an obligation under finance leases in creditors. Finance lease costs are charged as interest based on a constant periodic rate as applied to the outstanding liabilities. Depreciation on leased assets is charged to the profit and loss account on the same basis as shown above.

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

GOVERNMENT GRANTS in respect of capital expenditure are treated as deferred credits in the balance sheet. An annual transfer is made to profit and loss account reflecting the benefit over the expected useful lives of the assets concerned.

Government grants received in previous years have been deducted from the cost of tangible assets and credited to depreciation over the life of the relevant assets.

ACCOUNTING POLICIES

Continued

STOCKS are stated at the lower of cost, including full manufacturing overheads, and estimated net realisable value. In the Group accounts, unrealised profit on sales within the Group is deducted from stocks.

DEFERRED TAXATION – Provision is not made for deferred taxation unless there is a reasonable probability that a liability will arise within the foreseeable future.

Advance Corporation Tax on dividends paid and proposed is charged in the Group profit and loss account except to the extent that it can be recovered against current taxation.

TURNOVER comprises the invoiced value of goods and services on ordinary activities after deducting value added tax or other sales related taxes, trade discounts and transactions between Group companies.

PENSIONS – The costs of providing pensions for employees are charged in the profit and loss account over the average working life of employees in accordance with the recommendations of qualified actuaries. Funding surpluses or deficits that may arise from time to time are amortised over the average working life of employees.

RESEARCH AND DEVELOPMENT – Expenditure other than that on properties and equipment is charged against the profit of the year in which it is incurred.

NOTES ON THE ACCOUNTS

1. *ANALYSIS OF ACTIVITIES*

Activities classified by geographical region of operation:

	1992 Turnover	1992 Trading Profit	1992 Trading Assets	1991 Turnover	1991 Trading Profit	1991 Trading Assets
	£m	£m	£m	£m	£m	£m
United Kingdom	52·6	(0·1)	32·1	55·0	1·0	30·4
Germany	28·1		13·6	28·6	0·6	12·6
Rest of Europe	34·2	0·6	9·8	39·0	2·0	10·9
North America	17·8	(0·6)	6·4	18·2	0·7	8·3
Other countries	17·3	0·4	5·8	17·2	0·3	6·3
	150·0	0·3	67·7	158·0	4·6	68·5
Less: Intra Group sales	28·5			29·1		
	121·5	0·3	67·7	128·9	4·6	68·5

Turnover by geographical region includes intra group sales as follows: United Kingdom £16·7 million – £14·8 million, Germany £5·7 million – £6·5 million, and the rest of Europe £4·8 million – £6·8 million.

Trading assets comprise fixed assets, current assets less creditors but exclude cash, properties held for sale, borrowings and provisions for rationalisation costs and pensions.

Geographical analysis of external turnover by market area:

	Turnover 1992	Turnover 1991
	£m	£m
United Kingdom	24·5	26·7
Germany	18·7	17·7
Rest of Europe	34·2	39·5
North and South America	21·4	23·1
Other countries	22·7	21·9
	121·5	128·9

In the opinion of the directors, the activities of the Group are almost wholly within the power transmission sector of the engineering industry and therefore the results are disclosed as one class of business.

2. *TRADING COSTS*

	1992 £m	1992 £m	1991 £m	1991 £m
Change in stocks of finished goods and work in progress		(0·3)		(0·7)
Raw materials and consumables		42·7		46·0
Own work capitalised		(0·4)		(0·5)
Staff costs				
Gross wages and salaries	46·0		47·8	
Social security costs	6·2		6·1	
Other pension costs (note 15)	2·3		2·6	
		54·5		56·5
Depreciation				
Owned assets	4·3		4·0	
Release of grants	(0·1)		(0·2)	
Assets acquired under finance leases	0·3		0·2	
		4·5		4·0
Operating lease rentals				
Equipment	0·6		0·7	
Other	1·0		0·5	
		1·6		1·2
Remuneration of auditors		0·3		0·2
Other external charges		19·3		18·8
Other operating income		(1·0)		(1·2)
Trading costs		121·2		124·3

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NOTES ON THE ACCOUNTS

Continued

2. *TRADING COSTS (continued)*

	1992	1991
The average number of persons employed by the Group during the year was:		
United Kingdom	1,290	1,503
Germany	626	683
Rest of Europe	542	630
North America	194	217
Other countries	411	465
	3,063	3,498

Expenditure on research and development charged against trading profit amounted to £0·7 million – £0·9 million.

3. *INTEREST PAYABLE*

	1992 £m	1991 £m
On loans repayable after 5 years	0·6	0·5
On loans and overdrafts repayable within 5 years	1·6	1·6
On finance leases	0·1	0·1
	2·3	2·2
Less: interest receivable	(0·5)	(1·8)
	1·8	0·4

4. *EXCEPTIONAL CHARGE*

	1992 £m	1991 £m
Redundancy and restructuring costs	1·6	2·2
Profit on sale of properties	(0·1)	(0·5)
	1·5	1·7

5. *TAXATION*

	1992 £m	1992 £m	1991 £m	1991 £m
UK Corporation Tax based on profit of the year at the rate of 33% – 34%	0·4		0·7	
Less: double taxation relief	(0·4)		(0·6)	
	—		0·1	
Unrelieved advance corporation tax	0·2		0·8	
		0·2		0·9
Overseas taxes		0·5		0·7
		0·7		1·6

6. *EXTRAORDINARY CHARGE*

	1992 £m	1991 £m
Shortfall of assets at Cardiff factory	—	1·9

7. *DIVIDENDS*

	1992	1991
	£m	£m
Interim ordinary dividend paid in 1990/1 – 1·2p		0·8
Ordinary dividend proposed 1·0p – 2·5p	0·7	1·6
	0·7	2·4

Dividends paid on the cumulative preference stock amounted to £24,000 – £24,000.

8. *EARNINGS (LOSS) PER SHARE*

The calculations of earnings (loss) per share shown on page 12 are based on the loss of £2·2 million excluding exceptional items, £3·7 million including exceptional items, and the weighted average of 65,777,893 shares in issue during the year. The earnings per share in 1991 was based on the profit, before extraordinary charge, of £2·6 million excluding exceptional items and £0·9 million including exceptional items and the weighted average of 65,637,215 shares in issue during the year.

Under the Nil distribution basis, eliminating the charge for unrelieved advance corporation tax on the ordinary dividends, the loss per share was 5·3p after exceptional items (1991 earnings of 2·6p per share).

The potential dilution arising from options granted under share option schemes is not material.

9. *REMUNERATION OF DIRECTORS*

The remuneration of directors of Renold PLC included as a charge in the year's accounts amounted to £482,000 – £403,000 made up of fees £75,000 – £79,000, executive emoluments £332,000 – £314,000 and payments of £75,000 – £11,000 in respect of former directors.

In the year to 28 March 1992 the fees and executive emoluments (excluding pension contributions) of the Chairman were £50,000 – £50,000. The fees and executive emoluments of the highest paid director were £115,000 – £107,000.

The number of directors who received fees and executive emoluments (excluding pension contributions) during the year within the following bands was:

	1992	1991
£ 0,001 – £ 5,000		1
£ 10,001 – £15,000	2	2
£ 20,001 – £25,000	1	
£ 35,001 – £40,000	1	
£ 40,001 – £45,000		1
£ 45,001 – £50,000	1	1
£ 60,001 – £65,000	1	
£ 75,001 – £80,000		2
£ 80,001 – £85,000	1	
£105,001 – £110,000		1
£110,001 – £115,000	1	

NOTES ON THE ACCOUNTS

Continued

10. *TANGIBLE ASSETS*

	GROUP			RENOLD PLC
	Properties £m	Equipment £m	Total £m	Equipment £m
COST OR VALUATION				
At beginning of year	14·9	58·3	73·2	0·5
Exchange adjustment	0·2	0·7	0·9	
Additions at cost	0·6	4·4	5·0	
Disposals and other adjustments	0·5	(1·3)	(0·8)	
At end of year	16·2	62·1	78·3	0·5
Analysis of cost or valuation				
Valuation made in:				
1965 to 1970		0·1	0·1	
1971	4·1		4·1	
1974		6·8	6·8	
Assets at cost	12·1	55·2	67·3	0·5
	16·2	62·1	78·3	0·5
DEPRECIATION				
At beginning of year	3·8	29·9	33·7	0·2
Exchange adjustment	0·1	0·4	0·5	
Depreciation for the year	0·4	4·1	4·5	0·1
Disposals and other adjustments		(0·5)	(0·5)	
At end of year	4·3	33·9	38·2	0·3
NET BOOK VALUE at end of year	11·9	28·2	40·1	0·2
NET BOOK VALUE at beginning of year	11·1	28·4	39·5	0·3

Net book value at the end of the year includes £7·6 million – £5·8 million in respect of leased assets (land and buildings £5·0 million – £4·5 million, equipment £2·6 million – £1·3 million).
The total cost or valuation of properties at 28 March 1992 comprises £10·8 million – £10·2 million for freehold land and buildings and £5·4 million – £4·7 million for leasehold land and buildings which relates to short term leases where the period unexpired is less than 50 years.
If all tangible assets had been determined under the historical cost convention the values for the Group would have been original cost £75·6 million – £70·3 million; depreciation £35·5 million – £30·8 million and net book value £40·1 million – £39·5 million.

FUTURE CAPITAL EXPENDITURE
At 28 March 1992 authorised capital expenditure not provided for in these accounts amounted to approximately £1·7 million – £3·8 million. Of these amounts contracts have been placed for £1·2 million – £1·4 million.

11. INVESTMENTS

GROUP

	Associated Company 1992 £m
Cost of investment	0·1

RENOLD PLC

	Subsidiary Companies Shares	Subsidiary Companies Advances	Total
Cost or valuation	£m	£m	£m
At beginning of year	38·1	14·6	52·7
Additions		0·5	0·5
Deficit on revaluation	(3·1)		(3·1)
At end of year	35·0	15·1	50·1

ASSOCIATED COMPANY
The investment represents a 40% equity holding in Control Techniques Antriebsregelungen GmbH which is incorporated in Switzerland and whose principal activity is the merchanting of electronic variable speed control equipment. The company commenced trading in October 1991.

SUBSIDIARY COMPANIES
Shares in subsidiary companies are stated at their net asset value at the end of the year. The directors have adopted this basis because they consider that it more fairly represents the investment of Renold PLC in subsidiary companies. The principal subsidiary companies of Renold PLC at 28 March 1992 are set out on page 28.

12. CURRENT ASSETS

	GROUP 1992 £m	GROUP 1991 £m	RENOLD PLC 1992 £m	RENOLD PLC 1991 £m
STOCKS				
Materials	3·5	4·3		
Work in progress	9·3	10·2		
Finished products	20·2	18·9		
	33·0	33·4		
DEBTORS				
Trade debtors	21·6	23·8		
Amounts owed by group subsidiaries			14·2	12·9
Other debtors	1·4	1·9		0·1
Properties held for sale	6·1	6·2		
Prepayments and accrued income	1·1	1·0	0·2	0·3
	30·2	32·9	14·4	13·3
CASH at bank and in hand	6·8	11·2	2·9	6·4
	70·0	77·5	17·3	19·7

The Group figures for other debtors include £0·3 million – £0·3 million of amounts falling due after more than one year.

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NOTES ON THE ACCOUNTS

Continued

13. *LOANS*

	GROUP		RENOLD PLC	
	1992	1991	1992	1991
	£m	£m	£m	£m
Total borrowings	19·6	21·6	12·7	12·7
Less: repayable within one year or on demand	5·4	7·0		
Amounts falling due after more than one year	14·2	14·6	12·7	12·7
Repayable:				
Between one and two years	0·4	0·4		
Between two and five years	6·9	7·0	6·0	6·0
Over five years	6·9	7·2	6·7	6·7
	14·2	14·6	12·7	12·7
Loans comprise:				
6¾% First Debenture Stock 1990/95	3·0	3·0	3·0	3·0
8% First Debenture Stock 1991/96	3·0	3·0	3·0	3·0
7⅝% Second Debenture Stock 1992/97	6·7	6·7	6·7	6·7
Bank loans – overseas	1·9	2·4		
	14·6	15·0	12·7	12·7
Less: repayable within one year	0·4	0·4		
	14·2	14·6	12·7	12·7

Included in Group borrowings are secured borrowings of £15·3 million – £15·7 million. Renold PLC borrowings are all secured. Interest is payable on overseas subsidiaries' loans at variable rates determined in relation to local bank base rates.

14. *CREDITORS*

	GROUP		RENOLD PLC	
	1992	1991	1992	1991
	£m	£m	£m	£m
Amounts falling due within one year				
Trade creditors	13·1	15·6	0·3	[illegible]
Rationalisation costs	1·3	1·4	0·2	
Amounts owed to group subsidiaries			0·2	0·2
Dividends payable	0·7	1·6	0·7	1·6
Corporate taxes	0·9	1·2	0·4	1·0
Other taxation and social security	2·6	2·6	0·2	0·2
Other creditors	6·5	3·5	0·6	0·7
Accruals	3·3	2·8	0·5	0·4
Finance lease obligations	0·2	0·1		
	28·6	31·3	3·1	4·4
Amounts falling due after more than one year				
Finance lease obligations				
– Between two and five years	1·1	0·3		
– Over five years	0·8	0·4		
Other creditors	0·4	0·5		
	2·3	1·2		

15. *PROVISIONS FOR PENSIONS*

The Group operates a number of pension schemes throughout the world. In the UK, the schemes are defined benefit type schemes with assets held in trustee administered funds. Overseas, employees participate in a variety of different pension arrangements of the defined contribution or defined benefit type funded in accordance with local practice. There is no material surplus or deficit in any of the overseas schemes and actuarial valuations of these schemes are carried out at least every three years.
The total pension costs for the Group were as follows:

	1992	1991
	£m	£m
UK	0·7	[illegible]
Overseas	1·6	1·9
	2·3	2·6

15. *PROVISIONS FOR PENSIONS (continued)*

The UK cost for 1992 reflects the regular contribution rate less £0·7 million – £0·7 million in respect of the actuarial surplus referred to below which is being recognised over the average expected remaining service lives of active scheme members.
The pension cost relating to UK schemes is assessed in accordance with the advice of William M Mercer Fraser Limited, the Group's consulting actuaries, using the projected unit method. The latest actuarial valuations of these schemes were carried out as at 5 April 1989 and the next valuations will be carried out as at 5 April 1992.
The assumptions which have the most significant effect on the results of the valuations are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It has been assumed that the investment return will be 9% per annum, that salary increases will average 7% per annum and that present and future pensions will increase at the rate of 5% per annum. For the purpose of the valuations, investments were taken at market value. Under the terms of their management agreements, the investment managers of the schemes' assets are not permitted to invest in the securities of Renold PLC.
At the date of the latest actuarial valuations, the market value of the assets of the UK schemes totalled £61·3 million which represented 109% of the liabilities in respect of benefits accrued to members, allowing for expected future increases in earnings. The actuarial surplus of £5·0 million is being credited to the profit and loss account over the average expected remaining service lives of active scheme members which is approximately 14 years.
Overseas pension costs include £0·8 million – £1·0 million in respect of Germany where the charge is determined in accordance with SSAP 24. For other overseas countries, no adjustment has been made to the local pension costs, since any differences from a charge calculated in accordance with SSAP 24 are not considered to be material.
A provision is included in respect of the excess of the accumulated pension cost over the amount externally funded as follows:

	1992	1991
	£m	£m
UK schemes	1·4	0·8
Overseas schemes	7·9	7·3
	9·3	8·1

16. *CALLED UP SHARE CAPITAL*

	Authorised		Issued	
	1992	1991	1992	1991
	£m	£m	£m	£m
Cumulative Preference Stock (£1 Units)	0·6	0·6	0·6	0·6
Ordinary shares of 25p each	23·1	23·1	16·4	16·4
	23·7	23·7	17·0	17·0

The Company issued 19,514 ordinary shares of 25p each for a cash consideration of £10,647 during the year by the exercise of options under the Renold Savings Related Share Option Scheme.
At 28 March 1992 the issued Ordinary Share Capital comprised 65,781,060 ordinary shares of 25p each.
The fixed rate of annual dividend for the 6% Cumulative Preference Stock is 4·2% plus tax credit.
On 9 June 1992, the Register kept by the Company under Section 211 of the Companies Act 1985 records that the following shareholders were interested in the equivalent of 3% or more of the issued ordinary shares:

	%
M&G Investment Management Limited	16·94
Scottish Amicable Investment Managers Limited	10·96
Postel Investment Management Limited	9·85
Prudential Corporation PLC	9·25
Phillips & Drew Fund Management Limited	5·76
Britannic Assurance PLC	4·45
Clerical Medical Investment Group	4·20

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NOTES ON THE ACCOUNTS

Continued

17. *RESERVES*

	Share Premium Account £m	Revaluation Reserve £m	Other Reserves £m	Profit & Loss Account £m	Total Reserves £m
GROUP					
At beginning of year	3·6	9·4	1·9	22·9	37·8
Loss for the year				(4·4)	(4·4)
Reclassification of reserves		0·2	0·3	(0·5)	
At end of year	3·6	9·6	2·2	18·0	33·4
RENOLD PLC					
At beginning of year	3·6	12·5		21·7	37·8
Loss for the year				(1·3)	(1·3)
Deficit on revaluation of shares in subsidiaries		(3·2)		0·1	(3·1)
At end of year	3·6	9·3		20·5	33·4

18. *DEFERRED TAXATION*

No provision has been made for deferred taxation. At 28 March 1992 there were UK fixed assets and other timing differences, at the corporate tax rate, of £1·8 million – £1·9 million which are covered by losses carried forward of £6·5 million – £6·6 million. Overseas timing differences amounted to £3·4 million – £3·6 million which relate principally to fixed asset revaluations.
Distributions by overseas companies would in most cases be subject to additional taxation.

19. *OPERATING LEASE OBLIGATIONS*

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

	1992 Properties £m	1992 Equipment £m	1991 Properties £m	1991 Equipment £m
Leases expiring:				
Within one year		0·1		0·1
Between two and five years	0·3	0·7	0·4	0·5
Over five years	0·8		0·7	
Total annual commitments	1·1	0·8	1·1	0·6

20. *CONTINGENT LIABILITIES*

Contingent liabilities at 28 March 1992 in respect of guarantees and bills under discount amounted to £1·8 million – £1·9 million for the Group. In addition Renold PLC had guaranteed bank and other borrowings by subsidiaries which amounted to £3·7 million – £3·3 million.
A subsidiary company in the United States is defendant in legal proceedings which are being vigorously contested. Advice received from lawyers is that no material liability should result from this action.

21. ***SHARE OPTIONS***

Share options have been granted under the Executive Share Option Scheme and the Savings Related Share Scheme. At 28 March 1992 unexercised options for ordinary shares amounted to 2,295,865 – 2,292,773 made up as follows:

Date normally exercisable	Option price (pence per share)	Number of shares 1992	Number of shares 1991
Executive Share Option Scheme			
Within seven years from:			
28 November 1988	66·6	137,900	137,900
13 July 1990	86·8	125,000	125,000
27 July 1990	89·2		90,000
23 November 1990	44·8	90,000	90,000
4 July 1992	96·8	365,000	455,000
3 July 1993	95·9	160,000	160,000
10 December 1993	58·1	50,000	50,000
18 November 1994	60·1	510,000	
		1,437,900	1,107,900
Savings Related Share Option Scheme			
Within six months from:			
1 February 1991	56·34		203,515
1 October 1992	79·74	97,980	129,826
1 February 1993	41·4	34,780	42,888
1 February 1996	46·48	725,205	808,644
		857,965	1,184,873

22. ***DIRECTORS' INTERESTS***

The interests of the directors and their families in the ordinary shares of Renold PLC as appearing in the Register of Directors' Interests maintained under the provisions of the Companies Act 1985, at the end of the financial year were as follows:

	1992 Shares	1992 Options	1991 Shares	1991 Options
J P Frost	134,000		134,000	
T C Grice	300,200	250,000	300,200	250,000
J H B Allan	20,200	204,203	20,200	204,203
I R Trotter (a)	1,000	90,000		
R L Burdett (b)	400	90,000		
A M Reid	36,000		36,000	
R G J Telfer	10,000		10,000	

(a) 1,000 shares and no options at date of appointment on 25 July 1991.
(b) 400 shares and 50,000 options at date of appointment on 4 October 1991.

The only non-beneficial interest in the ordinary shares of Renold PLC at the end of the year was 273,510 shares – 342,650 shares held by Mr J H B Allan as a trustee of the Renold Employee Share Scheme. At 9 June 1992 the number of shares held by the trustees of the scheme was 275,220. Mr. D. Cotterill was appointed a trustee on 30 April 1992.

Mr D Cotterill held 20,000 ordinary shares at the date of appointment as a director on 1 April 1992 and share options for 250,000 ordinary shares granted to Mr T C Grice lapsed on his resignation on 31 March 1992. Apart from these movements there have been no other changes in the interests of directors in the share capital of the Company between the end of the year and 9 June 1992.

At 28 March 1992 the only interest of the directors in the capital of the Company was in the ordinary shares as stated above.

22. *DIRECTORS' INTERESTS (continued)*

Unexercised options held by directors at 28 March 1992 shown above were as follows:

Date normally exercisable:	Option price (pence per share)	Number of shares 1992	Number of shares 1991
Executive Share Option Scheme			
Within seven years from:			
13 July 1990	86·8	125,000	125,000
27 July 1990	89·2		90,000
23 November 1990	44·8	90,000	90,000
4 July 1992	96·8	215,000	305,000
10 December 1993	58·1	50,000	
18 November 1994	60·1	130,000	
Savings Related Share Option Scheme			
Within six months from:			
1 February 1996	46·48	24,203	24,203

No director had any interests in contracts of significance in relation to the Company's business during the year.

23. *RECONCILIATION OF TRADING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES*

	1992 £m	1991 £m
Trading profit	0·3	4·6
Depreciation	4·5	4·0
Pension costs provision	0·9	1·1
Restructuring costs	(1·7)	(5·0)
Cash generated by operations	4·0	4·7
(Increase) decrease in stocks	0·6	(0·8)
Decrease in debtors	2·8	2·7
Decrease in creditors	(1·4)	(1·0)
Decrease in working capital	2·0	0·9
Net cash inflow from operating activities	6·0	5·6

24. *ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR*

	Share Capital & Share Premium 1992 £m	Share Capital & Share Premium 1991 £m	Loans & Finance Lease Obligations 1992 £m	Loans & Finance Lease Obligations 1991 £m
At beginning of year	20·6	20·3	15·8	17·6
Cash inflow (outflow) from financing		0·3	0·8	(1·5)
Exchange differences			0·1	(0·3)
At end of year	20·6	20·6	16·7	15·8

25. *ANALYSIS OF NET CASH AND CHANGES DURING THE YEAR*

	1992 £m	1992 £m	1991 £m	1991 £m	Change in 1992 £m	Change in 1991 £m
Cash		6·8		11·2	(4·4)	(10·2)
Bank loans and overdrafts	(5·4)		(7·0)			
Less: loans included under financing	0·4		0·4			
		(5·0)		(6·6)	1·6	(1·4)
		1·8		4·6	(2·8)	(11·6)

REPORT OF THE AUDITORS

To the members of Renold PLC

We have audited the accounts on pages 12 to 26 in accordance with auditing standards.

In our opinion the accounts give a true and fair view of the state of affairs of the Company and the Group at 28 March 1992 and of the loss and cash flow of the Group for the financial year then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse

PRICE WATERHOUSE
Chartered Accountants and
Registered Auditor
Manchester

16 June 1992

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PRINCIPAL SUBSIDIARY COMPANIES

as at 28 March 1992

UNITED KINGDOM

Renold Power Transmission Limited*
FACTORIES: BRADFORD, BURTON, CARDIFF, MANCHESTER, MILNROW

Renold International Holdings Limited*

REST OF EUROPE

Austria Renold GmbH

Belgium Renold Continental Limited (incorporated in the United Kingdom)

Denmark Renold A/S

France Brampton Renold SA* FACTORIES: CALAIS, LILLE

Holland Renold Continental Limited (incorporated in the United Kingdom)

Spain Renold SA*

Sweden Renold Transmission AB

Switzerland Renold (Switzerland) GmbH

Germany Renold (Deutschland) GmbH
– Arnold & Stolzenberg GmbH FACTORY: EINBECK
Renold Antriebs-und Fordertechnik GmbH

NORTH AMERICA

Canada Renold Canada Limited

USA Renold Holdings Inc*
– Renold Inc FACTORY: WESTFIELD
Renold Power Transmission Corporation

OTHER COUNTRIES

Australia Renold Australia Proprietary Limited FACTORY: MELBOURNE

Malaysia Renold (Malaysia) Sdn Bhd

New Zealand Renold (NZ) Holdings Limited
– Renold Christian Limited FACTORY: AUCKLAND

Singapore Renold Overseas Limited (incorporated in the United Kingdom)

South Africa Renold South Africa (Pty) Limited FACTORY: BENONI

*Direct subsidiary of Renold PLC.

Subsidiary companies listed above are those which, in the opinion of the directors, principally contributed to the results and assets of the Group. Dormant and property companies of minor importance are omitted by virtue of Section 231 and Schedule 5 of the Companies Act 1985.

All companies are direct or indirect wholly owned subsidiaries of Renold PLC. Overseas companies are incorporated in the countries in which they operate except where otherwise stated.