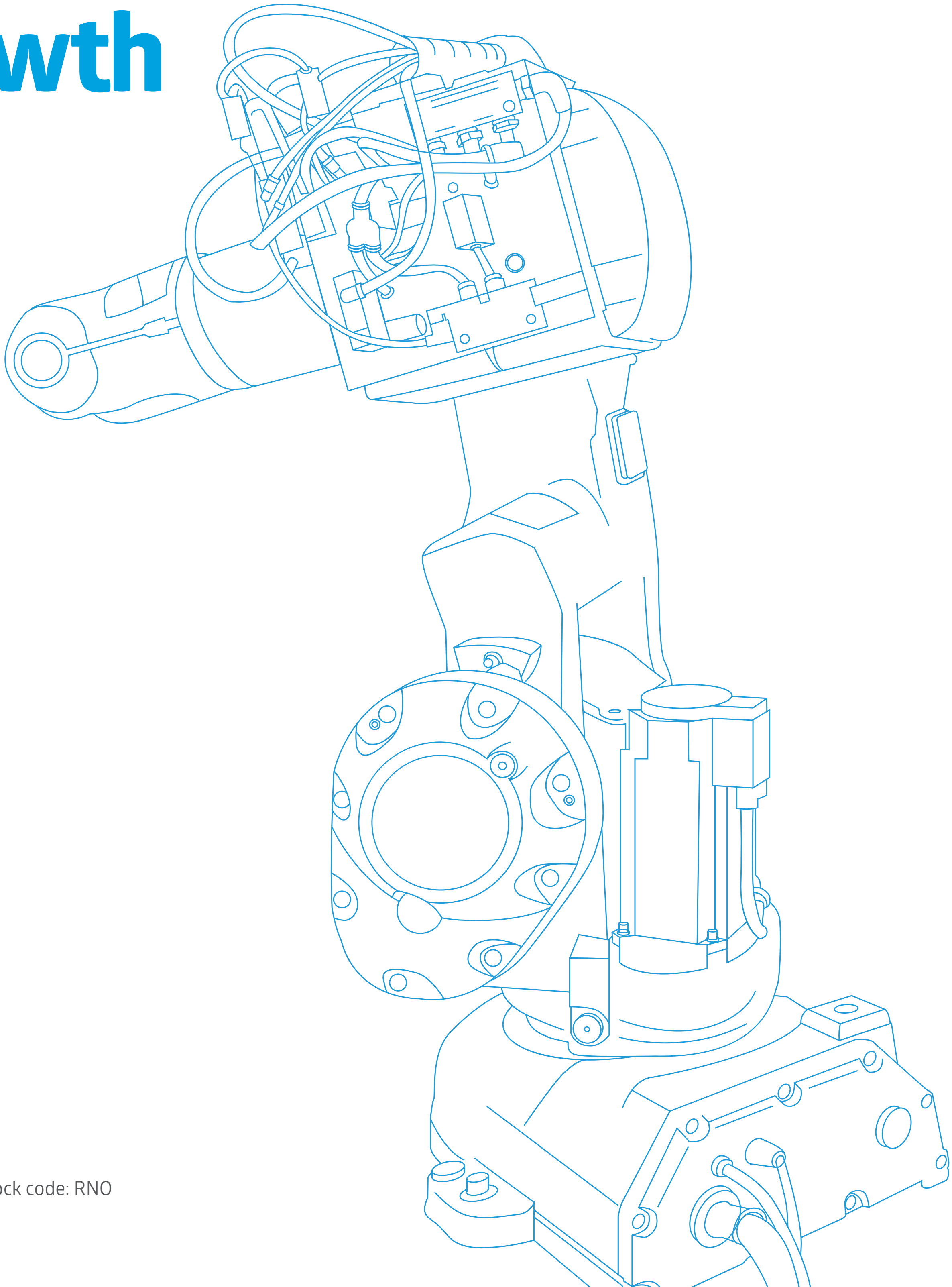
Renold plc Annual Report and Accounts
for the year ended 31 March 2022

STEP2:
Growth



www.renold.com Stock code: RNO

Introduction

Who we are

Renold plc is an international group delivering high precision engineered chain and power transmission products to our customers worldwide.

See page 4 for more about our Group at a glance

Resilient

Despite a challenging year, Renold has produced strong results and a record-breaking order book. We are able to remain resilient in unpredictable conditions through remaining flexible and having a wide range of products and applications.

See page 26 for our performance

Diverse

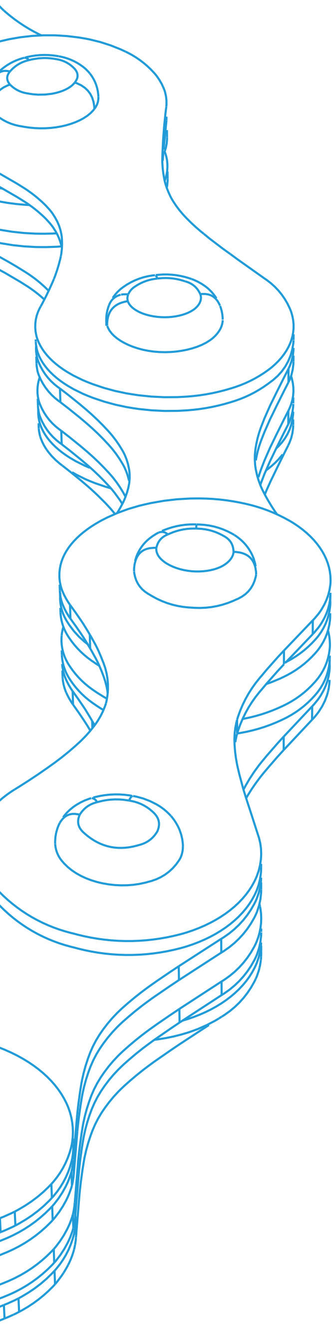
Our market-leading products can be seen in diverse applications from cement making to chocolate manufacturing, subway trains to power stations, escalators to quarries; in fact, anywhere something needs to be lifted, moved, rotated or conveyed.

See page 6 for more about our products and their applications

Sustainable

We have developed our Sustainability Strategy and we are able to offer our customers a range of sustainable and long-lasting products.

See page 36 for more about sustainability



Contents

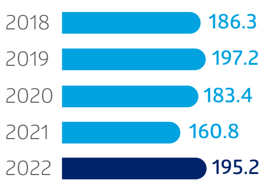
Highlights

Operational highlights

- Multiple businesses across the Group delivered record results
- Renold's markets rebounded strongly from the Covid-19 pandemic
- Order intake of £223.9m (2021: £170.0m) up 31.7%
- Closing order book of £84.1m up 57% vs FY21 at constant exchange rates
- Significant £11.0m long-term military contract win
- Successful strategic capital investment; improving efficiency
- Strong performance despite significant economic uncertainty, cost pressure, material availability and global supply chain disruption
- Record revenue, order intake and closing order book in Chain Europe and Americas

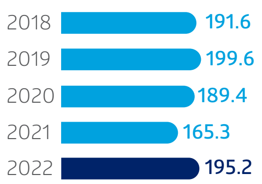
£195.2m

Revenue at constant exchange rates[1]



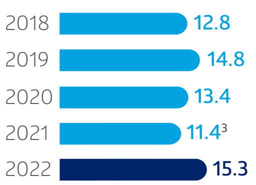
£195.2m

Revenue reported



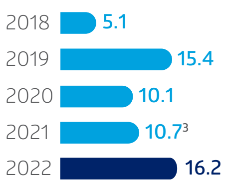
£15.3m

Adjusted operating profit[2]



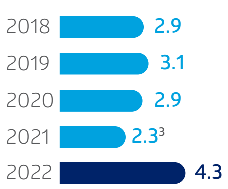
£16.2m

Operating profit



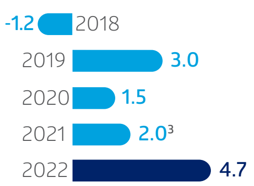
4.3p

Adjusted earnings per share[2]



4.7p

Earnings per share



1. Constant exchange rate results for prior years are retranslated to current year exchange rates for foreign currencies. Reconciliations to statutory metrics are provided in Note 26 to the financial statements.
2. Adjusted: In addition to statutory reporting, the Group reports certain financial metrics on an adjusted basis. Definitions of adjusted measures and information about the differences to statutory metrics are provided in Note 26 to the financial statements.
3. The results for the year ended 31 March 2021 have been restated. Refer to Note 27 and the accounting policies on page 123 for details of the restatements.

> *The Group has performed well in the face of unprecedented economic and social turmoil and the disruption these events have caused to global supply chains. I would like to thank all our employees around the world for their diligence and commitment in supporting the delivery of strong results for the Group."*

DAVID LANDLESS
CHAIR

Read more about our Chair's statement on pages 8 to 9

> *Throughout the reported period the business performance has been on an improving trend and our order books have continued to grow in the early part of the new financial year. We are cognisant that there remain considerable Covid-19-related challenges in some parts of the world; supply chain issues are still prevalent and inflation is high. However, we have entered the new financial year with good momentum and a belief in the excellent fundamentals of the Renold business upon which we are building."*

ROBERT PURCELL
CHIEF EXECUTIVE

Read more about our Chief Executive's statement on pages 20 to 23

Our investment case

The Renold investment case is underpinned by its market and product positioning which create the foundations from which the strategic plan is built. Strong progress has been made, delivering improved operational efficiency, improved customer service and stronger operating margins. With significant investment already in place, the Group is well positioned to maximise the benefit of recovering markets.

Valued brand

With almost 150 years of history within its sectors, Renold is amongst the world's leading industrial brands, providing premium products and engineered solutions that customers trust. Our products are specified by a significant number of OEMs and customers frequently ask for our products by name.

150 years of

engineering excellence

Read more about our business model on pages 16 to 17

Positioned for growth

Renold is an international market-leading supplier of industrial chain and torque transmission products manufactured across the world in our factories, which form our unique operational footprint. We are the second largest industrial chain company in the world with less than 10% market share in a highly fragmented market.

Our unique position gives us room to grow and increase market share, aided by the fact that we have no substantial dependency on any one geography, customer, market, product or application.

We are constantly assessing market trends and use our engineering and managerial expertise to position ourselves to benefit accordingly.

Unique

manufacturing footprint

Read more about our performance on pages 26 to 27

Read more about our STEP2 strategic plan on pages 18 to 19

Diverse portfolio

Renold operates across a wide range of geographies, market sectors and applications with a broad spread of products and customers. Renold products are used in a vast range of applications and market sectors and supply both capital goods and maintenance sectors. We have no great dependency on any single customer.

Our market position creates resilience in the business and gives us many opportunities for growth and development.

Diversity in our

markets

Read more about our market review on pages 12 to 13

Read more about our products and their applications on pages 6 to 7

Global reach

Renold manufactures in seven countries worldwide and operates in a further ten locations. This international reach allows us to shorten supply chains for the customer and provide enhanced responsiveness and flexibility to deal with customer requirements.

Wide spread of

geographic footprint

Read more about our group at a glance on pages 4 to 5

Sustainable products

We are working towards becoming a more sustainable business. We have developed our sustainability strategy and explored how we can measure and improve in this area, constantly reducing our impact on the environment and enhancing our social contribution. We are particularly proud of our excellent products that are engineered to market-leading standards and specifications, delivering major benefits to our customers:

- Longer life – reduced material and energy used in manufacture
- Lower or no lubrication requirements – reduced contamination opportunity, lower cost to run
- Greater efficiency – reduced energy requirements when in use

The consistent and reliable performance of our class-leading products for over a century has demonstrated to customers the value proposition we offer.

Read more about sustainability on pages 36 to 46

Strong financial record

Renold has demonstrated a strong financial performance throughout the pandemic. Our revenue is up 18% to £195.2m and our adjusted operating profit of £15.3m is up from the £11.4m achieved in the prior year.

We are demonstrating that we are a cash generative business; even through the difficult environment of the last few years, the business has generated cash and net debt has been reduced. The global issues of inflation, troublesome supply chains and Covid-19 have been managed, whilst generating cash. Cash generation allows us to focus on acquisitions and strategic capital investment.

This year our revenue is up

18%

Read more about our financial statements on pages 114 to 118

Read more about our performance on pages 26 to 27

Group at a glance

Renold is an international group delivering high precision engineered products and solutions to our customers worldwide.

Our international network includes seven countries where we both manufacture and sell and a further ten countries where we have sales companies; strategically located to support our customers within our two operating divisions.

Renold employed an average of 1,800 people around the world in the last year, with 58% of our staff engaged in direct production activities.

Chain

£18.9m
Adjusted operating profit[1]

Operating profit £20.5m

11.9%
Return on sales

1,511
Employees at 31 March 2022

We are a global, market-leading supplier of chain for many applications, including heavy duty, high precision, indoor or outdoor, high or low temperature and in clean or contaminated environments.

We have manufacturing sites across the world, including in the USA, Germany, India, China, Malaysia and Australia in addition to local service capabilities in a number of other markets. We operate at the leading edge of technology, with innovative products designed to meet customers' exacting standards.

Read more about our Chain Division on page 26

Torque Transmission

£4.1m
Adjusted operating profit[1]

Operating profit £4.1m

10.1%
Return on sales

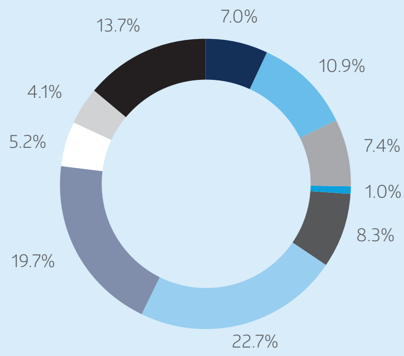
271
Employees at 31 March 2022

We are a global manufacturer and developer of industrial coupling and gearbox solutions. We offer a wide range of couplings, including fluid, rubber in shear and rubber in compression, as well as a complete range of worm, helical and bevel helical gears. In the USA we manufacture custom gear spindles and gear couplings for the primary metals and mass transit industries.

We have manufacturing sites in the USA and the UK.

Read more about our Torque Transmission Division on page 27

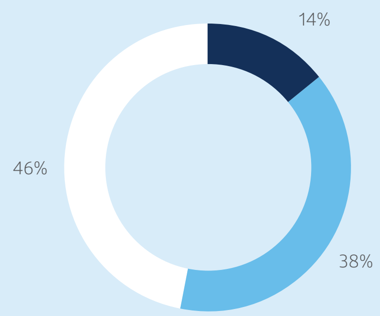
The sectors we operate in



Revenue by sector

- Agriculture, forestry and fishing
- Construction machinery
- Energy
- Environmental
- Food and drink
- Manufactured products
- Material handling
- Transportation
- Mining and quarrying
- Other

The customers we serve



Revenue by customer type

- End users
- Original equipment manufacturers
- Distributors

1. Divisional operating profit for the year, calculated on a statutory basis, was £20.5m for Chain (2021: £12.9m) and £4.1m for Torque Transmission (2021: £5.0m).

Global presence, local markets

Renold benefits from its presence in a wide spread of geographic markets and even wider range of diverse end-user applications across a myriad of industry sectors.

Our global manufacturing footprint not only enables the business to control product specification and quality to local market requirements, but positions us well to service customers with a rapid response in both our traditional geographic territories and within emerging markets. For example, our facilities in India, China and Malaysia combine to offer an excellent platform for growth in Asia while also supporting established markets in Europe, the Americas and Australasia.

Our global sales and distribution network is designed to offer local commercial support and rapid delivery, ensuring that we meet our customers' exacting specifications. It also enables the aggregation of overall demand to drive economies of scale within our factories. While engineering and product development is coordinated globally, local support teams ensure that we are able to rapidly understand and provide solutions for customers' often technically challenging power transmission and conveying applications.

Americas

39%

of global sales

Renold Jeffrey and Renold Ajax have been well-known participants in the North American markets for many years.

Renold Jeffrey manufactures conveyor (engineering) chain and large pitch roller chain, and sells transmission chain sourced from elsewhere in the Group.

Renold Ajax focuses on manufacturing gear spindles, gear couplings and other Hi-Tec coupling products.

Europe

42%

of global sales

Renold Chain and Renold Tooth Chain operate from our two European manufacturing locations in Germany. Along with our UK and European Distribution Centres, and our national sales centres, these factories export transmission and tooth chain throughout Europe and all over the world.

Renold Torque Transmission operates two plants in the UK, exporting a range of gear and coupling products globally.

Asia Pacific

10%

of global sales

We operate manufacturing plants in Australia and Malaysia. These are supplemented by additional sales centres in New Zealand, Indonesia and Thailand.

We operate our own distribution networks in Australia and Malaysia, through which we sell a wide range of chain and torque transmission products.

High Growth Economies

9%

of global sales

Our Chinese chain plant primarily serves sister companies with a range of transmission chains and has a smaller, but fast-growing, local business.

Our Indian business manufactures a broad range of transmission and conveyor chain with 85% of output destined for the local market.

Our products and their applications

Renold is an international Group delivering high precision engineered power transmission products and solutions to our customers worldwide.

Chain

We operate at the leading edge of chain technology, with innovative products designed to meet customers' exacting standards.

Our vast range of roller chains means that for most requirements there is a Renold solution. Our premium chain product, Renold Synergy, offers unbeatable wear and fatigue performance, while our all-purpose range of SD chain provides affordable reliability. Continuous development, innovation and ingenuity has led to the production of 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.

Conveyor chain applications, including theme park rides, water treatment plants, cement mills, agricultural machinery, mining and sugar production, all rely on the high specification materials and processes used by Renold. Renold is also a market leader in leaf chain used in many of the forklift trucks produced worldwide.

Our high specification tooth chain business produces a wide range of inverted tooth chain (sometimes known as silent chain) for industrial drives and conveying applications. Offering a reliable, efficient and cost effective solution, tooth chain applications are wide-ranging and include glass production and automobile assembly lines.

Low maintenance transmission chain

Renold Syno nickel plated chain

Food production

Renold supplies chain into all parts of the food processing sector, with products that deliver maximum working life and deal with the challenges of continuous production, temperature, moisture, hygiene and strict regulations.

For use in hygiene-sensitive applications or situations where contamination from lubricant is to be avoided, Renold Syno nickel plated chain has all the characteristics required.

- Dry to the touch, reducing contamination risk
- Unique food industry-approved roller coating
- No lubrication required

Power transmission lifting chain

Renold XL series leaf chain

Telescopic handlers

Leaf chain is extensively used in construction, agriculture, manufacturing and industry for a wide variety of lifting and reach applications. Reliable chains that extend and retract the telescoping booms on telehandlers are critical. Renold leaf chain benefits from high quality materials, highly evolved design, tightly controlled component production and assembly processes with full in-house heat treatment.

- Increased wear resistance, reducing maintenance
- Higher breaking loads providing greater safety factors and reliability
- High fatigue strength

Low maintenance transmission chain

Renold stainless steel chain

Nuclear power

Renold transmission chain is trusted for use in the most critical of applications, including the control and maintenance of nuclear reactors. Renold stainless steel chain operates control rod mechanisms, whilst Renold carbon steel chain is used in the maintenance process.

These chains call for fully bespoke manufacture using specific carbon and stainless steel grades, special manufacturing processes and rigorous inspection throughout.

Renold is chosen for its ability to meet the exacting requirements of this application including:

- Corrosion resistance;
- Lubrication; and
- A wide range of working temperatures

Torque transmission

We are experts in providing bespoke couplings and gear solutions for a myriad of industries and applications worldwide, such as power generation, rail and escalator transit systems, metals production and materials handling.

Our solutions deliver durability, reliability and long life for demanding industrial applications. Renold Torque Transmission also provides a range of freewheel clutches featuring both sprag and roller ramp technology. Sprag clutches are used in a wide range of safety-critical applications such as keeping riders safe on some of the world's most thrilling rollercoasters.

In a number of locations we also offer service and maintenance using our own teams of engineers. These services can be delivered in one of our facilities or in the field.

Read more about the performance of our Chain division on page 26

Read more about the performance of our Torque Transmission division on page 27

Gears and gearboxes

Transit escalator drive

Metro system escalator

Renold design and manufacture a complete range of gearing solutions. Our extensive experience and knowledge of providing drives for use on the world's most demanding Metro systems means that we are well placed to design and manufacture custom solutions.

Our high specification heavy duty escalator drive benefits from a compact design and offers high efficiency, low noise and requires minimal maintenance.

- Combines the benefits of worm and helical gearing
- Custom solution
- Low maintenance

Couplings

GearFlex coupling

Subsea technology

Our GearFlex coupling is a heavy-duty all metal coupling which is designed to give maximum power capacity within the smallest space, combined with excellent misalignment capability.

A deep water cable layer contacted Renold due to our experience in designing custom equipment for marine and naval applications. The customer had been unable to find an existing solution for their application. Our engineering team designed a product which allowed for smooth, continuous operation and successful performance in unforgiving environments. This unique design increased the life of the customer's high value equipment.

Clutches

Sealed for life stainless steel backstop clutch

General industrial

Renold design, manufacture and supply high quality clutches for every possible industrial application. We worked with a food producer to resolve a problem with their existing product, and were able to use our unrivalled engineering to design a sealed for life stainless steel backstop clutch.

Our solution has drastically extended the expected life of the clutch, reduced downtime in the customer's factory and ensured hygienic food production.

- Grease lubricated and sealed for life
- Optimal wear resistance on backstopping applications

Chair's statement

“

Supply chain disruption and continuing cost inflation will undoubtedly be key challenges in the new financial year, but the strong financial performance this year, combined with the end of our strategic restructuring programme, has generated the freedom to exploit future organic and acquisition-related growth opportunities."

DAVID LANDLESS
CHAIR

I am pleased to be contributing to the Annual Report for the first time as the Renold Chair, having taken up the position at the end of last year's Annual General Meeting.

It is encouraging to see that the Group made good progress in FY22, as our markets recovered strongly from the effects of the Covid-19 pandemic, along with significant commercial and operational benefits accruing from the execution of our strategy. Due to the diligence of the executive team, our employees around the world, and the Board, the business has demonstrated that it has the resilience to weather the current economic turmoil. This is true in terms of financial performance, but also true for the flexibility and adaptability of our people across the world, who have delivered an outstanding result for the Group in what remains, with the Russian invasion of Ukraine and ongoing Covid-19 disruptions, a very difficult global environment.

Our markets and trading performance

Over the year, Group revenue from continuing operations increased by 18.1% to £195.2m (2021: £165.3m), and adjusted operating profit improved by 34.2% to £15.3m (2021: £11.4m) excluding amortisation of acquired intangibles of £0.1m and non-recurring credits of £1.0m. Non-recurring items relate to gains from renegotiated lease arrangements, offset by charges due to early exits from sublet properties no longer used by the Group, and US PPP Covid loan relief. Operating profit increased to £16.2m (2021: £10.7m).

Return on sales improved by 90bps to 7.8% (2021: 6.9%), as the Group demonstrated its ability to successfully implement price increases ahead of raw material and energy cost increases, together with the benefits of cost reduction and efficiency programmes.

Encouragingly, Group order intake at £223.9m was 31.7% ahead of the equivalent prior year period, and 25.3% ahead excluding the previously announced £11.0m long-term military contract. The order book at 31 March 2022 of £84.1m was a record for the Group and 57.0% ahead of the prior year figure.

The year saw strong cash generation, as a continued focus on cash management resulted in a £4.6m reduction of net debt to £13.8m (31 March 2021: £18.4m), see Note 23.

Strategic developments

During the year, Renold made good progress in continuing to deliver strategic change across the Group.

The continuing review of capabilities across the Group has identified opportunities for the upgrade and development of existing manufacturing processes in India and China to create higher specification, higher quality products. This review of our manufacturing footprint and processes will facilitate standardisation across more product lines which, in turn, will enable us to benefit more completely from our geographic footprint and economies of scale. Furthermore, flexibility between manufacturing locations, which in light of increasing customer supply chain diversification demands, and a changing tariff environment, will add to our value proposition.

The completion of the major strategic restructuring initiatives, together with the lower level of net bank debt, puts the Group in a strong position to capitalise on accretive bolt-on acquisitions that augment our existing market position. This will allow us to accelerate our growth in revenue, including for our existing products into adjacent sectors, allow entry into under-represented applications and geographies, and most importantly, allow us to benefit from significant production synergies from acquired businesses.

Sustainability

During the year, the Group took the first steps along the path to developing a long-term sustainability strategy, including our energy and carbon dioxide emission proposals, whereby Renold will make sustainability one of its guiding principles. Over a period of time, our new leader for sustainability will help the Board to develop policies and strategies in this area, aimed at reducing the Group's environmental impact, CO_2 emissions and enhancing social development, whilst improving Group operating results.

The Board

My predecessor, Mark Harper, stepped down as Chair of the Board at the end of the 2021 AGM. On behalf of the Board and the whole Group, I would like to thank Mark for his guidance and leadership during his time as Chair. He left the Group in a far stronger position than when he joined. At the same time Andrew Magson took over the responsibilities of Audit Committee Chair, while Tim Cooper, the Chair of the Remuneration Committee, took on the responsibilities of Senior Independent Director.

The Chair of the Board is primarily responsible for the composition of the Board and for ensuring high standards of governance. As Chair, I will continue to place great importance on the breadth of relevant experience, diversity, and complementary skills amongst the Group's Directors and on the continued development of the strategy for the Renold business. With this in mind, we welcomed Vicki Potter to the Board as a Non-Executive Director in May 2022. Vicki has broad operational and HR experience in multinational engineering and manufacturing companies. She is currently the Chief Human Resources Officer and Customer Services Director for Oxford Instruments plc, a global FTSE 250 technology and manufacturing business. Following a year in which the benefits of our succession planning are evident, the Board will be continuing to ensure that effective succession plans are in place.

Dividend

The Board fully recognises the importance of dividends as part of the overall value creation proposition for shareholders. However, the Board has carefully reviewed its capital allocation priorities, and believes that both organic and inorganic investment opportunities available to the Group will deliver higher levels of shareholder return over the medium term than the payment of dividends. The Board will continue to review this approach over the coming periods. As such, the Board is not recommending the payment of a dividend on the ordinary shares of the Company for the year ended 31 March 2022.

Summary

The Group has performed well in the face of unprecedented economic and social turmoil and the disruption these events have caused to global supply chains. Supply chain disruption and continuing cost inflation will undoubtedly be key challenges in the new financial year, but the strong financial performance this year, combined with the end of our strategic restructuring programme, has generated the freedom to exploit future organic and acquisition-related growth opportunities. I would like to thank all our employees around the world for their diligence and commitment in supporting the delivery of strong results for the Group.

DAVID LANDLESS
CHAIR

13 July 2022

Case study

Chain: High performance roller coaster chain

What is it used for?

Renold provide solutions for the entire range of Theme Park applications, from the most straightforward to the most challenging. We supply to original equipment manufacturers and direct to Theme Parks across the globe. Renold Leisure Chain is used on a range of roller coasters, water rides, carousel rides and drag inclines for splash rides.

Why Renold?

Renold has been supplying chain to the leisure industry for safety critical applications for many years. We have proven reliability on leisure rides in theme parks around the globe. Our chains are designed to accommodate peak shock and frictional loads. Tight control over component contact areas ensures excellent wear life with all chain components designed and manufactured to provide maximum fatigue life.

Strategic report

Market review

Renold's chain and torque transmission products are used in a broad range of specialist applications across the world which gives Renold relative stability in demand, but also means we have customers who rely on us for our excellent engineering and the solutions which we provide to solve their complex problems.

Routes to market

In order to successfully supply the diverse end-customer sectors, Renold has three main customer groups and channels to market:

- Original equipment manufacturers (OEMs);
- Distributors; and
- End-users.

This approach allows us to supply the full range of customers in the way that best suits them and gives optimal service levels whilst allowing for the different levels of technical input needed for various types of product.

OEMs

38%

of revenue

In instances where, due to size or specification requirements, standard products are not suitable, Renold is able to design a special and bespoke solution which will become an integral part of the end equipment. This could be because of many factors such as size, power, performance or specification.

Customers in this segment typically value the technical expertise that Renold can bring to bear in providing engineered solutions to increasingly demanding applications as the requirements of their own products increase. Renold is a partner in solving the customers problems, using its many years of experience and market leading engineering and application knowledge.

In the year ended 31 March 2022, 38% (2021: 39%) of revenue was through the OEM channel.

End-users

14%

of revenue

Whilst not always a well defined category, end-users are larger MRO (maintenance, repair and overhaul) accounts with complex needs and smaller OEM accounts that use a more standard product offering.

In the year ended 31 March 2022, 14% (2021: 13%) of revenue was through the end-user channel.

Distribution

46%

of revenue

The nature of distributor networks around the world varies considerably from single sites through to national networks. We deal predominantly with distributors who give a general service to industry to supply a range of maintenance or power transmission products, or alternatively distributors who sell into particular technical or specialist areas of industrial markets. We work closely with our distribution partners across the world to see that they have the appropriate inventory, knowledge and expertise to ensure end users get a first class service.

In the year ended 31 March 2022, 46% (2021: 46%) of revenue was through the distributor channel.

Market trends

Our products are used in an extremely wide number of markets and applications. The uses are not static and new applications are constantly being developed, whilst some older applications are declining. Automation and a reduction in manual handling is a global trend which gives rise to a constantly growing set of new opportunities.

Supply chain

Global supply chain disruption has been widely reported and documented for almost all industries. Renold has also been impacted by difficulties in material supply and moving product between markets.

Our response

Renold has managed this issue well. We have strategically built a number of manufacturing facilities around the world which are increasingly standardised and can help each other when supply chains are difficult. This also means that they can be used by customers to spread supply chain risk or to manufacture closer to a customer's location.

Trade landscape

There have been many international trading difficulties in recent years in areas such as tariffs and Brexit. This has an impact on flows of goods and the relative competitiveness of markets or factories.

Our response

Renold manufactures product in many geographic regions and has carefully built its presence to reduce trading risk. We therefore have the ability to move manufacturing between facilities to give customers the best possible outcome when the trading environment alters.

Sustainable products

Renold and its customers are working hard to minimise their environmental impact and to make as positive of a contribution to society as possible. Sustainability is a growing trend that Renold is embracing.

Our response

Renold is working in many ways to improve product sustainability. We look to reduce energy consumption in their manufacture and ensure that we don't use any troubling chemicals or processes. We produce products that are intrinsically energy efficient compared to our competitors and have a long life so don't consume resources through frequent re-manufacture.

Covid-19

The Covid-19 pandemic continues to affect our markets through absenteeism and changes to country-specific requirements.

Our response

We worked very hard with our employees to put in place procedures that kept them as safe as possible during the pandemic. We continue to operate these procedures.

Renold is an essential supplier and has stayed open in most countries throughout the pandemic period.

Customer behaviour

Customers are always very demanding, as are we. Faster service, more sustainable products and more specialist products that are easily available are just some of the trends that we are seeing.

Our response

We are committed to continuous improvements in our service offering through the Renold STEP2 Service programme. Renold's developing Service Centre programme, faster manufacturing and product standardisation are all aimed at giving the customer what they want more quickly.

Global economy

The global economy is rebounding strongly from the pandemic. Requirements to have shorter supply chains and greater certainty of supply are making customers ask questions about who and where they buy from.

Our response

Renold has rebounded with the economy but has also benefited from the move to reshore supply chains or production. Adjusting to this, we foresee a growing demand in developed markets for automation-related products as markets adjust to this new model.

Inflation

Inflation is a global and growing issue. Renold customers are looking for ways to reduce costs and increase certainty.

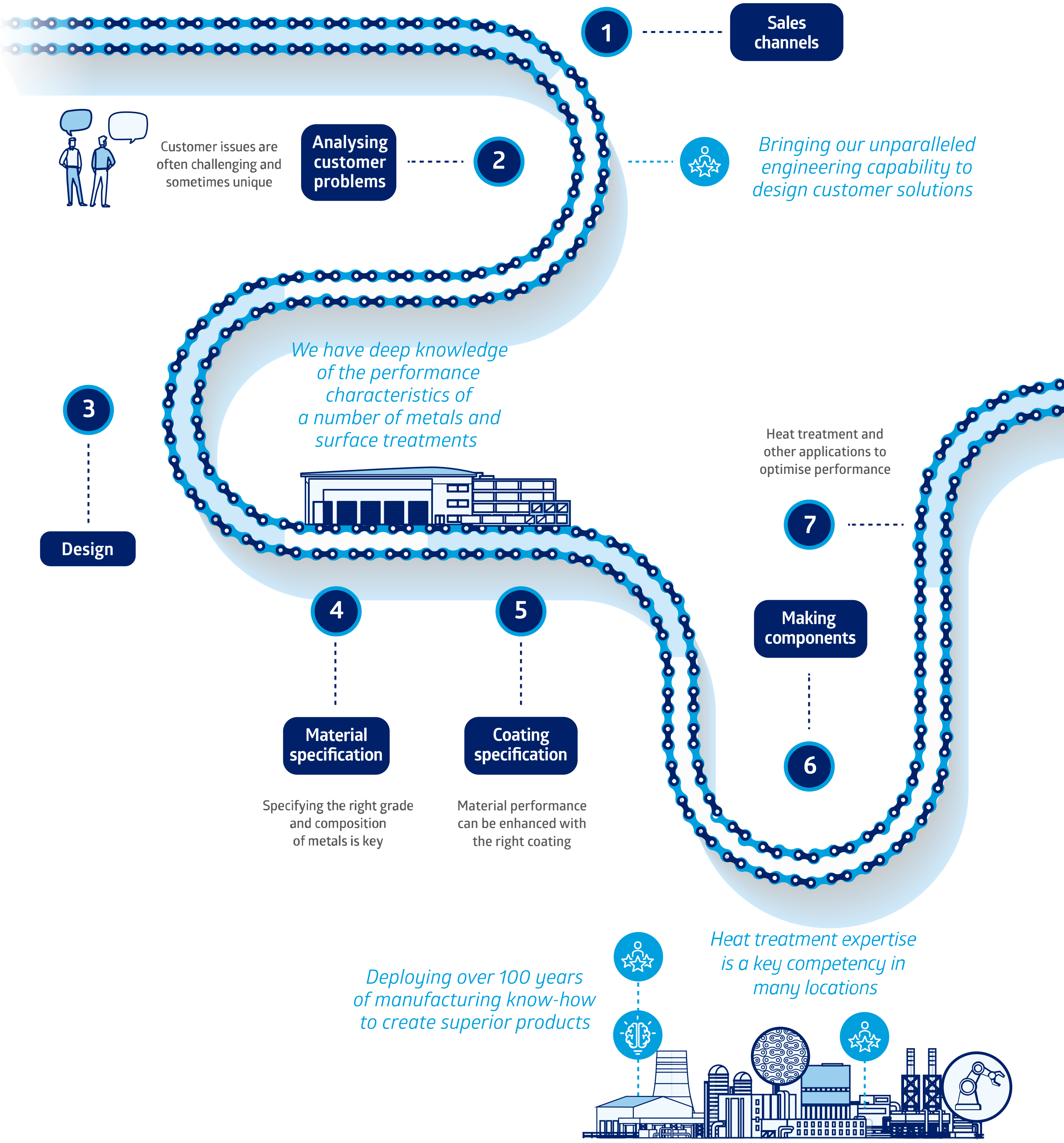
Our response

Renold offers a range of premium, high specification products with long lives and low maintenance costs. In adopting our products, customers realise that they save cost and this helps them offset inflation which is inherent in the market.

Our customer journey

Our activities range from diagnosing our customers' specific power transmission application challenges, to proposing the right material solutions, to formulating their often complex properties, to cutting and heat treating the components and finally to assembling the finished product.

We add value during our customer journey through our unrivalled engineering capability, 100+ years of know-how on solving power transmission challenges and enhanced after-sales service.



Key:

Knowledge

Skills and facilities

Service

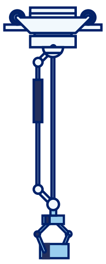
Logistics

Read more about these key icons in the value-generation cycle section of our business model on page 16

8

Assembling components

Automated assembly processes reduce lead times



Shipping

9

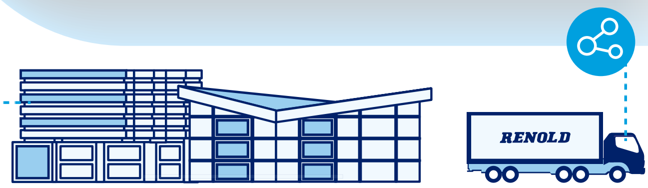
Wide range of stocked products and daily shipment options

10

After-sales service

Ongoing performance monitoring, field support and technical advice

Enhancing the customer experience with after-sales service and performance monitoring



Business model

The Renold business model is focused on leveraging the unique knowledge and capabilities of our people and facilities to generate value for our stakeholders. The continuous value-generation cycle that underpins our strategy is shown below.

Our key resources

People

We are building a strong, highly skilled team with a clear set of values who are able to meet stretching targets.

Our approach combines the experience of existing staff and new capabilities from recruits.

Facilities

We are upgrading our infrastructure and process capability to be an appropriate match for our strategic goals. This will support improvements in quality and service and create manufacturing flexibility.

Brand

We have a reputation as a leading global supplier of chain and torque transmission products. Established in 1879.

Relationships

We work in long-term collaboration with a wide range of general and specialist suppliers. This supports our ability to source complex materials for our leading-edge solutions.

Our value-generation cycle

Knowledge

Of customers, products and solutions

- Reviewing after-sales product performance means we continue to learn
- Deep understanding of metallurgy and chemistry in real world scenarios
- Practical application of engineering excellence with complex materials for our leading-edge solutions

Skills and facilities

The ability to conceive and deliver solutions

- Bringing our unparalleled engineering capability to design customer solutions
- Deploying process engineering skills to match the product engineering skills to deliver the final solution
- Using many different technologies and processes to deliver products with the right attributes

Logistics

The right product in the right place

- Wide range of stocked products can reduce supply chain complexity
- Daily shipment options respond to customer-specific needs
- Rapid response cells geared up for swift deliveries

Service

We continue to deliver and expand our unique service offering

- Rapid response offering on configured chain and standard transmission chain
- A programme of opening Renold Service Centres in new markets

Our business model creates value for our customers

End users

14%

End users sales

- Expert knowledge
- Bespoke or standard solutions
- Unique problems understood and solved
- The Renold brand and engineering capability provides assurance

OEMs

38%

OEMs sales

- Range of facilities and capabilities
- Bespoke solutions
- Meeting their own and their customers needs
- The Renold brand and engineering capability provides assurance

Distribution

46%

Distribution sales

- End customer support
- Reliability
- Inventory stocked in close proximity to end users, increasing availability and customer service
- Access to a broad, high quality solution product range
- The Renold brand and engineering capability provides assurance

...and for our other stakeholders

Our employees

- A business that shares their values
- An environment where new skills can be developed
- A meritocracy

Our shareholders

- A business that has excellent fundamentals and is ready for growth
- The ability to create long-term value

Our partners

- We open up new opportunities as we expand and always try to be "good to do business with"

Our community

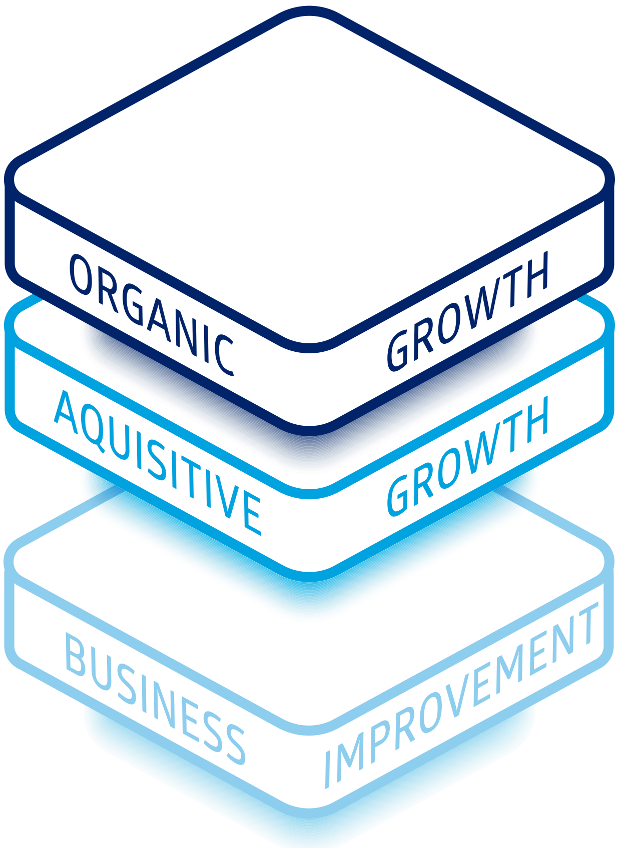
- We run multiple community projects, driven by our local teams to meet local needs. These projects include:
- Supporting local food banks
- Constructing toilet blocks for our local secondary school in India
- Providing solar powered electric scooter charging points for our employees in China

Our environment

- Renold meets all local legislative requirements in the markets it operates
- We apply uniform standards where ever we can and will require higher standards than locally required in many instances
- Renold consider the sustainability of all commercial decisions taken, see Sustainability on pages 36 to 46

STEP2 Strategic plan

A leading premium supplier of high specification, sustainable, Industrial Chain and Torque Transmission products that facilitate others to achieve complex operational needs more reliably and with lower total costs of ownership. Our products whilst critical are a small part of the total cost.



- Premiumisation – superior products, sustainability, development, engineered lower tiers
- Service – service centres, industry leading
- Focussed approach to applications, markets & geography
- Proactive commercial development

- Accelerate growth, use international footprint, management capabilities, re-equipped factories for synergies
- Product or sector
- Geography – infill, service centres
- Consolidation

- Standardisation – product, component, process, technology
- Continued Investment in Service, production equipment & capability, products, people
- Exploitation of new business systems platform
- Removal of operational complexity
- Overhead minimisation & flexibility

Renold, 2nd largest in the global chain market, strong brand, less than 10% market share. International footprint with no dependency on any geography, customer, product or application. International supply chain and manufacturing footprint.

1

Strategic plan – STEP2

We are putting our Strategy into practice with our Strategic Initiatives. These are divided into initiatives associated with organic growth, acquisitions and business improvements respectively.

Organic growth through focus and product development

Relentless drive for superior product performance giving lower total cost of ownership for customers.

Focussed approach to products, applications and geographical markets.

Developing product niches that are targeted at growth applications, which can be cost engineered with adjacent products in order to achieve economies of scale.

Increasing ability to sell our entire product range globally.

Developing new service centre locations in order to better serve our customer needs, with locations currently planned in Turkey, North America, Europe and India.

Helping customers achieve their sustainability goals.

Objectives

- Organic GDP + revenue growth
- Annual net cash generation
- Operating profit margin expansion
- EPS growth

2

Growth through acquisition helps accelerate expansion in markets with "sticky" products

Renold is positioned well to pursue acquisition opportunities, with a strong management team and low net debt. Our reputation, broad product range and geographic reach provide a strong foundation for integration.

Acquisitions allow us to fill product and geographical gaps in our market offering, while gaining manufacturing synergies.

With an active pipeline of opportunities we see the possibility to grow our market share considerably.

Strong track record with recent bolt on acquisitions.

3

Business improvement through flexibility and route to improved margins

Standardising manufacturing capabilities, products, components, process and systems.

Investment in automation and the upgrade of existing facilities.

Continued implementation and enhancement of Group business systems capabilities.

Geographic diversification; improving flexibility between manufacturing locations.

Chief Executive's review

"

I am pleased with the Group's robust performance through the pandemic which reflected the benefits of the strategic development completed over prior years. Our employees around the world have responded excellently to the challenges we have faced and I thank them for their dedication and commitment to the Group and our customers during this difficult period."

ROBERT PURCELL
CHIEF EXECUTIVE

The Group's markets recovered strongly during the year, as activity levels continued to rebound in the aftermath of the Covid-19 pandemic.

Group order intake during the year was £223.9m, an increase of 31.7% on a reported basis and 35.5% at constant exchange rates, over the prior year. Excluding the recently announced £11.0m long-term military contract, order intake for the period increased by 25.3% or 28.9% at constant exchange rates. Encouragingly, the second half order intake at £110.9m was 8.7% ahead of the underlying first half performance. The resultant year end order book of £84.1m, represents a further record high for the Group (31 March 2021: £53.6m).

Conversion of orders into sales was also encouraging, with Group revenue for the year of £195.2m, an increase of 18.1% on a reported basis and 21.4% at constant exchange rates, over the prior year. Group activity continued to ramp up over the second half year, with turnover at constant currency of £99.8m, some 4.8% ahead of the first half. Final quarter revenues at £52.9m broke the psychologically important £50m barrier for the Group.

Year ended 31 March 2022	External revenue £m	Operating profit £m	Return on sales %
Reported	**195.2**	**16.2**	
US PPP loan forgiveness	–	(1.7)	
New lease arrangements on sublet properties	–	0.7	
Amortisation of acquired intangibles	–	0.1	
Adjusted	**195.2**	**15.3**	**7.8**

The strong revenue growth contributed to significantly improved trading during the year, together with a number of non-recurring items, shown in the table above, namely the forgiveness of £1.7m of loans received under the US Government's Paycheck Protection Program, together with non-recurring charges regarding sublet properties relating to closed sites, which are less than previously anticipated, due to the recent short-notice cancellation of the lease by our long-term tenant. Excluding these non-recurring items and the amortisation of acquired intangibles of £0.1m, adjusted operating profit from continuing operations increased to £15.3m (2021: £11.4m), reflecting the commercial and operational improvements made to the business. The corresponding return on sales rose to 7.8% (2021: 6.9%). The incremental operating profit gearing[1] was a creditable 13%, despite the impact of the widely reported industry headwinds, including on the supply chain, raw material availability and inflation. Operating profit increased to £16.2m (2021: £10.7m).

The Group continued to benefit from the impact of the significant efforts undertaken in the current and previous years to lower the fixed cost base, increasing flexibility and operational leverage. The Group has successfully managed a period of significant supply chain disruption to materials and transportation, both in terms of availability, lead times and increased input costs. Whilst price increases have been successfully passed through to customers, through selling price increases, the Group expects further pressure on materials, labour, energy and transportation to continue into the new financial year.

Renold continues to drive increased performance through specific projects aimed at better levels of operational efficiency and productivity, through improved design and standardisation of products, better utilisation of machinery and people, including more flexible working practices, and leveraging the benefits of improved procurement strategies. The Group's capital investments returned to more normal levels following a period of lower spend in the prior year as a result of the pandemic. The Group's operational capabilities are steadily improving as consistent investments come to fruition.

The strong focus on cash management continued, and delivered a further reduction in net debt of £4.6m during the year, to £13.8m (31 March 2021: £18.4m). The resulting net debt to EBITDA ratio of 0.6x (2021: 0.9x) affords significant headroom against the Group's banking covenants and, in turn, provides greater flexibility and funding capabilities to transact quickly on investment decisions to drive growth and efficiencies.

Activity in the Chain division continued the strong recovery seen over the last 18 months, with order intake for H2 22 some c.60% higher at constant exchange rates than that seen during the pandemic. Output has similarly been ramped up with turnover seen in the last six months, some c.36% higher at constant exchange rates than at the low point of the pandemic. In a similar vein the adjusted profitability of the Chain business has increased by 43.2%, when again compared to the pandemic year and return on sales for the year at 11.9% (2021: 10.5% at constant rates) continues to show progress.

The TT division is generally a longer lead time, later cycle business. Order intake dipped to its lowest point during the pandemic in H2 21, when an order intake of £17.4m was recorded. Since this time, excluding the £11.0m long-term military contract, order intake has steadily recovered, with the H2 22 figure 37.2% ahead of the pandemic low point, at constant exchange rates. Similarly, turnover has improved, with sales in H2 22 some 6.2% up on the prior year equivalent figure.

During FY21, the TT division received £0.8m of non-recurring, pandemic support from the US Government; excluding the impact of this support, the return on sales for the division was 10.1% (2021: 10.7%).

Volatile operating environment – impact on operations and Renold's response

The Group is facing an extremely volatile operating environment, the like of which I have not seen in my career, created primarily by both the ongoing effects of the Covid-19 pandemic, and the war between Russia and Ukraine.

At the start of the financial year, our operations in India were substantially closed for a six-week period as lockdown restrictions came into force, while at the end of the year Covid-related disruption to our Chinese facilities, located in the wider Shanghai region, delayed inventory shipments to other companies in the Group. Our European, Australasian and US operations have continued to experience significant rates of Covid-related absenteeism, which has negatively impacted costs, productivity and service levels from our factories. The Group continues to enforce our Covid-19 protocols and health measures to try to protect all our staff and to mitigate the impacts.

As was mentioned in our half year trading statement, we continue to experience extended shipment times, and increased freight costs throughout the world. Container freight services are unreliable and expensive, shortages of trucks and drivers have been evident in many geographies and the war in Ukraine has removed the option of train transport from China to Europe. This has led to an upward pressure on inventory levels, as the Group attempts to maintain customer service levels through the use of buffer stocks, and increased goods in transit between facilities.

Whilst recognising the human tragedy unfolding during the war between Russia and Ukraine, ceasing trading relationships with sanctioned regions has little direct impact on the Group; sales to Russia and Ukraine during FY22 were low at c.0.5% of Group turnover. The wider impact on both material cost and energy prices is more significant, and during the second half year, the Group saw unprecedented increases in material costs, energy and other input costs. In response to this, Renold successfully implemented sales price increases ahead of these inflationary impacts. A significant amount of Group production comes from our German factories, and we are actively working on contingency plans and actions to deal with the impact of any disruption to German energy supplies that Russian action may bring about.

At the end of the financial year all major sites around the Group were open, but a surge of Covid-19 cases within the wider Shanghai region and continued high levels of infection in parts of Europe and the US mean that the risk of further lockdowns, temporary site closures and disruption cannot be eliminated. Disruption to supply chains is causing long lead times for materials and significant inflationary pressure so the Group has had no option but to implement a series of price increases across the business aimed at fully recovering input cost inflation.

Looking forward, Renold is well positioned to benefit further when the broader operating environment returns to something we may recognise as more normal.

Chief Executive's review

Strategic plan – STEP2

As the world slowly emerges from the Covid-19 pandemic, I am delighted that we are launching the next phase of the Renold strategy, STEP2. This is an evolution of the current strategy, STEP 2020, and is built on the foundations that have been created. Whilst there are common threads and similar themes, the major thrust of STEP2 is achieved through both organic and acquisitive growth.

We will continue to modernise and drive efficiency and productivity in the business but also look to grow our revenues, margins and cash flows through both organic and acquisitive growth. We will continue to invest in service, products and operations.

Sustainability

Last year we announced that we would be making sustainability a guiding principle for Renold. Since then, we have taken some significant steps forward. In addition to our statement of intent in relation to sustainability, we have developed, agreed and widely embedded within the business a model of what sustainability means to us. Our Sustainability Steering Group has initiated and progressed a number of Group level projects focussing on areas identified as likely to have the most significant impact, including energy usage, carbon dioxide emissions, packaging and our products' impact on customer sustainability. We have also galvanised our regional businesses across the world to develop their own sustainability project roadmaps, seeking to make our efforts relevant for the highly diverse regions within which we operate and to more fully engage our staff in sustainability activity.

In the coming year we will intensify our focus on our Group projects, bringing them to fruition and where appropriate, initiating new ones. At a regional level we will continue to build on the considerable momentum we have gained, delivering ever more local success. More information on our progress and plans can be found in the Sustainability section of the Annual Report.

Progress

Renold was consistently enhancing its operational capabilities through upgrading equipment and processes across the world before the pandemic. As we have become more confident in our ability to cope with all aspects of Covid-19 we have again started to push forward with our plans. Capital expenditure returned to £5.1m in the period, a considerable increase on the prior year and we expect it to rise again in the new year. We have made good progress in difficult circumstances, as supply chain issues have affected our equipment suppliers as much as ourselves.

We have a very clear vision of how our new Chinese factory fits into our global supply chain and our expectations for growth in the Chinese market itself. We are constantly upgrading capabilities in the new facility and we will be offering higher specification Chinese-made product into the domestic market as well as across the world.

In our Indian business, efforts continue to fully integrate the business into the Group supply chain. Investments in production capabilities, including improvements in the product quality and uniformity, are underway. India offers a very attractive market in its own right and an interesting and effective alternative to our Chinese Chain manufacturing site. India provides the Group with an alternative supply base as customers' supply chains flex, driven by an awakening of concern about tariffs and the concentration of supply from a single region.

These projects highlight an intentional trend within our capital allocation decisions for the Group. With the large infrastructure projects complete, capital allocation decisions are now less frequently limited purely by a site's domestic requirements but are focused on customer service, upgrading product specification capabilities and optimising profitability for the Group. For the Chain division especially, this allows us to access economies of scale and offer a truly global service with increasing relevance to large OEM customers. Renold is increasingly an integrated international supplier and less a series of regional businesses.

Having created a stronger operational platform for the Group and with the significant strengthening of our financial position, we have increased our focus on how we can accelerate performance through value-enhancing acquisitions, which will allow us to both benefit from increased geographical and product coverage, but also leverage synergies from increasing the throughput of our existing facilities. As a result, we have developed a pipeline of acquisition opportunities which we believe have the ability to meet our strict financial and operational criteria. These acquisitions will allow us to expand our product and service offering as well as our customer base, further expand our already diverse product portfolio into adjacent market sectors and allow us to capitalise on our ability to provide customers with extremely high specification products with real benefit for their own business performance.

The Board is observing disciplined criteria when prosecuting the new acquisition strategy, ensuring that potential targets will enhance the Group's wider strategy and the earnings of the Group. Additionally, the Board is mindful of retaining a conservative capital structure, especially in light of the current economic backdrop, and will ensure that the long-term net debt to EBITDA ratio is maintained at an acceptable level.

The strategic progress made by the Group over recent years has been significant. Investments in both our production capabilities and our IT environment have resulted in significant benefits, with:

- improvements in productivity and operational efficiency as evidenced by growing sales per employee;
- greater insight into the performance and opportunities in the business due to better and more complete data;
- improvements in the specification and quality of products we are able to make across our multiple manufacturing sites; and
- greater flexibility in the cost base as we start to reduce the correlation between revenue and direct labour.

Following the ongoing recovery of our markets, the financial benefits of these improvements will come to the fore. The significant investment in infrastructure and cost of change is largely at an end. As markets further improve, cash generated from trading will no longer be required to support investment in substantial change programmes creating more flexibility in capital allocation decisions.

In the medium term, and despite the uncertainty caused by the war in Ukraine, market demand should continue to improve as the world recovers from the impact of the Covid-19 pandemic. The benefits of the strategic programme already delivered have left Renold well positioned to capitalise on this recovery in the years ahead.

Macroeconomic landscape and business positioning

With so many geopolitical and Covid-19 issues resulting in ongoing short- and medium-term uncertainty, it is necessary to look at the underlying fundamentals of the Group and the markets we serve to understand why Renold will continue to develop. Many of these intrinsic values have remained consistent over time but are continually being enhanced and increased. They include:

- **Valued and recognised brand with well-respected engineering expertise**
  The Renold brand has been built up over our 150-year history and is trusted by customers to deliver exceptional products due to our world-class engineering and product knowledge.
- **Global market position and unique geographical manufacturing capability**
  The global market position of Renold has existed for many years but following significant strategic investments in the Chain division, the geographic manufacturing footprint and capabilities we have are unique, permitting us to service customer demand with increasing levels of flexibility – a critical factor in a rapidly changing market environment.
- **Relatively low cost, but business critical products**
  Chain and Torque Transmission products are fundamental elements of the systems into which they are incorporated. Our products are often a small proportion of the cost of the entire system, but critical to its operation.
- **Broad base of customers and end-user markets**
  Renold products are used in an extremely diverse range of end applications, sectors, markets and geographies resulting in a huge spread of customers and industries served. Markets and applications will change and vary in the ever-altering environment we operate in but, with its wide spread of products, geographies, applications and customers, Renold is well positioned.
- **High specification products delivering environmental benefits for our customers**
  Renold products have always been high specification, premium products which deliver exceptional benefits to customers. Whether through greater efficiency leading to lower power usage, longer life providing lower lifetime usage of materials and energy in their manufacture and logistics, or lower lubrication requirements, Renold products are well placed for an increasingly environmentally aware marketplace. Our products are capable of helping our customers meet their sustainability objectives whilst saving them money.

Outlook

I am pleased with the Group's robust performance through the pandemic which reflected the benefits of the strategic development completed over prior years. Our employees around the world have responded excellently to the challenges we have faced and I thank them for their dedication and commitment to the Group and our customers during this difficult period.

Throughout the reported period the business performance has been on an improving trend and our order books have continued to grow in the early part of the new financial year. We are cognisant that there remain considerable Covid-19-related challenges in some parts of the world; supply chain issues are still prevalent and inflation is high. However, we have entered the new financial year with good momentum and a belief in the excellent fundamentals of the Renold business upon which we are building.

ROBERT PURCELL
CHIEF EXECUTIVE

13 July 2022

Our key performance indicators

Our financial and non-financial key performance indicators (KPIs) provide a measure of our performance against the key drivers of our strategy. Their relevance to our strategy and our performance against these measures are explained on these pages.

Strategic objectives

- A Significantly improving our health and safety performance
- B Operating profit margin expansion
- C Enhancing customer service
- D Optimising business processes
- E EPS growth
- F Developing our people
- G Annual net cash generation

KPI result change (from prior year)

- Improvement
- Unchanged
- Deterioration

Read more about our strategy on pages 18 to 19

Profit measures B D E G

Why it's important to Renold

Profit measures give insight into cost management, performance efficiency and growth. We are focused on increasing productivity, reducing operating costs and delivering organic growth.

Return on sales (%)

Adjusted operating profit divided by revenue.

2018	6.7%
2019	7.4%
2020	7.1%
2021	6.9%*
2022	7.8%

Commentary:

Improvement in ROS is in line with our strategic intent to improve operating margin.

Change

Adjusted earnings per share (p)

Earnings per share before restructuring costs or adjusting items. This is a key metric used by capital markets and stakeholders in assessing performance improvement and value generation.

2018	2.9
2019	3.1
2020	2.9
2021	2.3*
2022	4.3

Commentary:

EPS progression is in line with the improvement in the strength of the underlying business.

Change

Efficiency measures B C D E F G

Why it's important to Renold

Delivering improved efficiency in everything we do is a core element of our strategic goal of delivering increasing operating margins.

Sales per employee (£'000)

Total revenue divided by the average number of employees. A simple way to assess the efficiency of our business processes.

2018	94.1
2019	97.5
2020	99.7
2021	96.3
2022	107.6

Commentary:

Continued investment in processes within our factories is allowing us to increase activity with a consistent, highly skilled workforce.

Change

Total overheads (£m)

Costs that are, in theory, fixed or very inflexible. Driving these down is one way to lower our breakeven point and to enhance our operational gearing.

2018	73.8
2019	74.9
2020	70.9
2021	63.3
2022	73.9

Commentary:

Overheads are tightly controlled, but discretionary spend is increasing in light of new commercial opportunities, activity levels and inflation.

Change

* The results for the year ended 31 March 2021 have been restated. Refer to Note 27 and the accounting policies for details of the restatements.

Capital and cash measures E G

Why it's important to Renold

Capital and cash measures reflect how we are managing our cash and balance sheet. A strong balance sheet is essential to remaining robust through the economic cycle and creating the ability to deliver appropriate shareholder returns.

Cost of servicing legacy pensions (£m)

Annual cash contributions to closed legacy defined benefit pension schemes, including associated administrative costs. The goal is to maintain stability and certainty of cash costs.

2018	5.5
2019	5.5
2020	5.2
2021	2.6
2022	5.5

Commentary:

Pension cash costs have returned to normal levels following the agreement in the previous year to defer cash contributions to the UK scheme.

Change

Average working capital ratio (%)

Working capital as a ratio of rolling 12 month revenue. Calculated as a simple average of the previous 12 months.

2018	22%
2019	23%
2020	23%
2021	24%
2022	18%

Commentary:

Tight working capital control allowed activity, post-Covid, to normalise, while working capital remained stable.

Change

Leverage Ratio

Ratio of net debt to adjusted EBITDA. 'Banking' leverage means the figure reflects our banking agreements, which differ from IFRS (e.g. preference shares are debt in IFRS but ignored in our banking agreement).

2018	1.1x
2019	1.3x
2020	1.7x
2021	0.9x
2022	0.6x

Commentary:

EBITDA rebounded in the year, and strong working capital control resulted in a further reduction in leverage.

Change

Net Debt

Total borrowings less cash balances.

2018	24.3
2019	30.3
2020	36.6
2021	18.4
2022	13.8

Commentary:

Continued management of cash allowed Group borrowings to remain at record lows.

Change

Health and safety measures A F

Why it's important to Renold

Safety continues to be our number one priority. We believe that every work-related incident and injury is preventable and are committed to providing a safe workplace for everyone.

Lost time accident frequency rates

Over a 12-month period, this ratio shows the total number of lost time accidents, irrespective of severity, against the hours worked. An internationally recognised standard measure.

2018	5.8
2019	15.2
2020	9.4
2021	6.2
2022	10.2

Commentary:

Against an overall trend of declining accident frequency, the number of those accidents that resulted in lost time has increased.

Change

Reportable injury rates

Over a 12-month period this ratio shows the number of accidents greater than three lost days, against the average number of employees in the same period. An internationally recognised standard measure.

2018	455
2019	1,909
2020	1,014
2021	598
2022	1,406

Commentary:

An increase in LTAs is also reflected by a corresponding increase in the reportable injury rate.

Change

Lost time days

The total number of lost days attributable to all accidents in the 12-month period. An internationally recognised standard measure.

2018	248
2019	1,126
2020	340
2021	168
2022	467

Commentary:

An increase in lost time days this year can be correlated with the increase in the lost time accident frequency rate.

Change

Safety improvements

We drive all our sites to capture and implement safety improvements. An internationally recognised concept with different measures applied by different businesses.

2018	1,304
2019	1,350
2020	1,254
2021	1,321
2022	2,036

Commentary:

A substantial increase of 65% in safety improvement reporting reflects continued focus and staff engagement n safety-related matters.

Change

Our performance

Chain performance review

Turnover rebounded during the year, with total Chain turnover increasing 22.5% year-on-year to £159.2m; 26.1% at constant exchange rates. The final quarter of the year saw a further step-up in activity, with Q4 turnover some 27% higher than the prior year comparator, and 12% ahead of the next highest quarterly figure. The increased revenues resulted in return on sales improving by 140 basis points, to 11.9% (2021: 10.5% at constant exchange rates). The operational gearing[1] on the increased activity at constant exchange rates was a creditable 17%, as the impact of increased volumes and significant operational efficiency gains fell through to the bottom line. Operating profit was £20.5m (2021: £12.9m), £7.6m higher than the prior year level.

	2022 £m	2021 £m
External revenue	**158.2**	128.9
Inter-segment revenue	**1.0**	1.1
Total revenue	**159.2**	130.0
Foreign exchange	**–**	(3.8)
Revenue at constant exchange rates	**159.2**	126.2
Operating profit	**20.5**	12.9
US PPP loan forgiveness	**(1.7)**	–
Amortisation of acquired intangibles	**0.1**	0.7
Foreign exchange	**–**	(0.4)
Adjusted operating profit at constant exchange rates	**18.9**	13.2

1. Operational gearing is defined as the year-on-year change in adjusted operating profit, divided by the year-on-year change in revenue.

Order intake in the Chain division increased by 30.4% year-on-year, as economies worldwide recovered from the impact of Covid-19 related lockdowns and we were able to restart more normal commercial activity. Throughout the year constant currency quarterly order intake figures have remained consistently high, remaining around the £40m level, with the exception of quarter 4 which saw a further upward step change, as the impact of price increases and the recovery of the US OEM market was reflected in the figures. Closing order books for the division finished the year at £53.9m.

Chain Europe, which is our largest Chain business, saw a sharp recovery in constant exchange rate revenues, which increased 36.0% over the prior year. Revenue strengthened significantly from the outset of the year, a trend which continued throughout each subsequent quarter. The increased activity together with the benefit of price increases and renewed commercial initiatives, resulted in a substantial increase in underlying adjusted constant currency operating profit. During the year, the business successfully integrated the Brooks conveyor chain acquisition into our UK business, and completed the introduction of ISO9001, ISO14001 and ISO45001 certifications at all of our European manufacturing facilities. From a commercial perspective, Chain Europe launched the Renold Webshop, which enables UK-based customers to make online purchases of industrial, motorcycle and track cycle chains, while also launching the new Renold 3D Configurator software which enables customers to download specification, 3D step files and also raise quotations directly on our systems.

In the Americas, the market recovery seen following the US presidential elections and the lessening impact of Covid-19, was also marked. Order intake at £69m was at record levels, surpassing the previous high of c.£65m, with March 2022 representing a new record high for monthly order intake, while turnover, at £63m, was 29.2% higher than the prior year comparator, using constant currency rates. Sales to OEM customers, especially in the fork lift truck market, recovered strongly in the second half, while new business opportunities, especially in the ethanol, grain handling and forestry markets, were also won during the year. Production capabilities continue to be enhanced with the introduction of an automated robotic assembly line. Underlying constant currency operating profit increased to a new record high.

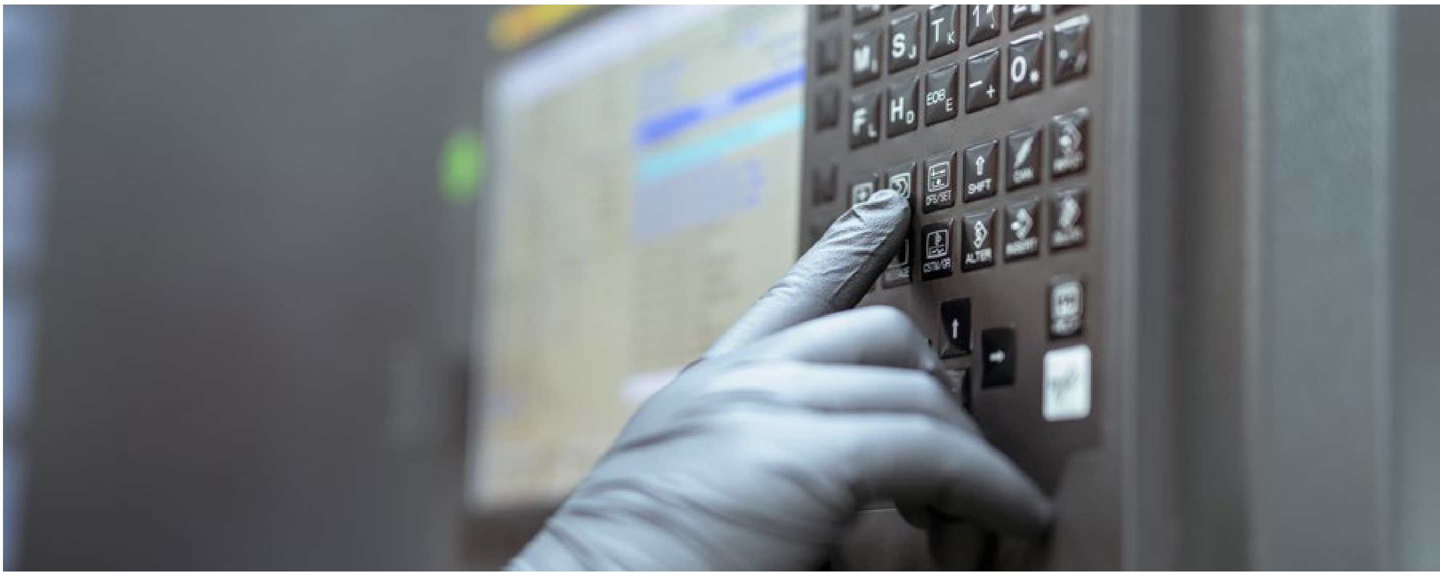
Australasia was the region least impacted at the outset of the pandemic and financial year 2021 recorded constant currency revenue growth of 4.6%. This financial year saw additional improvements in constant currency revenues, which increased by a further 4.7% across the region. Australia itself had a good year with revenue at constant exchange rates up 7.3%, which followed last year's 12.8% growth rate, with increased activity seen in the mining sector.

We see continuing evidence of customers changing buying patterns to source more domestically produced goods as a result of on-going supply chain disruption of imported products, while we are also seeing the benefits of our product enhancing engineering capabilities. We continue to invest in the production capabilities of our Melbourne factory. New Zealand also recovered strongly in the year, showing a 24.4% constant currency growth rate. Malaysia and Indonesia encountered more difficult trading conditions, particularly due to Covid-19 restrictions and therefore saw reductions in activity in excess of 10%. The highlight of the region was Thailand where activity grew 63.3%, albeit from a low base. We are continuing to expand our sales into more industries in SE Asia, supported by a strong dealer network in Indonesia.

Domestic revenues in India recovered sharply in the year with constant exchange rate revenues 44.8% higher, despite the business being faced with a further government enforced shutdown, which subdued activity in the first half of the year. This was followed by a significant recovery in demand which was partially satisfied through the manufacture and import of product from the Renold facility in China, which offset short-term material supply issues caused by the inability of domestic steel production to recover sufficiently quickly. This was a great example of two Renold businesses working together to satisfy customer requirements. We have opened the first of a series of regional distribution warehouses in India to offer our customers better and much quicker service.

Constant currency revenues in China grew by 45.8% during the year, driven primarily by the significant recovery of intra group demand from Europe, the US, and now India. Efforts and investments are underway to continue to improve the quality and specification of products manufactured in China to make them equivalent to those manufactured in Europe. During the year, our Chinese team initiated a project to upgrade certain component manufacturing processes to use what we would consider to be state-of-the-art technology, while making significant investment in automated assembly lines to facilitate high volume sales growth in both domestic and overseas markets.

The Chain division continues to develop and evolve through investment in equipment, processes, engineering and sales and this provides us with a good base from which to benefit from the expected opportunities in this market.



Torque Transmission performance review

Divisional revenues of £40.4m were £1.3m higher than in the prior year due to a recovery in demand in our Couplings and Gears businesses. The Couplings business saw the planned increase in activity on the contract to supply large Hi-Tec couplings for the Royal Navy, while the Gears business saw a broad recovery in activity following the pandemic. In July 2021, the Group announced it had secured an £11.0m long term supply agreement for the second phase of the military contract which is expected to deliver revenues over approximately the next eight years.

Divisional adjusted operating profit at constant exchange rates reduced by £0.8m to £4.1m due to the non-recurrence of the non-recurring benefit of US Government Covid support of £0.7m seen in the last financial year. Return on sales excluding the non-recurring prior year US PPP loan forgiveness was 10.1% (2021: 10.7%) and operating profit was £4.1m (2020: £5.0m).

Momentum in this division, which has a later trading cycle, and generally larger orders than our Chain business, continues to be positive.

	2022 £m	2021 £m
External revenue	**37.0**	36.4
Inter-segment revenue	**3.4**	2.7
Total revenue	**40.4**	39.1
Foreign exchange	**–**	(0.7)
Revenue at constant exchange rates	**40.4**	38.4
Operating profit	**4.1**	5.0
Foreign exchange	**–**	(0.1)
Adjusted operating profit at constant exchange rates	**4.1**	4.9

Order intake for the year increased 48.1% to £55.4m (2021: £37.4m), 51.7% at constant exchange rates, as the recovery from the Covid-19 pandemic spread through the global economy. Excluding the impact of the £11.0m long term military contract, order intake increased 21.6% at constant exchange rates. Recovery in order intake progressed steadily throughout the year, so that by the fourth quarter of the year, the division had experienced its fifth sequential increase in order intake, with the £12.5m recorded being some 60% higher than the low point seen through the pandemic.

The Couplings business, both the UK and Spanish units, saw a marked increase in turnover year-on-year being up 44.6% and 38.7% respectively. As planned, turnover in the marine business, which manages the long-term military contracts increased year-on-year by £0.5m, as delivery of the first phase of the contract was completed. Targeted marketing campaigns have proved successful with an increased interest from customers in the RBI rubber in compression product, which offers users a number of clear advantages over other products available in the market, whilst on-going work to further enhance customer service has resulted in a number of interesting opportunities being identified.

The Chinese TT business grew steadily, showing a year-on-year increase of 4.3%, while supply chain issues in the Australian business resulted in turnover in the year being down 15%; however early indications suggest this shortfall should be largely recovered within the first few months of the new financial year. Activity in the US TT business remained subdued throughout most of the year, with turnover reducing 8.6%. Operational disruption caused by direct labour shortages, and supply chain constraints, held back activity. Order intake in the second half of the year improved markedly, as fresh impetus was brought to the business through the strengthening of the commercial team, and the introduction of Group standard business systems.

The Gears business continued to make good progress in order intake, turnover and margin improvements despite facing significant material and energy cost increases. Notable sales in the year included escalator gear units for the Budapest metro. Demand from the OEM sector, particularly for larger projects in the US and UK, which are our key geographic markets, showed further signs of improvement during the year.

As the Torque Transmission division operates on a slightly later sales cycle than the Chain division, we expect full recovery from the Covid-19 pandemic to become evident during the new financial year.

Finance Director's review

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Renold delivered a strong performance during the year, as the Group's markets rebounded from the impact of the Covid-19 pandemic. The business produced an adjusted operating margin of 7.8% (2021: 6.9%), and achieved a significant reduction in net debt of £4.6m to £13.8m (31 March 2021: 18.4m).”

JIM HAUGHEY
FINANCE DIRECTOR

	2022			2021 (Restated[1])		
Reconciliation of reported to adjusted results	**Order intake £m**	**Revenue £m**	**Operating profit £m**	Order intake £m	Revenue £m	Operating profit £m
Reported	**223.9**	**195.2**	**16.2**	170.0	165.3	10.7
US PPP loan forgiveness	**–**	**–**	**(1.7)**	–	–	–
New lease arrangements on sublet properties			**0.7**	–	–	–
Amortisation of acquired intangible assets	**–**	**–**	**0.1**	–	–	0.7
Adjusted	**223.9**	**195.2**	**15.3**	170.0	165.3	11.4
Impact of foreign exchange	**–**	**–**	**–**	(4.8)	(4.5)	(0.5)
Adjusted at constant exchange rates	**223.9**	**195.2**	**15.3**	165.2	160.8	10.9

1. The results for the year ended 31 March 2021 have been restated. Refer to Note 27 and the accounting policies for details of the restatements.

Orders, revenue and operating profit

Group order intake for the year increased 31.7% to £223.9m (2021: £170.0m), or 35.5% at constant exchange rates, as the impact of the recovery from the Covid-19 pandemic was reflected through the wider economy.

Group revenue from continuing operations increased by £29.9m (18.1%) to £195.2m. Revenue at constant exchange rates increased by £34.4m (21.4%). Activity steadily increased throughout the year as manufacturing facilities ramped up production in response to the increased order intake levels. The activity in quarter four was some 30% higher than at the low point of the pandemic. Both Divisions saw an increase in turnover, with the Chain Division recording an increase at constant exchange rates of 26.2%, while the Torque Transmission Division, which is a larger order and longer cycle business, increased by 5.3%.

The Group generated an adjusted operating profit for the year of £15.3m (2021: £11.4m), excluding the benefit of adjusting items as detailed below. Operating profit for the year was £16.2m (2021: £10.7m). Operating profit margin, calculated on a statutory basis, was 8.3% (2021: 6.5%) and return on sales increased by 90 bps during the year to 7.8% (2021: 6.9%).

Adjusting items

Adjusting items for the year ended 31 March 2022 comprise acquisition-related intangible asset amortisation costs of £0.1m (2021: £0.7m), a £1.7m gain from the forgiveness of US Covid-related loans, and a £0.7m charge from new lease arrangements at previously closed sites, including adjustments relating to the sublease of the closed Bredbury facility, and the termination of a lease at a site in Rainham in Essex. No restructuring charges were incurred in the year ended 31 March 2022 (2021: £nil).

Prior year adjustments

This year we have completed a thorough review of past accounting practices. As a consequence, prior period adjustments have been recorded in the accounts relating to the recognition of a dilapidation provision for leased properties across the Group, for the accounting changes and hence policy relating to the accounting for software as a service contracts and in relation to deferred taxation on the UK pension deficit. Details of the adjustments are disclosed in the accounting policies and Note 27 to the financial statements.

The prior year adjustments processed during the year resulted in the distributable reserves of Renold plc, company only, being in a deficit position of £2.3m at 31 March 2020. Accordingly there was a minor irregularity concerning the technical compliance of the Companies Act 2006 in respect of historical preference dividends paid. The reserves deficit at 31 March 2020 has since been rectified by receipt of dividends from subsidiary companies and the £45m capital reorganisation completed during the current year. The Board will pass the appropriate resolutions at the next Annual General Meeting.

Foreign exchange rates

Foreign exchange rates have remained volatile, with a 1% strengthening of Sterling against the Euro being more than offset by a 4% weakening of Sterling against the US Dollar between March 2021 and March 2022.

Phasing of movements over the current and prior year mean the weighted average exchange rate used to translate the Euro and US Dollar varies to the movement in the closing rates. The weighted average exchange rates were 1.36 for the US Dollar and 1.17 for the Euro for the year ended 31 March 2022 (2021: 1.31 and 1.12 respectively).

FX Rates (% of Group sales)	31 Mar 21 FX rate	**31 Mar 22 FX rate**	**31 Mar 22 Var %**	2021 Average FX rate	**2022 Average FX rate**	**2022 Var %**
GBP/Euro (27%)	1.17	**1.18**	**1%**	1.12	**1.17**	**4%**
GBP/US$ (37%)	1.38	**1.32**	**-4%**	1.31	**1.36**	**4%**
GBP/C$ (5%)	1.73	**1.64**	**-5%**	1.73	**1.71**	**-1%**
GBP/A$ (5%)	1.81	**1.75**	**-3%**	1.82	**1.84**	**1%**

If the year-end exchange rates had applied throughout the year, there would be an estimated increase of £4.0m to revenue and £0.3m to operating profit.

Finance costs

Total finance costs in the year were £3.8m (2021: £4.6m).

Total loan finance costs include external interest on bank loans and overdrafts of £1.1m (2021: £1.6m), amortisation of arrangement fees and costs of refinancing, including the additional costs from the refinancing completed in March 2019, and the transition of banking arrangements from Libor to Sonia during the current year, of £0.3m (2021: £0.2m) and £0.5m (2021: £0.5m) of interest expense on lease liabilities. The reduction in interest payable on external bank loans and overdrafts was driven by the significant repayments of borrowings made during the years ended 31 March 2021 and 31 March 2022.

The net IAS 19 finance charge (which is a non-cash item) was £1.8m (2021: £2.2m).

Finance costs also include £0.1m (2021: £0.1m) resulting from the unwinding of discounts on the deferred build costs of the Chinese factory, classified as non-current trade and other payables.

Profit before tax

Profit before tax was £12.4m (2021: £6.1m), primarily due to increased operating profit, including the non-recurring items noted above, and reduction in net finance costs.

Taxation

The tax charge in the year of £2.2m (2021: £1.5m) is made up of current tax of £2.0m (2021: £2.2m) and deferred tax of £0.2m (2021: £0.7m credit). The decrease in the current tax charge for the year is attributable to the full utilisation in the prior year of historical tax losses in jurisdictions for which the statutory tax rate is greater than the prevailing UK headline rate, being more than offset by a release in the provision for open tax matters yet to be agreed with tax authorities, reflecting a reduction in the best estimate of amounts expected to be paid in settling these inquiries. For further details see Note 4.

The effective tax rate for the year was 18% (2021[1]: 25%), benefitting from the non-recurring items described above, which are non-taxable. Excluding these items, the effective tax rate on adjusted earnings was 19% (2021[1]: 22%).

Earnings per share

Profit after tax of £10.2m was achieved for the financial year ended 31 March 2022 (2021: £4.6m). Adjusted earnings per share was 4.3p (2021: 2.3p), which excludes the benefit of non-recurring items in the year noted above, and charges related to the amortisation of acquired intangible assets. Basic earnings per share was 4.7p compared to 2.0p for the year ended 31 March 2021.

	2022 £m	2021 (Restated[1]) £m
Adjusted profit after taxation	**9.3**	5.3
Effect of adjusting items, after tax:		
– US PPP loan forgiveness	**1.7**	–
– New lease arrangements on sublet properties	**(0.7)**	–
– Amortisation of acquired intangible assets	**(0.1)**	(0.7)
Profit after taxation	**10.2**	4.6
Basic adjusted earnings per share	**4.3p**	2.3p
Basic earnings per share	**4.7p**	2.0p

1. The results for the year ended 31 March 2021 have been restated, see Note 27 and accounting policies for details of the restatements.

Finance Director's review

Balance sheet

Net assets at 31 March 2022 were £5.8m (31 March 2021 (restated): net liabilities £14.7m). A net profit of £10.2m was delivered for the year, which together with the impact of the valuation of the Group's pension liabilities and the retranslation of overseas operations resulted in an increase in net assets of £20.5m.

The pension deficit, on an IAS 19 basis, decreased to £87.1m (31 March 2021: £102.4m). The net liability for pension benefit obligations was £76.1m (2021: £90.4m) after allowing for a net deferred tax asset of £11.0m (31 March 2021: £12.0m). At the last triennial pension valuation the technical provisions deficit of the UK scheme, which is how the trustees and regulator view the scheme, was only £9.1m. This compares to the IAS 19 deficit for the UK pension fund of £64.1m.

The difference represents the valuation of the capital asset reserve (CAR), currently £49.1m, being the discounted value of guaranteed future cash contributions to the scheme for a fixed period of 25 years commencing in 2013.

Overseas schemes now account for £23.0m (26%) of the net pension deficits and £22.4m of this is in respect of the German scheme which is unfunded, with payments made as pensions fall due.

During the year, and as part of its long-term financial planning, the Company reorganised its balance sheet and reserves through the cancellation of the entire amount of its share premium account and capital redemption reserve. The share premium account and capital redemption reserve are non-distributable reserves and accordingly, the purposes for which they can be used are restricted. The reduction of capital creates sufficient distributable reserves to provide the Board with greater flexibility with regard to how it manages its capital resources. An order of the High Court confirming the capital reduction became effective on 27 May 2021, increasing distributable reserves by £45.5m and, if applied to the Group consolidated balance sheet at 31 March 2021, the capital reduction would decrease the consolidated retained earnings deficit from £78.2m to £32.7m.

Cash flow and net debt

	FY22 £m	(Restated[1]) FY21 £m
Adjusted operating profit	**15.3**	11.4
Add back depreciation and amortisation	**9.4**	9.9
Adjusted EBITDA[2]	**24.7**	21.3
Movement in working capital	**(0.2)**	6.5
Net capital expenditure	**(5.1)**	(2.9)
Operating cash flow[2]	**19.4**	24.9
Income taxes	**(1.7)**	0.7
Pensions cash costs	**(4.8)**	(2.1)
Restructuring spend	**–**	(0.2)
Repayment of principal under lease liabilities	**(4.2)**	(3.2)
Finance costs paid	**(1.8)**	(2.2)
Consideration paid for acquisition	**(0.5)**	–
Own shares purchased	**(4.9)**	–
US PPP loan forgiveness	**1.7**	–
Other movements/share-based payments	**1.4**	0.3
Change in net debt	**4.6**	18.2
Closing net debt[2]	**13.8**	18.4

1. The results for the year ended 31 March 2021 have been restated. Refer to Note 27 and the accounting policies for details of the restatements.

2. Adjusted EBITDA, net debt and operating cash flow are alternative performance measures as defined in Note 26.

This year saw a further reduction in net debt, the improvement of £4.6m leading to a closing position of £13.8m (31 March 2021: £18.4m). Net debt at 31 March 2022 comprised cash and cash equivalents of £10.5m (31 March 2021: £19.9m) and borrowings of £24.3m (31 March 2021: £38.3m). This reduction was especially pleasing bearing in mind that the Group took the opportunity to purchase £4.9m of shares during the year to satisfy the requirements of share based payments.

Within the working capital movement, inventory levels increased by £9.5m, as the Group replenished stock levels to ensure good customer service despite supply chain difficulties. Receivables also increased by £4.5m, in line with the higher turnover levels, while careful working capital management in general offset these increases.

Net capital expenditure at £5.1m was expanded during the second half of the financial year, as equipment, delayed due to transportation issues, was finally delivered into our operating facilities. The Group sees investments, especially those in support of our strategy, aimed at improving heat treatment facilities, broader manufacturing capabilities, and product assembly automation, gathering pace in the coming year. Additionally, the installation of the standardised Group IT system will gather momentum as travel restrictions brought about by the pandemic continue to ease.

During the year the Group acquired the conveyor chain business of Brooks Ltd in Manchester, UK, for a total consideration of £0.7m, of which £0.5m was paid in the year, with a further £0.2m deferred and expected to be paid in the next financial year.

Pension cash costs of £4.8m were higher than the prior year equivalent of £2.1m. The increase in contributions is a result of the agreement reached with the UK Pension Trustee in April 2020, whereby £2.8m of FY21 contributions due to be paid to the UK scheme, were deferred in light of the potential impact of the Covid-19 pandemic. The deferred contributions are being repaid over the five-year period which commenced on 1 April 2022.

Corporation tax cash paid was £1.7m (2021: £0.7m received), which returned to normal levels, while the net inflow seen in the prior year was driven by a recovery of £1.3m of prior year payments on account.

Net cash flow from operating activities decreased to £19.3m (2021: £26.7m).

Debt facility and capital structure

The Group's committed multi-currency revolving credit facility (MRCF) totals £61.5m, with a £20.5m accordion facility providing a route to additional funding if required, although this element is not committed. The facility matures in March 2024. During the year the Group facilities transitioned from Libor to Sonia as the basis to set the interest rate payable.

At 31 March 2022, the Group had unused credit facilities totalling £40.1m and cash balances of £10.5m. Total Group credit facilities amounted to £64.2m, all of which were committed.

The Group has operated well within the pandemic-related revised and original covenant levels throughout the year ended 31 March 2022 (see further detail in the going concern section below) and expects to continue to operate comfortably within covenant limits going forward.

The net debt/adjusted EBITDA ratio as at 31 March 2022 was 0.6× (covenant: up to 2.5×; 31 March 2021: 0.9×), calculated in accordance with the banking agreement. The adjusted EBITDA/interest cover as at 31 March 2022 was 19.6× (covenant: greater than 4.0×; 2021: 10.9×), again calculated in accordance with the banking agreement.

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 financial position, liquidity, cash balances and borrowing facilities is set out in the Strategic Report section of the Annual Report. In addition, the financial statements within the Annual Report include 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. Information relating to post balance sheet events is disclosed in Note 25.

The key covenants attached to the Group's multi-currency revolving credit facility relate to leverage (net debt to EBITDA, maximum 2.5x) and interest cover (minimum 4.0x), which are measured on a pre-IFRS 16 basis. The Group regularly monitors its financial position to ensure that it remains within the terms of its banking covenants.

Following the strong cash performance in the prior year, the Group has achieved a further reduction in net debt during the current financial year of £4.6m to £13.8m (31 March 2021: £18.4m), notwithstanding cash out flows for share purchases (£4.9m) and lease exit payments (£1.1m). The Group has accordingly remained within the borrowing covenant levels throughout the year ended 31 March 2022.

Given the current level of macroeconomic uncertainty stemming from Covid-19, inflation, the global supply chain crisis and geopolitical risks, and being also mindful of the risks discussed on pages 48 to 55, the Group has performed financial modelling of future cash flows. The Board has reviewed the cash flow forecasts which cover a period of 12 months from the approval of the 2022 Annual Report, and which reflect forecast changes in revenue across the Group's business units. A reverse stress test has been performed on the forecasts to determine the extent of a downturn which would result in a breach of covenants. Revenue would have to reduce by approximately 30% over the period under review for the Group to breach the leverage covenant under the terms of its borrowing facility. The reverse stress test does not take into account further mitigating actions which the Group would implement in the event of a severe and extended revenue decline, such as reducing discretionary spend and capital expenditure. This assessment indicates that the Group can operate within the level of its current facilities, as set out above, without the need to obtain any new facilities for a period of not less than 12 months from the date of this report.

Following this assessment, the Board of Directors are satisfied that the Group has sufficient resources to continue in operation for a period of not less than 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in relation to this conclusion and preparing the consolidated financial statements. There are no key sensitivities identified in relation to this conclusion. Further information on the going concern of the Group can be found on page 56 in the Viability Statement.

Treasury and financial instruments

The Group's treasury policy, approved by the Board, is to manage its funding requirements and treasury risks without undertaking any speculative risks. Treasury and financing matters are assessed further in the section on principal risks and uncertainties.

To manage foreign currency exchange impact on the translation of net investments, certain US Dollar denominated borrowings taken out in the UK to finance US acquisitions are designated as a hedge of the net investment in US subsidiaries. At 31 March 2022 this hedge was fully effective. The carrying value of these borrowings at 31 March 2022 was £6.8m (31 March 2021: £6.5m).

At 31 March 2022, the Group had 2% (31 March 2021: 1%) of its gross debt at fixed interest rates. 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.

Pension assets and liabilities

The Group has a mix of UK (84% of gross liabilities) and overseas (16% of gross liabilities) defined benefit pension obligations as shown below.

	2022			2021		
	Assets £m	**Liabilities £m**	**Deficit £m**	Assets £m	Liabilities £m	Deficit £m
Defined benefit schemes						
UK scheme	**134.4**	**(198.5)**	**(64.1)**	136.3	(213.8)	(77.5)
Overseas schemes	**15.4**	**(38.4)**	**(23.0)**	14.9	(39.8)	(24.9)
	149.8	**(236.9)**	**(87.1)**	151.2	(253.6)	(102.4)
Deferred tax asset	**–**	**–**	**11.0**	–	–	12.0
Net deficit	**–**	**–**	**(76.1)**	–	–	(90.4)

The Group's retirement benefit obligations decreased from £102.4m (£90.4m net of deferred tax) at 31 March 2021 to £87.1m (£76.1m net of deferred tax) at 31 March 2022. The largest element of the decrease relates to the UK scheme where the deficit decreased from £77.5m to £64.1m primarily due to an increase in AA corporate bond yields, which decreases the present value of gross liabilities under IAS 19. This was partially offset by the impact of an increase in the UK inflation assumption. For the purposes of determining scheme pension payments, inflation is capped for the UK and the US schemes. The deficit of the overseas schemes decreased by £1.9m to £23.0m reflecting changes in assumptions for discount and inflation rates. All defined benefit schemes, with the exception of one scheme for blue-collar workers in the US, are closed for future accrual.

UK funded scheme

The deficit of the UK scheme decreased in the year to £64.1m (31 March 2021: £77.5m) reflecting a number of changes in assumptions and factors.

The decrease in gross liabilities of £15.3m arose primarily from a combination of an increase in the rate used to discount the scheme's liabilities (discount rate of 2.75% compared with 2.0% in the prior year) and an offsetting increase in the inflation assumption (CPI of 3.25% compared with 2.7% in the prior year). Partially offsetting the reduction in liabilities was a small decrease in the value of the scheme's assets.

The latest triennial actuarial valuation of the UK scheme, with an effective date of 5 April 2019, was agreed in March 2020 and identified a deficit of £9.1m. This is significantly lower than the IAS 19 deficit, largely as the actuarial valuation places a value on the Group's guaranteed future cash payments to the scheme under the central asset reserve structure established in June 2013. It is expected that the actuarial valuation deficit of £9.1m can be recovered through asset outperformance, above the prudent levels assumed in the valuation, over the remaining life of the scheme. As a result, there are no changes to the long-term contribution arrangements.

Contributions in the year ended 31 March 2022 were £3.4m (2021: £0.6m). The increase in contributions compared to the prior year follows the agreement reached with the Trustee in April 2020 such that £2.8m of the prior year contributions due to the UK scheme were deferred in light of the potential impact of the Covid-19 pandemic. The deferred contributions are being repaid over the five-year period which commenced on 1 April 2022 with expected contributions for the year ending 31 March 2023 of £4.1m (including the deferred contributions). The underlying level of contributions to the UK scheme increased annually by RPI plus 1.5% (capped at 5%).

The next triennial valuation date will be as at 5 April 2022.

Overseas schemes

The largest element of the overseas schemes is the German unfunded scheme, with a total liability and deficit of £22.4m (31 March 2021: £22.9m). Other overseas funded schemes comprise a number of smaller arrangements around the world, with a combined deficit of £0.6m (31 March 2021: £2.0m). The combined deficits of all the overseas schemes decreased by £1.9m. These changes were most significantly a reduction in the liability of the funded US schemes due to an increase in the discount rate used to value the scheme's liabilities. During April 2022, the Board's decision to close the New Zealand defined benefit pension scheme was enacted by the scheme trustees, and it will be wound down over the coming months.

For overseas pension schemes, the Company contributions in the year were £1.4m (2021: £1.5m).

JIM HAUGHEY
FINANCE DIRECTOR

13 July 2022

Pension insights

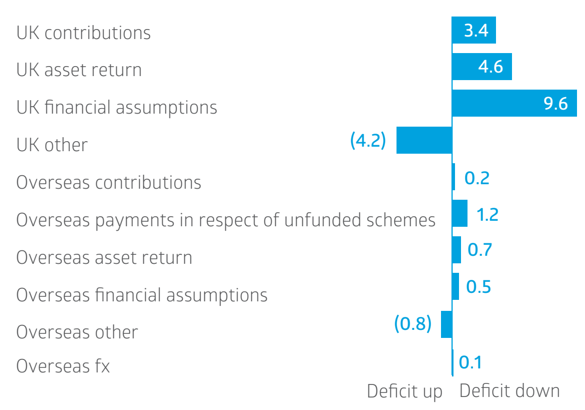
Drivers of pension deficit movement

The net pension deficit decreased by 14.9% in the year to £87.1m.

For the UK scheme, the most significant factor leading to the decreased deficit was an increase in the rate used to discount the gross liabilities, from 2.0% to 2.75%, contributing to the £9.6m decrease due to changes in financial assumptions.

For the overseas schemes, the unfunded German scheme's liability reduced by £0.5m, most significantly reflecting settlement of liabilities through pension payments. In addition to this, the net liability of the US schemes decreased by £0.9m, driven by an increase in the discount rate used to discount the scheme's liabilities.

The deficit remains highly sensitive to discount rates, and across all schemes it is estimated that an increase in the discount rate of 0.25% (with all other factors being equal) would reduce the net deficit by c.£6.7m.



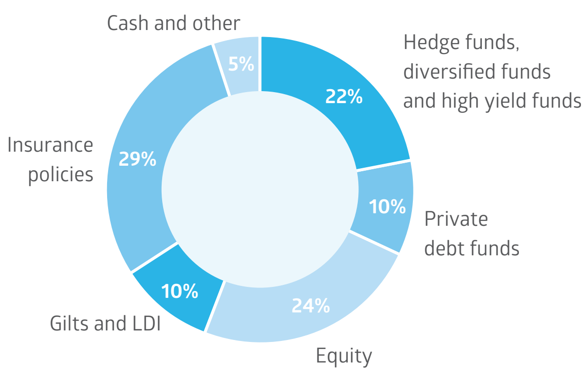
UK assets %

Given the relative maturity of the scheme, and following the medically underwritten insured buy-ins, 44% of assets are invested in insurance policies, gilts, liability-driven investments and cash (protection assets).

They are held primarily to generate an income stream that supports the ongoing annual pension payments (currently c.£9.9m including cash lump sums on retirement).

Growth assets (including equities, hedge funds, diversified growth funds and high yield and private debt funds) represent 56% of UK assets. The overall target for UK portfolio returns is 2.6% over gilts. The actual UK return in the year ended 31 March 2022 was a gain of £4.6m (a 4.9% gain on assets excluding insurance policies).

It should be noted that the diversified growth funds have characteristics of both protection assets (returns are lower and less volatile than equities) and growth assets (return targets are higher than simple gilts and bonds).



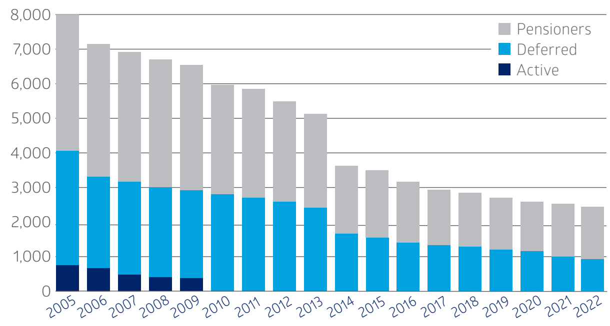
Trends in UK scheme membership

The bar chart shows the evolution of the total membership of the UK scheme since 2005 and the numbers in each category.

Total membership has fallen by 56% or 3,350 since 2010 or 67% since 2005.

The step change in 2014 followed the merger of the three UK schemes when 1,316 members had their benefits paid out in full as wind-up lump sums.

Of the remaining 941 deferred members, a number are expected to have their benefits discharged as a lump sum on retirement.



Non-financial information statement

We aim to comply with the Non-Financial Reporting Directive requirements.
The table below sets out where relevant information can be found within the report[1].

Reporting requirement and policies, standards and projects which govern our approach	Information necessary to understand our business and its impact, policy due diligence and outcomes
Environmental matters	
○ Environmental policy	See Sustainability
○ Energy project	See Sustainability
○ Transmission chain packaging project	See Sustainability
○ Solvents and other hazardous chemicals project	See Sustainability
○ Streamlined energy and carbon reporting programme (SECR)	See Sustainability
Employees	
○ Whistleblowing policy	See Sustainability, Our risks, corporate governance report and Audit Committee report
○ Values and behaviours	See Sustainability
○ Conflicts of interest policy	See Audit Committee report
○ Dignity at work / diversity policy	See Sustainability
○ Code of conduct	
○ Health and safety policy	See Sustainability
○ Group IT policy	See Sustainability
○ Working from home policy	
○ Gifts and hospitality policy	
Human rights	
○ Human rights policy	See Sustainability
○ Anti-slavery and human trafficking policy	See Sustainability
○ Code of conduct	
○ Anti-corruption policy	See Sustainability
Social matters	
○ Corporate social responsibility policy	
○ Group charitable donations policy	See Sustainability
○ Health and safety policy	See Sustainability
Anti-bribery and anti-corruption	
○ Anti-corruption policy	See Sustainability
Principal risks and impact on business activity	See Principal risks and uncertainties
Description of the business model	See Business model
Non-financial key performance indicators	See Our key performance indicators

1. Further details on our policies and procedures are avaliable on our corporate website www.renold.com

Stakeholder engagement

Directors' duties

The Board is mindful of Renold's key stakeholders. Due consideration is given to the impact of the Board's decisions and the Group's activities on these stakeholders in accordance with the duties required by section 172 of the Companies Act. The table below outlines Renold's key stakeholders and details of how we engage at different levels through the organisation, from which we are able to identify key stakeholder interests.

	Our people	Our customers	Our partners	Our investors	Our local communities
Why it is important to engage	The calibre and capability of our people are critical to Renold's success. We want our people to be proud of working for Renold and we want to be in a position to attract and retain the best talent.	Our customers are ultimately the key users of our products, and without their continued support, we would not have the potential to grow and develop.	The Group is dependent on high quality goods and services provided by our suppliers and as a result, long-term partnerships are sought for the benefit of all parties.	Our investors are the owners of our business and are critical to supporting future strategic development of the Group.	We recognise our responsibility to the communities in which we operate and our broader responsibilities to reduce the impact of our activities on our environment.
Stakeholders' key interests	○ Opportunities for development and progression. ○ Fair reward and recognition of performance. ○ An inclusive environment.	○ High quality products, engineered to specific requirements. ○ A problem solving capability that can resolve issues and improve performance. ○ A service level that can be relied upon to deliver.	○ Clear communication of requirements. ○ Fair payment. ○ A partnership approach that seeks to provide long-term benefits to all parties.	○ A successful, clearly communicated strategy that is delivering results. ○ Delivery of sustainable improvement for the long term.	○ To interact in a manner that makes a positive contribution to the local areas within which we operate. ○ To provide sustainable solutions both to our customers and in how we operate.
Ways we engage	"Value our people" is recognised as a core Value at Renold. Employees are encouraged to ask questions and raise issues at all levels of management. This continues through to Board site visits, where the Board make themselves available to answer questions directly with a broad base of employees.	We regularly engage with our diverse customer base at various levels of the organisation, often directly through our sales teams, our technical engineering teams and our operational management teams. At Board level, the broad-based, geographically spread customer base does not support significant direct customer interaction. Through reports from local management teams, monitoring of customer service levels and explicit reports of product issues, the Board ensures customers continue to receive the high quality products and levels of service that the Renold brand stands for.	Due to scale and geographic diversity, the Group generally operates localised supply chains in the territories in which it operates. This allows direct interaction between our supply-chain teams, our business unit management and local suppliers, ensuring short lines of communications and the ability to react quickly.	The Board is available to all shareholders, particularly retail investors at the Annual General Meeting, and responds to all letters and emails throughout the year. The Executive Directors regularly meet with institutional investors, particularly after full-year and interim results announcements, and where available, feedback received following those meetings is considered by the Board. Details of changes to the investor base are reviewed at every Board meeting, supplemented by advice from the Group's brokers where required.	The Group's largest interaction is with people in the communities in which we operate, supporting education and development. This encompasses a range of activities from the graduate and apprenticeship schemes we operate, through to supporting infrastructure projects at schools in India.
Result of engagement	Re-invigorated our health and safety efforts, including recruitment of Group health and safety leadership.	Development of sustainable products going forwards, including lubricant-free and long-life products.	We are liaising with suppliers to ensure our product supplies are generated from sustainable, low carbon sources.	We have listened to the feedback from shareholders to formulate our sustainability, acquisition and growth strategy.	We are working closely with local communities to develop projects for their benefit.

Sustainability

Renold has made sustainability a guiding principle. We will strive to act responsibly, balancing the expectation of all our stakeholders whilst reducing our impact on the environment and increasing our contribution to the communities we operate within.

Introduction and ambition

In the last report, Renold stated that its ambition was to become an organisation increasingly focused on sustainability.

Our aim is to strike a balance between shareholder expectation and the needs and concerns of the environment, our employees, our customers and the communities within which we operate. We believe that this focus on sustainability, as well as being the right thing to do, will also contribute to lasting economic success.

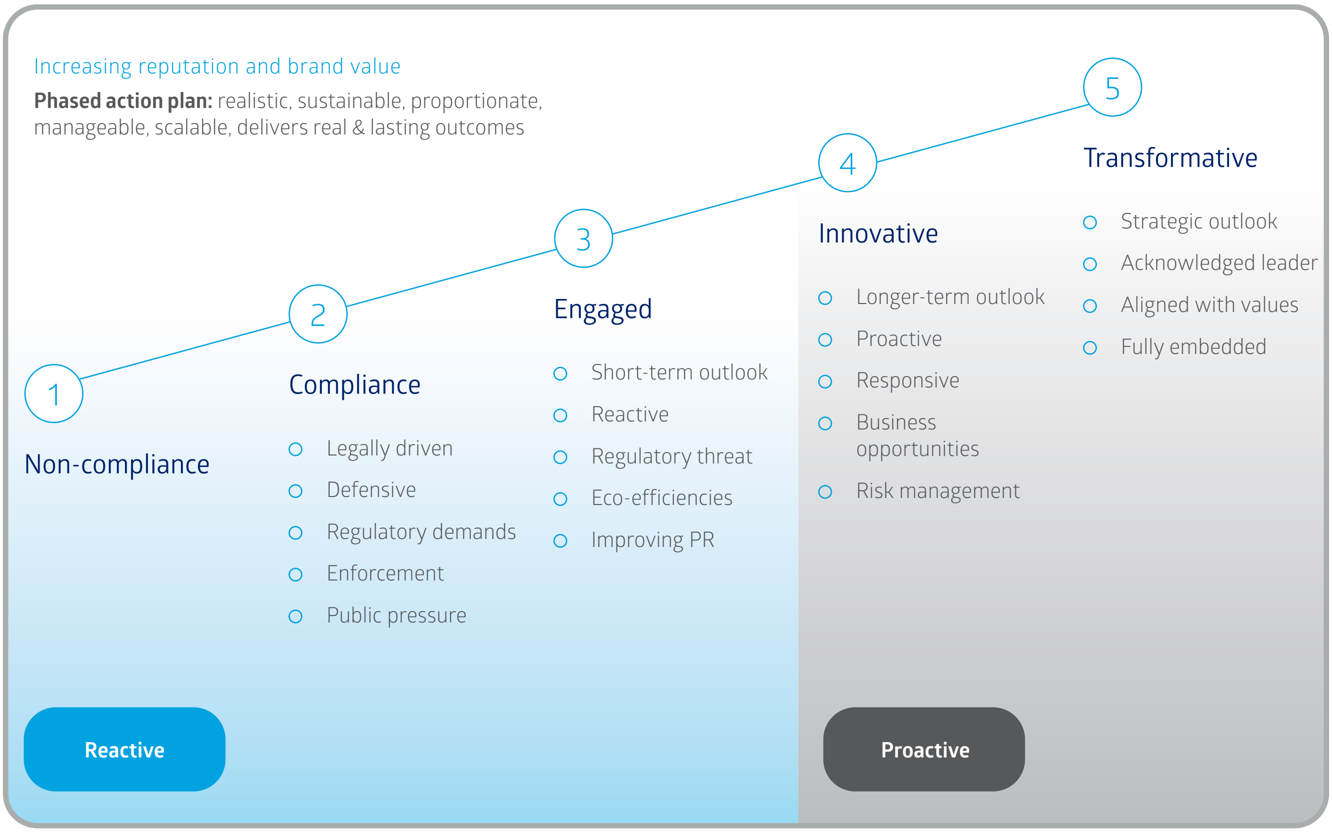
The Board and the senior executive team appreciate that global concern for sustainability should be a consideration in our decision-making and that, over time, we must identify those areas where we can improve what we do and deliver sensible outcomes to achieve this.

The process of becoming a more sustainable Group will be an extended one. Our overarching philosophy is to move at a manageable pace but with ambition, and most importantly to deliver real change. We will strive to keep things simple and not overcomplicate our efforts, but to make a real difference through a focus on a few key objectives before evolving and developing a more complete and complex offering.

Throughout the course of the last year, we have successfully built momentum in our efforts to meet this ambition.

Steps to sustainability – the progression

The diagram below illustrates how we see the development and evolution of our sustainability efforts developing over time:



Approach, management framework and scope

Renold have adopted a straightforward approach to sustainability and environmental, social and governance (ESG) matters.

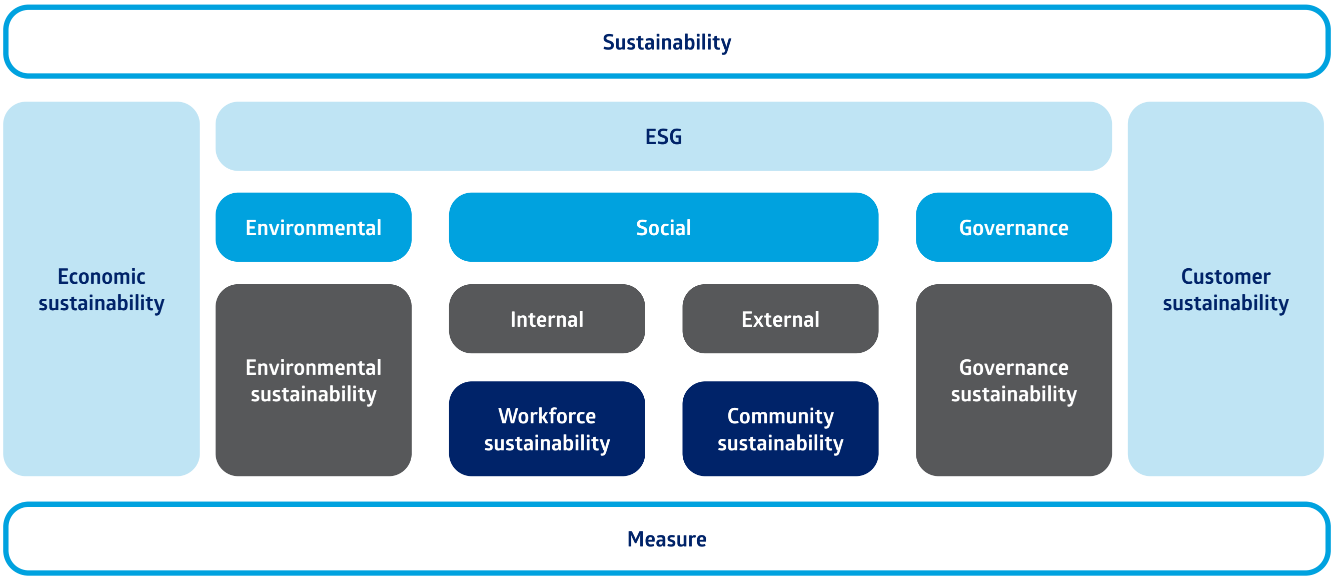
Our Sustainability Steering Group, chaired by the Sustainability Programme Leader, meets frequently and regularly. This steering group is responsible for planning our approach, determining what needs to be done, measuring our progress and proposing ways to improve the effectiveness of our efforts.

The Sustainability Programme Leader updates the Board on progress periodically.

We have effectively communicated our Renold Sustainability statement across the Group.

Our initial Sustainability Model, developed early last year, has been further refined and illustrates how ESG is embedded within a larger Sustainability Framework. This too has been widely communicated and accepted throughout the business.

Using this Sustainability Model and applying our Management Framework, we have been able to evaluate our organisation and identify those areas where we believe that our early efforts will yield the most impact.



Two-pronged approach to drive sustainability activity

Our 'top-down' Group projects focus on key areas, identified in our business evaluation, that are likely to have significant organisation-wide impact and are ideally delivered with a consistent central approach.

Our 'bottom-up' local sustainability projects allow our geographically diverse regional businesses to focus on areas that are important to them and in doing so simultaneously engage our employees.

We have committed to formally including sustainability in the regional strategic planning process beginning this year. This will encourage the business to give more serious thought to the actions that they can take and build these ideas into their business activities, not just for the short term, but for the years ahead.

Sustainability

Economic sustainability

Economic sustainability is crucial. Our investors, employees and the communities within which we operate need to be assured that Renold is continually striving to ensure that it remains financially viable both in the short and longer term.

In particular, we are careful to ensure that any actions we commit to in order to meet sustainability goals in other areas of our model are financially viable.

Our scope

- Predictable and sustainable financial performance
- Strong value proposition
- Stable investment infrastructure
- Improved balance sheet
- Valuable branding
- World-class service
- Reduced costs
- Strong innovation

Areas for focus in FY23 and into the future

The business has a well-established management philosophy and practice, which ensures that economic sustainability is continually assessed. This includes, but is not limited to:

- Annual strategic planning process both at a Group and regional level
- Well-defined and prudent budgeting process in which all relevant stakeholders are involved
- Strong internal auditing processes and risk management frameworks. Management teams functionally responsible for these processes report to management oversight bodies, which in turn are accountable to the Audit Committee
- A frequent and regular business review process

Environmental sustainability

The environmental impact of our activities is at the forefront of our sustainability strategy. Across all our operations, we meet legislative requirements concerning environmental issues including those relating to our energy usage. As part of the Group's commitment to minimising the impact of its business operations on the environment, we cooperate with regulators, suppliers, neighbours and customers to develop and achieve improved standards of performance.

Our scope

- Reduced waste, emissions and pollutants, energy consumption, hazardous substances, travel and transportation
- Reduced climate change impact
- Supply chain environmental impacts reduced (both inward and outward)
- Ecologically sound materials and energy used

Group-driven projects

We have initiated a number of Group-level projects to begin to address our environmental impact.

Energy project

Purpose: We are working to establish a complete and accurate picture of Group energy usage through the collection of consistent data from all our units worldwide. We then expect to be able to establish longer-term energy reduction targets for the Group, which we will actively pursue through new, specifically targeted projects.

Progress: We have established a framework for our energy strategy and determined what measure of energy intensity we intend to use internally within the Group to drive improvement. We have also engaged an energy consultant and with their help we now believe that we have a much more accurate picture of energy usage across the Group.

Transmission chain packaging project

Purpose: Transmission chain packaging is an area we have identified where we can do better. We have produced a project charter and have laid out our objectives to not only have packaging which is recyclable but also that contains as much recycled content as possible.

We are cognisant of the need to not only consider cardboard and plastic, but also inks and adhesives. We need to ensure that our packaging remains fit for purpose while meeting our customers needs and enhancing our brand image.

Progress: We have compiled a detailed list of everything we currently use globally and started to look at how we can not only achieve our objectives but do so consistently around the world. We are working closely with our suppliers to understand what is possible.

Solvents and other hazardous chemicals

Purpose: To conduct a review of where we use solvents and other hazardous chemicals with the expectation that volumes can be reduced, unnecessary variation eliminated, non-hazardous alternatives identified, and where use is necessary, any environmental impact is minimised.

Progress: This project has just been started. It is expected that results will be seen from this work in the next financial year.

Measures

Energy consumption data is regularly reviewed to target energy reduction opportunities and with the advent of the energy workgroup this has only increased. The main contributors to greenhouse gas (GHG) emissions continues to arise from our use of electricity and fuels, such as natural gas used in our heat treatment processes and fuel oil burnt on our premises.

In addition to meeting our obligations under the carbon reporting requirements, we hope that, as our energy project evolves, we will be able to report on the proportion of energy we source from sustainable sources as a proportion of the total energy we use.

Areas for focus in FY23

We collect energy usage information from our operating locations monthly and our energy workgroup has established an energy strategy for the Group. As a result, we are continually increasing our understanding of our energy usage. We have determined how we intend to measure energy intensity internally going forward. We expect to agree and communicate energy reduction targets, both for the nearer and longer term in the coming months.

In the future, we expect to be able to begin work to understand and track the proportion of our energy which is sourced from sustainable sources.

Our Transmission Chain Packaging project, although in its early stages, is expected to point the way to significant environmental benefits, potentially through the reduction of materials and the use of more environmentally sound materials. We need to continue this work to realise these benefits.

The systematic review of the use of solvents and other chemicals will continue across our businesses worldwide with a view to consolidating the number of variants, reducing the number of different substances and the volumes of them used and where possible ceasing the use of them.

As the existing projects mature and are delivered, we expect to be able to identify additional opportunities for further environmental projects at a Group level. This is likely to include a review into the quantity of waste that is generated by our activities and how this can be measured, monitored, managed, and ultimately reduced.

Each of our regional businesses is expected to identify one environmental project that they will focus on in the coming year. For each project, a roadmap will be developed outlining the scope of the work to be undertaken and the expected outcomes. These projects will be monitored and reviewed through the Sustainability Steering Group.

Streamlined energy and carbon reporting programme (SECR)

In compliance with UK reporting requirements, our energy consumption data for the year ended 31 March 2020 is used as our baseline consumption. The GHG Protocol Corporate Accounting and Reporting Standard has been followed where relevant, and this report includes all Scope One, Two and Three mandatory emissions as required by SECR for AIM listed companies.

We collect energy usage information from our operating locations on a monthly basis using our integrated risk management system (IRMS). We are continually enhancing the data that we collect. Where data is not yet available it is appropriately estimated; UK and international transport data has been estimated based on approximated mileage for business purposes, and small international sales office usage has been estimated using benchmarks based on floor area.

During the year we have performed a comprehensive review and reverification of the data included in our data reporting system in order to improve the quality and completeness, which has led to higher reported tCO_2e in 2021-22. For the first time, energy data for international offices, and transport emissions for Scope One and Scope Three under the SECR guidelines for UK sites, have been included in the reported figures.

Our data shows a progressive reduction in emissions intensity over the past six years, demonstrating the success achieved from energy reduction initiatives such as:

- Investment in plant and machinery with increased energy efficiency
- Enhancing equipment shut down procedures
- Continued installation of LED lighting
- Installation of electrical car chargers on site

	2016	2017	2018	2019	2020	2021	2022
Scope 1	8,097	9,104	8,258	9,044	7,563	5,734	**7,524**
Scope 2	18,012	19,264	17,667	17,689	17,578	12,666	**13,735**
Scope 3[5]							**7**
Total annual tCO_2e[1, 3]	26,109	28,368	25,925	26,733	25,141	18,400	**21,266**
Emissions Intensity[2]	158.1	172.9	151.9	148	149.5	125.3	**120.5**
Total GHG emissions relating to the UK					1,560	1,317	**1,336**
UK emissions as a proportion of the Group					6.20%	7.20%	**6.28%**
Energy consumption (m kWh)							
Total Scope 1 fuel usage				48.3	40.2	30.3	**39.7**
Total overseas Scope 1 fuel usage				44.9	36.6	26.7	**35.9**
Total electricity usage				34.6	33.1	26.7	**32.5**
Total overseas electricity usage				30.9	29.6	24	**29.6**
Total generated electricity						0.6	**0.8**
Percentage of estimated data[4]						9%	**2%**

1. Published international conversion factors were used where available. 2021 UK Government Conversion Factors for Company Reporting were used for all UK calculations and where international factors were unavailable. To support SECR reporting the financial control approach has been used.
2. The intensity measurement is total emissions reported normalised to £m constant exchange rate revenue. Our emissions intensity was previously calculated using reported revenue, before adjustment, for constant exchange rates. The base exchange rate used is 2016, and therefore 2017 to 2022 has been restated to remove the impact of exchange rate changes.
3. Figures reported have been calculated and independently verified by Carbon Decoded, a specialist energy management consultancy.
4. In 2021-22, 2% of the energy data was estimated. This relates to international offices using benchmarks based on floor area to estimate energy usage and to UK and International transport based on vehicles' estimated mileage for business purposes.
5. Scope 3 emissions relate to UK transport only, as required under SECR reporting.

Workforce sustainability

As with most organisations, our people are at the heart of everything we do.

In the last few years, the additional challenges imposed, both on individuals and workforces more generally, as a result of the Covid-19 pandemic, has brought the need to ensure we have a sustainable workforce into sharper focus. The impact of the pandemic itself and the subsequent seismic shift in the expectations of employees and the way they work is something that we have striven to deal with.

Our scope

- Improve health and safety
- Transparent diversity and equality reporting
- Stronger performance culture
- Predictable succession planning
- Effective employee engagement and wellbeing
- Demonstrable talent attraction and retention

Areas for focus in FY23

Now that travel to our sites is opening up, our number one priority will be to improve our health and safety performance. On site, health and safety audits have resumed, and there is a plan to ensure that all major locations are fully audited in-person rather than remotely before the year is concluded.

We plan to step up our monitoring of employee turnover for all regions across the Group and report this internally regularly and consistently. We are operating in an increasingly competitive market for talent and we need to be able to attract, develop and retain the very best people. Understanding our turnover rates, and the reason for these is crucial to targeting our improvement actions to achieve this.

Health and safety

Safety is our number one priority. We believe that every work-related incident and injury is preventable and are committed to providing a safe workplace.

Our focus on improving our health and safety performance remains a key strategic aim and all Renold's locations across the world operate in accordance with a Group Health and Safety Management Framework (the Framework). We have strengthened our Group management team with the appointment of a new health and safety assurance manager in the year.

Governance structures are clearly defined and include a Group Health and Safety Policy, which is reviewed annually. Cascading from this is the Framework, which defines the Board's expectations regarding health and safety control and performance. Management across all locations are required to adhere to the Framework. This Framework contains principles and expectations describing a set of outcomes and provides a structure to manage health and safety. The Framework is consistent with recognised standards, including the internationally adopted model of Plan-Do-Measure-Act and OHSAS 18001, with accredited certification held by all of our major production facilities. We have migrated most sites from OHSAS 18001 to ISO 45001.

The Framework consists of seven core components, which include setting a supportive leadership tone, with sub-processes covering hazard assessment, incident management and the management of third parties.

We use a web-based Integrated Risk Management System (IRMS), which provides aligned processes and data mining functionality. This allows sites to manage accident reporting, opportunities for improvement, hazard assessment and to track all improvement actions. Performance data to inform monthly Board reporting and site reviews are extracted from the system.

An independent programme of audits is normally in place, which requires all material sites to be audited within a 12-month period. This assesses compliance and performance against the Framework. Each audit typically takes a week to perform, to support a robust assessment of compliance. The assurance results, along with other KPIs, are reported each month to the Board. There is particular focus on any serious accidents or near misses, including mitigating root causes and ensuring updated consistent practices are rolled out across all sites.

In the last year, the normal operation of this audit process has been frustrated by Covid-19 travel restrictions. This has meant that it has not been possible to perform audits in person, with virtual audits being performed instead. However, with the easing of restrictions in most of our operating locations, we were able to commence in-person audit visits from January 2022.

10.2
Lost time accident frequency rates
(2021: 6.2)

1,406
Reportable injury rates
(2021: 598)

467
Lost time days
(2021: 168)

2,036
Safety improvements
(2021: 1,321)

Community Covid-19 vaccinations in India

Covid-19

As reported last year, throughout the period of the Covid-19 pandemic, the safety and welfare of employees has been the overriding objective. Following the establishment of Covid-19 operational planning teams at each location, we have implemented site-specific protection measures to ensure that our facilities can continue to operate where appropriate to do so.

The following measures were common across our locations:

- A cessation of all international travel where travel has not been permitted by the relevant countries' government for Covid-19 safety reasons.
- Restructuring of shift patterns to reduce the number of employees on-site at any point in time.
- Implementation of specific health protection protocols to ensure social distancing, including in communal areas such as canteens. Physical segregation such as plexiglass has been installed where social distancing cannot be satisfactorily implemented.
- Handwashing and sanitisation encouraged with appropriate infrastructure being provided.
- Temperature checks for employees as they arrive on-site.
- Additional cleaning and disinfection in high-risk locations.
- Provision of additional PPE where required and appropriate to do so.
- Employee wellbeing communications issued.

At a local level in some of our locations, notably India, we have also been active in providing access to vaccinations for both our employees and their families and we have even been able to extend this to the local community. Our 'vaccination camps' in India provided double dose vaccinations for over 200 employees and their dependents and 130 people from the local community'.

Safety improvement initiatives

The following examples of health and safety initiatives and specific-site improvements are indicative of the broad range of positive changes which continue to be made:

- Focus on benchmarking and best practice sharing throughout the business with monthly reviews including all site safety professionals.
- Development and implementation of a formal process of capturing and communicating 'lessons learned' following H&S incidents, to help reduce future risk and remove hazards.
- Material handling risks reviewed, and CAPEX allocated to safe storage and handling of parts and raw materials.
- Improving safety culture through employee engagement activities.
- A programme of machinery safety risk assessments completed on all of our machines throughout the business to identify and mitigate risks to employees.
- Review of PPE at all sites to ensure adequate protection of hands and fingers via cut-resistant gloves.

We continue to recognise improvements being made across the Group by delivering our annual Health and Safety Awards. The aim of the awards scheme is to encourage continuous improvement aligned to the Framework. Once again, Covid-19 made the operation of the awards scheme impractical in the last year; however, the process is back in action and the next allocation of awards will take place in the second quarter of the new financial year.

Workforce sustainability continued

"

Over the last three years we have seen an improving trend in terms of health and safety but disappointingly the situation has worsened in the current year.

We are taking action to ensure the improvements in our health and safety record get back on track.

On a more positive note, we have seen a 27% increase in the number of improvement opportunities (including those arising from near misses) being identified."

DAVID LANDLESS
CHAIR

Malaysia flooding

Employee engagement and well-being

The business makes a conscious effort to communicate consistently and regularly with all employees across the Group. Twice a year, the Chief Executive Officer and other selected senior managers communicate the performance of the business, future strategy and the opportunities and challenges we face, directly with employees either face to face or through virtual means. These sessions are two-way, with the opportunity for questions to be raised either directly during the sessions or through email afterwards. We are continually striving to improve this process with a view to reaching and engaging all our staff.

At a local level, many of our sites have implemented programmes to help support the engagement and well-being of their people, for example:

- In India, in addition to vaccination clinics for employees and their dependants, they have also operated a medical screening clinic where employees were provided with the opportunity to undergo basic health screening and obtain health advice. Approximately 180 employees benefited from this initiative.
- In Malaysia, the Company established the Renold Natural Disaster Fund to provide aid to our many affected employees. These funds helped people rebuild their lives and repair damaged property after the extensive flooding in the region in December 2021.
- In most regions and sites, employee performance and service is frequently recognised and celebrated.
- As a consequence of changing working patterns for our employees during Covid-19, we have, in some locations, been able to offer continued flexibility in work patterns and locations. In addition to supporting an improved work-life balance and productivity, this initiative is expected to provide greater opportunity to attract employees and retain people from sections of the labour market that might have been unable to operate under our previous systems.

Community sustainability

Renold have a track record of identifying and supporting locally driven projects that increase our contribution impact on the communities within which we operate, particularly when those communities are those in which our own employees and their families live.

This year we have, once again, significantly supported these communities, not just through direct financial aid, but sometimes through the involvement and engagement of our employees.

Naturally, we intend to continue this activity into the future, operating as responsible corporate citizens, ensuring that we help support stable, lively, healthy and prosperous communities.

Our scope

- Strengthened community links
- Targeted charitable activities
- Improved CSR policy and practice
- Greater employee involvement

Areas for focus in FY23

Our ongoing focus is to continue our existing work in our communities and go further. This year we are requiring that each of our regions identifies and delivers at least one significant project in their local communities. These projects will be monitored and reviewed through the Sustainability Steering Group.

In particular, as we initiate these projects, we are challenging our businesses to engage our own employees fully in the process.

Annual food drive in Morristown, USA

This last year has seen the continued delivery of a number of significant community-based projects.

- In the UK, we continue to provide financial support of £15,000 per year to the Outward Bound Trust. This Trust is an educational charity that helps young people to defy limitations through learning and adventures in the wild. They aim to challenge young people to never give up, to change their perspective and to believe in themselves. Their idea is that young people are equipped with a stronger sense of self-belief, are able to cope better with stressful situations and interact more positively with others. The Trust encourages the development of the attitudes, skills and behaviours young people need to make positive changes in their lives. Renold identifies very closely with this goal and this is our fourth consecutive year supporting this organisation.

  Unfortunately, Covid-19 has curtailed some of the practical activity that the Trust usually undertakes, but nevertheless, we have continued our support and we fully expect this to continue into the future as things return to normal. We also hope that we can, once again, arrange for some of our employees to act as mentors to the young participants.
- In India, Renold has supported the construction of toilets for female students at the local school near to our factory. This school has 1,200 students, 500 of whom are female. The project was initiated during March 2021 and was completed and handed over to the school during March 2022. The provision of these facilities has undoubtedly provided a significant benefit to the female students. Also in India, we contributed the equivalent of £19,000 to the State Disaster Management Authority towards containment of Covid-19 during FY21–22. The Fund will be used by the State Government to help in Covid-19 prevention and relief measures.
- In Morristown, in the USA, teams of employees participated in their annual food drive and competed to raise funds. This event has been taking place in Renold since 2019. This year, employees raised over US$11,500 to which the Company then added US$13,245. These funds were given to local food charities. These charities provide hot and nutritious meals six days a week to people in need, as well as providing blankets and other essentials. Over the lifetime of our involvement, the contribution of the Renold employees and the matching contributions of the Company have been sufficient to feed the equivalent of 813 families of four people, for a month.

These examples are representative of the many diverse activities that take place across our regions each year in support of the communities in which we operate.

Sustainability

Governance sustainability

We operate our business in an ethical and responsible manner and expect all our employees and business operations to conduct themselves with the highest levels of integrity, honesty and fairness. The Renold Values and Behaviours continue to act as a standard to which we hold both ourselves and our employees.

Our scope

- Transparent and compliant reporting
- Strong risk management
- Relevant certifications attained
- Effective policy and procedures in place
- Embedded values and behaviours and ethical standards

Areas for focus in FY23

As we continue to pursue our longer-term acquisition strategy, we must be prepared to ensure that we can embed our governance standards across any new businesses we acquire, including our values and behaviours. This is unlikely to prove to be a rapid or straightforward process and upfront preparation is expected to be necessary.

Regulatory framework, laws and reporting requirements are continually evolving and Renold must keep abreast of these developments and respond appropriately to them in order to remain compliant.

We intend to identify relevant measures to assess our performance in the area of governance sustainability, gather this data and report these as appropriate.

In particular, we intend to prepare for TCFD reporting, with which Renold has to be formally compliant in the financial year ending March 2024. Our intention is to commence our efforts in this area in order to make a preliminary TCFD statement next year.

Business integrity and ethics

The highest standards of ethical business conduct are required of all our employees in the performance of their duties. Employees may not engage in conduct or activity that may raise questions as to our honesty, impartiality, reputation or otherwise cause embarrassment to the Group. Our employees are required to neither offer nor accept improper and/or illegal gifts, hospitality or payments in accordance with the Group Gifts and Hospitality policy.

Every Renold employee has the responsibility to ask questions, seek guidance and report suspected violations of the Group's code of ethics.

The Group is also committed to compliance with anti-corruption laws in all countries and operates a zero-tolerance policy. The Group anti-corruption policy forms part of that commitment, together with the Gifts and Hospitality policy, both of which are designed to assist Renold employees in meeting corporate and individual obligations under anti-corruption laws and specifically the UK Bribery Act. Extensive anti-bribery and corruption training is provided to all relevant employees at least annually.

Other control processes and updates to formal contractual arrangements with agents and distributors have been put in place to ensure compliance with the requirements of the UK Bribery Act.

The underlying objective in all these measures is to maintain the highest standards of integrity throughout the business and ensure that all business dealings are transparent.

Human rights

The Board has overall responsibility for ensuring the Group upholds and promotes respect for human rights and has adopted the definition of human rights within the European Convention on Human Rights: the concept of human beings as having universal rights, or status, regardless of legal jurisdiction or other localising factors, such as ethnicity, nationality, and gender.

The Group respects all human rights and in conducting its business regards the right to non-discrimination and fair treatment as the most relevant to its key stakeholder groups, these being customers, employees and suppliers. The Group's employment policies and procedures reflect principles of equal treatment. Respect for the individual is also enshrined in the Group's statement of Values and Behaviours.

The Group has not been made aware of any incident in which the organisation's activities have resulted in an abuse of human rights. Following the introduction of the UK Modern Slavery Act 2015, we have published a statement on our website which sets out the steps being taken by the Group to ensure that slavery and human trafficking are not taking place in the business or the supply chain relating to our goods.

The Group is committed to ensuring that our business and business partners do not undertake any activity which contravenes the Modern Slavery Act.

Diversity

The Group is committed to equal opportunities and operates a non-discriminatory working environment. We always expect our staff and job applicants to be treated equally regardless of age, race, religion, disability, gender or sexuality.

As at 31 March 2022, the Group employed 1,817 people. Of the total number of employees, approximately 15% are female. The Company recognises that there remains a need to encourage and support more diversity throughout the employee population at all levels, including the Board.

The table below shows a breakdown of the gender of employees at different levels in the Group as at 31 March 2022.

	2022			2021		
	Male	**Female**	**Total**	Male	Female	Total
	5	**–**	**5**	6	–	6
Board of Directors	**100%**	**–**		100%	–	
	3	**1**	**4**	3	1	4
Executive Management Team (excluding Directors)	**75%**	**25%**		75%	25%	
	20	**5**	**25**	21	3	24
Other Senior Managers[1]	**80%**	**20%**		88%	12%	
	1,511	**272**	**1,783**	1,443	262	1,705
Other employees	**85%**	**15%**		85%	15%	
	1,539	**278**	**1,817**	1,473	266	1,739
Total	**85%**	**15%**		85%	15%	

1. A senior manager is defined in the legislation as an employee who has responsibility for planning, directing or controlling the activities of a company or a strategically significant part of a company. While falling within the definition of 'senior manager', the most senior leadership population (below the Board), the Executive Management Team, is shown in a separate category.

Whistleblowing

Across the Group, we have a well-established employee whistleblowing procedure. This is provided and managed by an external third party. Through this process, employees are able to pass information to the senior leaders in the business about areas of concern to them. This can be done with full anonymity. The number of reports, the nature of them and the business response is regularly reviewed at senior management and Board level.

Values and behaviours

The Renold Values and Behaviours continue to act as an important standard to which we hold both ourselves and our employees. Since the launch of the Renold Values and Behaviours we have continued the work of embedding these in the business. The Values and Behaviours are clearly communicated across the Group and are integrated into the way in which we do things.

In particular, we have focused on ensuring that our recruitment methodology incorporates our Values and Behaviours and that we specifically seek future hires who are able to demonstrate alignment with these desirable traits.

The Values and Behaviours have also been incorporated into our performance and development review process. Across our global locations, we continue to align the requirement to embed organisational Values and Behaviours in the terms and conditions of employment.

Our values

- Operate with integrity
- Value our people
- Work together to achieve excellence
- Accept accountability
- Be open-minded

Sustainability

Customer sustainability

We believe that our products have the potential to offer our customers real opportunity to enhance their own sustainability performance.

Our scope

- Provision of tangible products or services to customers supporting a positive sustainability impact
- Product development with sustainability in mind
- Assistance to customers in their own sustainability efforts

Crucially, our premium products offer longer product life before obsolescence, greater efficiency/lower energy usage, lower lubricant use and reduced maintenance. In time, we should also be able to demonstrate that our supply chains are more ethically and environmentally robust than other suppliers. Furthermore, we either have reduced or eliminated, or should be able to reduce or eliminate, any unnecessary use of environmentally hazardous substances in the manufacturing process or in our lubrication solutions.

In short, with a focus on sustainability benefits to the customer, Renold is likely to be well placed to offer an enhanced product value proposition to our customers and simultaneously support them in their own drive for improved sustainability.

Areas for focus in FY23

Further work with our independent partners to test our theories and gather meaningful data are key before we can make definite assertions regarding our transmission chain sustainability benefits. This work is underway and over the coming months we expect to receive new data.

In the event that these tests prove promising, we may be able to identify other products or product ranges that may provide similar customer sustainability benefits.

Group-driven projects

Chain – lubrication project

Purpose

As lubricants can often be damaging to the environment, we are seeking to develop a chain with low or no lubrication requirements without significantly impairing performance when compared to our standard product range.

Benefit

- Reduction of environmental damage through extensive lubrication
- Reduction in chain weight
- Saving of maintenance costs

Chain – lower emissions project

Purpose

Seek to understand to what degree our transmission chain products provide environmental benefits through more energy-efficient running, longer chain life cycles and reduced chain transportation emissions.

This initiative marks new territory for Renold and we expect it will be some time before we fully understand and can report on the real sustainability benefits that our products, particularly transmission chain, may provide.

We are particularly keen to ensure that any claims we make can be reasonably supported by solid empirical data. To that end, our current activity is focused around identifying and working with independent partners to establish robust testing and assessment processes and gathering accurate, relevant and meaningful data.

Our initial investigations are proving promising. We believe that our standard transmission chain has the potential to perform significantly more efficiently than a lower specification competitor chain when used in similar applications and running conditions.

Renold chain = Less power usage = Kinder to the environment

Much more detailed and rigorous testing work is required but it appears as though on average savings of more than 600kg of CO_2 emissions could be achieved through the operational life of each chain.

600kg CO_2e is approximately the equivalent of planting 25 trees, so the environmental benefits could prove to be considerable when one considers the number of chains that we sell.


SECTION X-X
WB60 Inner Member
2 X 45°
BOTH SIDES
R3
76.276
76.200
0.038
WITHDRAWAL PURPOSE
DRAWN BY
ISSUE DATE
PAPER SIZE
PART NUMBER
STATE

Our risks

Proactive risk management is a key business process at Renold and is used to help management create and protect value. In the current environment, with geopolitical and economic uncertainty, its relevance to safeguarding shareholder value is even more critical.

Our risk management process aims to support the delivery of the Board's strategy by managing the risk of failing to achieve our business objectives. By focusing our risk management system on the early identification of key risks, we are able to consider the existing level of mitigation and the management actions required to avoid, reduce, tolerate or share the risk.

Risk management framework

As described in the chart below, we consider risk across the organisation, blending a holistic top-down view with site, functional and project-specific assessments.

The Board

- Sets the 'tone from the top' – the culture adopted in respect of risk.
- Is responsible for risk management and internal control processes.
- Sets direction for key focus areas (e.g. health and safety).
- Defines acceptable levels of risk (referred to as our 'risk appetite').
- Monitors compliance with our risk appetite and management's responsiveness to actions designed to address excessive risk.

Audit Committee

- Supports the Board, reviewing the end-to-end risk management process.
- Particular emphasis is placed upon monitoring the implementation of risk mitigation actions.

Executive Risk Management and Monitoring Committee

- Oversight of risk registers and their maintenance.
- Challenge and review of completed actions.
- Review and critique of risk profiles presented by senior business leaders and challenge of risk mitigation plans.
- Shares best practice risk management and solutions across the Group.

Internal Audit and Risk Function

- Facilitates the maintenance of risk registers and action plans.
- Reviews status of risk management actions.
- Performs internal audits on areas of significant risk.

During the year the internal audit and risk management function was provided by an outsourced professional services firm. The Board recognises its responsibility for risk management in the organisation and believes that the engagement of an outsourced provider further enhances the risk management processes undertaken by the Group. The identification of risk and the strategies put in place to deal with identified risk remain the sole responsibility of the Board.

Our approach to risk

Renold's risk management framework is designed to identify and assess the probabilities and consequences of risks occurring, to manage the actions necessary to reduce those risks, and to mitigate their potential impact.

The Board has overall responsibility and oversight of the risk management framework and is also responsible for setting the parameters of acceptable and unacceptable risk (referred to as 'risk appetite').

Renold's risk appetite

The Board acknowledges that the Group is exposed to risk during the normal course of business. Renold must be willing to accept an appropriate level of risk in order to achieve its strategic objectives. The Board's attitude to risk management and its appetite for risk can be described as 'tending to risk averse'.

Our risk management process

The Executive Risk Management and Monitoring Committee

The Group Audit Committee reviews the principal risks and uncertainties together with the relevant mitigating controls. The Group Executive Risk Management and Monitoring Committee (ERMMC) is a sub-committee of the main Board. The ERMMC is chaired by the Chief Executive and meets at least three times per year.

The ERMMC comprises the Executive Directors. Senior members of the business attend Committee meetings by invitation presenting risk profiles for their functional areas and the aligned action plans to mitigate risk. The Group Business Systems Director, the Group HR Director, the Group Head of Internal Audit and the Group General Counsel and Company Secretary also attend each meeting.

A detailed risk management status report is presented at each ERMMC meeting. This report provides an insight on newly identified risks and updates on progress over delivery of mitigating actions. This report is compiled using a bottom-up and top-down approach; every site-level management team has the ability to report newly identified risks via the Group's risk management system, and these risks are reviewed and challenged for completeness by the internal audit and risk function. Senior management across all business regions are invited to present to the ERMMC on a cyclical basis, or more regularly as required, and the ERMMC challenges the completeness of their local risk register and action identification, as well as the consistency and accuracy of their risk scoring. Examples of areas discussed with senior management during the year include: business interruption, health and safety, availability and cost of raw materials and energy, supply chain disruption and cyber security. Other risk issues also feature on the standing agenda, for example there is focus on the Group's response to, and management of, important health and safety-related events. The ERMMC is also provided with information in the form of reports on health and safety, material litigation, insurance, data protection and whistleblowing on an ongoing basis.

All ERMMC minutes and the risk status reports are reviewed and discussed by the Audit Committee. The Audit Committee reports on these discussions to the Board.

How we assess risk

Our approach combines sharing best practice across sites, guidance from the internal audit and risk function, and local 'on the ground' experience and knowledge of specific risk factors.

Risk workshops involving local and functional staff are used to develop risk profiles and action plans. The outsourced internal audit and risk function facilitates the end-to-end risk management process, ensuring consistency of approach and compliance with Group policy.

The internal audit and risk function presents to the Audit Committee and Executive Risk Committee on business critical and emerging risks at regular intervals during the year. Business critical and emerging risks are identified using both a 'bottom-up' and 'top-down' process in order to ensure completeness.

The Board has concluded that an ongoing process of identifying, evaluating and managing the Group's significant risks has been in place throughout the year and a robust assessment of the principal and emerging risks has been undertaken.

No new matters have been identified which require inclusion in the Group's Principal Risks at this time, however, the Board continues to monitor potential emerging or evolving risks such as climate and environment, digitalisation and changing technology within our end-user markets.

Risks are assessed against the framework defined in the Group Risk Management Policy. Our risk assessment model considers:

- The likelihood of a risk materialising; and
- The potential impact if the risk materialised – impact definitions cover a range of criteria, including direct financial impact, reputational impact, people impact, e.g. in the event of an accident, regulatory censure, adverse publicity and fines.

These are scored and then placed on the risk heat map below, which is a matrix of likelihood and impact and shows our principal risks and uncertainties. Our model also considers each risk from two different perspectives:

- The extent of inherent risk (i.e. before any mitigating controls or actions); and
- The extent of residual risk (i.e. after mitigating controls and actions).

This allows us to identify the impact of controls on reducing the underlying inherent risk.

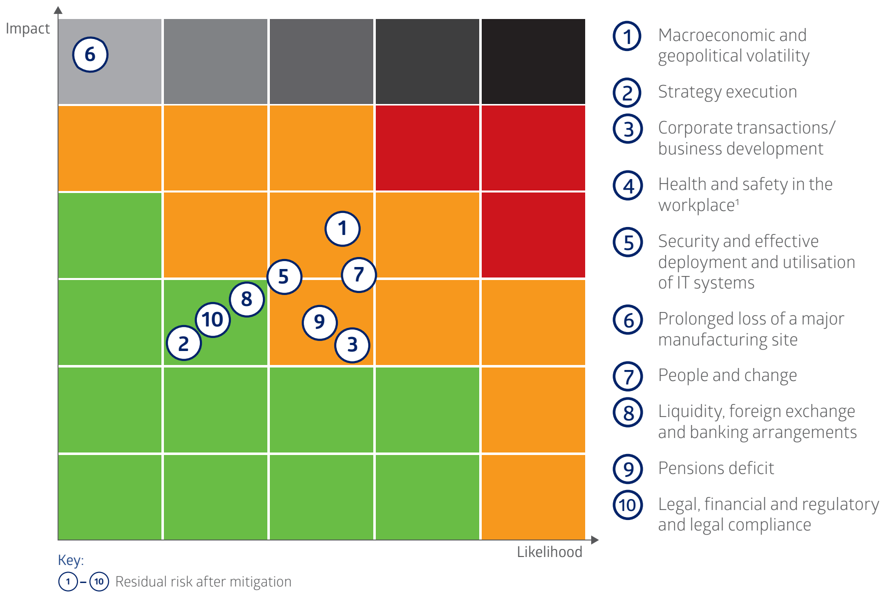
How we manage risk

Having identified the risks the business faces and having scored them against the risk appetite set by the Board, our Group policy then provides guidance on the expected level of response to those risks, depending on where they sit on the risk heat map.

The 'heat map' shows the four bandings in the different shades of risks as set out below as well as expected actions and responses to risks in these areas:

- **Green:** Ongoing monitoring in place;
- **Amber:** Some actions are required in order to reduce the likelihood or impact of the risk;
- **Red:** High combination of residual probability and impact. Management actions required, with some urgency, to treat the risk; and
- **Grey/black:** Risks that are deemed to have such an impact that they could theoretically impact the ability of the business to continue in existence. If any, they would need consideration when assessing the Directors' viability statement.

Where the reduction or removal of the risk is not possible, the Group formulates a management action plan to respond to the risk and mitigate the impact should the risk materialise (e.g. the Business continuity plan).



[1] The risk associated with health and safety in the workplace (4) is not represented on the risk heat map. The risk heat map assesses a financial impact against a likelihood of an event occurring. As health and safety relates to the wellbeing of employees and others, it is not felt appropriate to assess this against a financial measure.

Principal risks and uncertainties

The Group has deployed an online integrated risk management system (IRMS) across all locations. The online risk management system has been transitioned to a new platform during the year, and the Group has taken this opportunity to improve the quality and consistency of existing risk reporting, as well as enhancing the system functionality to perform further analysis. This online system is used to capture risk profiles and action plans across the Group. Risk reports for the various Executive Committees derive data from the IRMS.

The Board continues to carry out a robust assessment of the principal risks facing the business. The Executive Risk Management and Monitoring Committee monitors the ongoing identification and assessment of risks, reviews all risks in the IRMS and reports material risks to the Audit Committee.

Set out on pages 50 to 55 are the principal risks and uncertainties which could have a material impact on the Group. The numbers correspond to the risk identified on the heat map.

These risks are continually monitored. The Board has critically reassessed the risks we face in light of the Group's progress on its strategic plan, coupled with the volatility in our end markets.

We indicate whether or not we consider the probability or impact of the risks materialising are increasing, decreasing or remain unchanged, and set out the corresponding mitigating actions that have been taken by the Group. We also show which of our strategic objectives could be impacted by the risk.

In addition to the principal risks and uncertainties below, the risk review process highlights emerging risks a well as those which have the potential to be a principal risk in the future and therefore need to be more closely monitored. The wider effect of climate change is one of these risks. Continued environmental activism around climate change has started to influence some consumers to reduce their carbon footprints, and there is the potential that this could start to impact some of the sectors we operate in. The risks associated with climate change are not considered principal risks at this time, particularly as Renold supports customers in achieving their own sustainability goals through the development and supply of high specification, durable, environmentally responsible products which ultimately minimise the impact on the environment. We will, however, continue to monitor this evolving situation.

Strategic objectives

- A Significantly improving our health and safety performance
- B Operating profit margin expansion
- C Enhancing customer service
- D Optimising business processes
- E EPS growth
- F Developing our people
- G Annual net cash generation

1 Macroeconomic and geopolitical volatility

FY21 FY22

Detailed risk	Potential impact	Mitigation and control	
Material changes in prevailing macroeconomic or geopolitical conditions could have a detrimental impact on business performance. We operate in 17 countries and sell to customers in over 100 and therefore, we are necessarily exposed to economic and geopolitical risks in these territories. Link to strategic objectives B E G	Potential touch-points include: ○ Commodity prices which have a negative impact on demand in the whole supply chain. ○ Changes to tariffs and import duties which can distort customer buying decisions. ○ Foreign exchange volatility can impact customer buying patterns, leading to lower demand or the need to rapidly switch supply chains.	○ Our diversified geographic footprint inherently exposes us to more countries where risks arise but conversely provides some degree of resilience and flexibility. ○ Actions to lower the Group's overall break-even point also serve to reduce the impact of any global economic slowdown. ○ A focus on 'predict and respond', e.g. sales forecasting and raw material price monitoring, leading to operational change such as sales price increases or cost reductions. ○ We have a good level of liquidity, with access to sufficient multi-currency debt facilities.	The FY22 risk trend is impacted by continued political risk and the high-cost inflation experienced on raw material, freight and energy prices. We are mindful of the situation in Eastern Europe, and whilst we are not heavily exposed to this geographic area, we are aware of the wider global impact this may have as the situation unfolds. The uncertainty outlined above is partly offset by growth in the global economy during FY22, following stabilisation of the Covid-19 pandemic, though this may not continue. We have also implemented significant management actions in order to mitigate the additional risks highlighted. Nonetheless, the likelihood of the risk crystallising has increased.

Severity

High | Medium | Low

Trend Direction

Increasing | Unchanged | Decreasing

2 Strategy execution

FY21 FY22

Detailed risk	Potential impact	Mitigation and control	
The Group's ongoing strategy requires the co-ordinated delivery of a number of complex projects. Link to strategic objectives B C D E F G	While these projects are designed to deliver targeted benefits, they have the potential to negatively impact the Group's operations if not appropriately managed.	○ The Strategic Plan has been developed to deliver a sustained improvement in performance and to make that performance more stable and less exposed to revenue volatility. ○ The Board reviews progress against the different strategic projects in each of its meetings. This is based on a regularly updated report from the CEO, which groups the individual projects into themes linked directly to our strategic objectives. ○ Major projects are all managed in accordance with best practice project management techniques with at least one member of the Executive team on the relevant Steering Committees.	The FY22 risk trend remains stable, largely due to the already lower risk rating as a result of limited ongoing major infrastructure changes. To support the execution of the Group's strategic objectives, activity in the year incorporates an increased focus on sustainability and supply chain rationalisation, which includes the determination of optimal product production locations and optimising business processes.

3 Corporate transactions/business development

FY21 FY22

Detailed risk	Potential impact	Mitigation and control	
Part of the Group's strategy is to grow through selective acquisitions. Performance of acquired businesses may not reach expectations, impacting Group profitability and cash flows. Similarly, poorly managed asset sales may result in under-achievement of value. Link to strategic objectives B E G	○ Any corporate transaction involves risks at various stages of the project life cycle. ○ During the acquisitions phase, value can be lost through over-paying, missing key issues in due diligence or potential value leakage through poor contract negotiation. Value can also be lost through a poorly planned or executed integration phase. Finally, failure to deliver anticipated benefits during the 'business as usual' phase can also lead to a loss of value. ○ A poorly managed asset sale or corporate disposal may realise a lower value.	○ Monitoring of specific acquisition targets: Business acquisition process incorporating concept evaluation, business case, indicative offer/heads of terms, due diligence (covering a range of criteria), integration planning and execution and post integration appraisal which in turn feeds back to the business acquisition process. ○ Use of third-party specialists to address risks specific to each corporate transaction.	○ Formation of top-down cross-functional project teams and plans. These specifically address any issues or risks identified during the planning and due diligence processes. ○ Deployment of detailed benefits realisation plans. The FY22 risk trend is unchanged.

Principal risks and uncertainties

4 Health and safety in the workplace

FY21 FY22

Detailed risk	Potential impact	Mitigation and control
The risk of death or serious injury to employees or third parties associated with Renold's worldwide operations. We are proud of the progress we have made in recent years, but recognise that we have more to do. Link to strategic objectives A F	Accidents caused by a lack of robust safety procedures could result in life-changing impacts for employees, visitors or contractors. This will always be unacceptable. In addition, accidents could result in civil or criminal liability for both the Group and the Directors and officers of the Group and Group companies, leading to financial loss or reputational damage.	- Group policies and a Group-wide management system known as the Framework, to set control expectations, with a support training programme for all managers. - The Group operates a rolling programme of health and safety audits to assess compliance against the Framework. These audits have continued, despite travel restrictions imposed during the year, through the utilisation of alternative working methods. - Continual hazard assessments to ensure awareness of risks. - Live tracking of accident rates and root cause analysis via our Group reporting system, plus monthly Board reporting focused on a range of KPIs. - Specific initiatives include the BAT (Be safe; Act safe; Think safe) safety logo and the Annual Health and Safety Awards Scheme to recognise success. - Proactive identification and management of emerging risks, for example the additional measures which continue to be implemented, on a proportionate basis, across all operating locations in order to mitigate the increase in risk presented by Covid-19. The FY22 risk trend is unchanged. No matter what mitigating actions are undertaken, there remains a risk of death or serious injury. We therefore continue to assess the risk as the highest possible impact, but through the mitigation actions seek to reduce the likelihood. Significantly improving our health and safety performance continues to be our number one strategic objective.

5 Security and effective deployment and utilisation of information technology

FY21 FY22

Detailed risk	Potential impact	Mitigation and control
We seek to leverage the use of IT to achieve competitive advantage. The Group continues to implement a global ERP system to replace numerous legacy systems which inherently brings with it the risks associated with a large-scale change programme. The threat from cyber attacks, and therefore security of our IT systems, is constantly evolving. The frequency of attacks is increasing, and the nature of such attacks are becoming more sophisticated. The risk to our Group, our supply chains and our customers is ever present. Link to strategic objectives B C D	- Interruption or failure of IT systems (including the impact of a cyber attack) would negatively impact or prevent some business activities from occurring. If the interruption was long lasting, significant damage could be done to the business. - It is essential that we are able to rely on the data derived from our business system to feed routine but fundamental business performance monitoring. - An unsuccessful implementation of the global ERP system has the potential to materially impact that site's, and possibly the Group's, performance.	- Short-term stabilisation of existing hardware and legacy software platforms. - Governance and control arrangements operating over the Group's ERP implementation programme. - New ERP systems are successfully implemented at three locations. - Use of specialist external consultants and recruitment of experienced personnel. - Phased implementation rather than 'big bang', along with project assurance and 'lessons learned' reviews to continuously improve the quality of successive rollouts. - Steering Committee in operation with cascading project management disciplines. - A range of preventative and detective controls to manage the risk of a cyber attack, including technical solutions in addition to employee training programmes. - Regular system maintenance and upgrades, including patching, to ensure known vulnerabilities are protected. The overall risk for FY22 has increased. Whilst we have successfully removed one of our legacy ERP systems during the year, we recognise that there is increasing cyber threat, particularly to manufacturing organisations. This is coupled with reduced availability of insurance cover to mitigate such risk. As cyber attacks evolve and become more sophisticated, we have continued to invest in additional capability and controls designed to defend against such threats and there is a continued focus on managing and reducing the impact of any potential attack. Nonetheless, we recognise that the frequency and severity of attacks is increasing and therefore have increased our overall assessment of the risk.

Severity

High | Medium | Low

Trend Direction

Increasing | Unchanged | Decreasing

6 Prolonged loss of a major manufacturing site

FY21 FY22

Detailed risk	Potential impact	Mitigation and control	
A catastrophic loss of the use of all or a significant portion of a strategic production facility. The prolonged loss of certain larger plants has the ability to impact the viability of the Group. This could result from an accident, a strike by employees, a significant disease outbreak, major disruption to supply chains, fire, severe weather or other causes outside of management control. Link to strategic objectives A B C D E G	○ In the short or long term, a related risk event could adversely affect the Group's ability to meet the demands of its customers. ○ Specifically, this could entail significant repair costs or costs of alternative supply. A significant proportion of the Group's revenue is on relatively short lead times and a break in our supply chain could result in loss of revenue. All of this translates into lower sales and profits and reduced cash flow.	○ Preventative maintenance programmes and new investments to reduce risk of interruption of manufacturing. ○ A Group Fire Safety Policy mandating preventative, detective and containment controls. ○ Alternative manufacturing capacity exists for a growing portion of the Group's product range, with this manufacturing capability spread across geographic territories. ○ Inventory maintained to absorb and flatten out shorter-term raw material supply and production volatility risks. ○ Comprehensive insurance policies to mitigate the impact of a number of these risks, albeit subject to carve out of cover for specific risks (e.g. SARS and related disease outbreak) and claim limits. ○ Amendments to operational processes, whenever and wherever required, to mitigate emerging risks and country-specific requirements. ○ Property damage and business interruption insurance.	The risk trend for FY22 is unchanged, largely as a result of already being classified at maximum risk levels. Renold has no direct operations in Russia or Ukraine, however, a significant amount of Group production comes from our Germany factories and we are therefore actively working on contingency plans in the event that German energy supplies are disrupted as a result of the war in Ukraine. The Covid-19 pandemic continued to crystallise this risk at certain locations during the year, however, the severity and frequency of instances continue to reduce. We believe that the risk of prolonged loss of a major manufacturing site due to the Covid-19 pandemic is now low, however, changes to our operating procedures and other health and safety actions have, and will, continue to be implemented in a proportionate manner in order to respond to the pandemic. Moreover, we have continued to enhance the manufacturing capabilities at a number of our manufacturing locations through investment in equipment and additional training during the year, with the aim of reducing reliance on single geographical locations.

7 People and change

FY21 FY22

Detailed risk	Potential impact	Mitigation and control	
The Group's operations are dependent upon the ability to attract and retain the right people with an appropriate range of skills and experience. Succession planning and the ability to swiftly replace staff retiring or leaving is also critical. Link to strategic objectives A C D F	○ Failure to retain, attract or motivate the required calibre of employees will negatively impact business performance. ○ The delivery of the Strategic Plan and our strategic goals may also be delayed.	○ Competitive reward programmes, focused training and development, and a talent retention programme. ○ Ongoing reviews of succession plans based on business needs. ○ Performance management and personal development programmes introduced alongside training initiatives. ○ Management team strengthened with new capability from external hires and internal promotions. ○ The Renold Values, launched in 2015, continue to be embedded and are linked to recruitment processes for new employees.	The FY22 risk trend is increasing. Whilst we continue to attract and retain high calibre individuals, we have witnessed a shift in attitude and reduced availability in the employment market, which is partly thought to be as a result of the Covid-19 pandemic and Brexit. This shift has been represented by an increasing appetite of individuals to make career changes, leading to a progressively more competitive employment market, and our own employees increasingly opting to take early retirement.

Principal risks and uncertainties

8 Liquidity, foreign exchange and banking arrangements

FY21 FY22

Detailed risk	Potential impact	Mitigation and control	
A lack of sufficient liquidity and flexibility in banking arrangements could inhibit the Group's ability to invest for the future or, in extremes, restrict day-to-day operations. Link to strategic objectives B E G	- Potentially cause under-investment and sub-optimal short-term decision making. - Limiting investment could prevent efficiency savings and reduce competitiveness. - In an extreme situation, the Group's ability to operate as a going concern could also be jeopardised.	- The Group's primary banking facility expires in March 2024 and is fully available given current levels of profitability. Positive discussions have commenced with our relationship banks regarding the routine renewal of our committed debt facilities in 2024. - The facility includes additional drawdown capability, accessible as long as financial covenants are complied with.	- Rolling foreign exchange forward contracts covering committed future cash flows. The FY22 risk trend is unchanged. The Group remained, with good headroom, within banking covenants throughout the year and retains a strong cash position.

9 Pensions deficit

FY21 FY22

Detailed risk	Potential impact	Mitigation and control	
The principal pensions risk is that short-term cash funding requirements of legacy pension schemes diverts much needed investment away from the Group's operations. Secondly, the size of the reported balance sheet deficit can operate as a disincentive to potential investors or other stakeholders limiting the Group's ability to raise financing on capital markets. Link to strategic objectives E G	- Given the Group's cash needs to invest in the business, the pace of performance improvement could be slowed if cash has to be diverted to the pension schemes. - The balance sheet pension deficit could act as a disincentive to potential investors and could reduce the Group's ability to raise new equity or debt financing, limiting the strategic options open to the Group.	- We maintain a good relationship with pension trustees. - Specialist professional advice is obtained to help us manage the associated liabilities and risks. - The major UK pension cash flows (over 50% of all defined benefit pension cash costs) are stable, known and defined under the 25-year asset-backed funding scheme put in place during 2013. A further 25% of the annual cash flows are pensions in payment in Germany in a mature scheme that has passed its peak funding requirement.	The FY22 risk trend is unchanged as underlying factors have not significantly changed from the prior year.

Severity

High · Medium · Low

Trend Direction

Increasing · Unchanged · Decreasing

10 Legal, financial and regulatory compliance

FY21 · FY22

Detailed risk	Potential impact	Mitigation and control
The risk of censure, fine or business prohibition as a result of any part of the Group failing to comply with regulatory or legal obligations. Risks related to regulatory and legislative changes include the inability of the Group to comply with current, changing or new requirements. Many of the Group's business activities are subject to increasing regulation and enforcement by relevant authorities. Link to strategic objectives B D	Failure by the Group or its representatives to abide by applicable laws and regulations could result in: - Administrative, civil or criminal liability. - Significant fines and penalties. - Suspension of the Group from trading. - Reputational damage.	- Communication and management of a clear compliance culture. - Risk assessments and ongoing compliance reviews at least annually at all major locations. - Published up-to-date policies and procedures with clear guidance and training issued to all employees. - Monitoring of compliance with nominated accountable managers in each business unit. - Financial control assurance and legal compliance is additionally obtained through internal audit and a control self-assessment process. Self-certification from every operating region that internal controls have been complied with and that legal compliance has been maintained, is reviewed on at least an annual basis. All units and functions in the Group are subject to internal audit on a regular risk-based cycle. Any non-compliance reported is reviewed by the Audit Committee. The FY22 risk trend is unchanged.

Viability statement

Longer-term viability of the Group

The Directors have assessed the prospects of the Group over a three-year period to March 2025. This is significantly longer than 12 months from the date of approval of the financial statements, the period used as the basis for assessing going concern.

Analysis of business prospects

The Board has considered the long-term prospects of the Group based on the strategy, market review, principal risks and uncertainties and business model as outlined previously within this report. In the strategic review of the Group, the Board highlights a number of factors that underpin its long-term prospects and viability. These include:

- Broad base of customers and end user markets;
- High specification products that deliver operational and environmental benefits for customers;
- Global market position and unique geographic manufacturing capability;
- The implementation of the Group's sustainability strategy; and
- The strategic progress delivered in recent years in strengthening the financial position of the Group, through improved productivity, profitability and cash generation.

Assessment of viability

In determining the appropriate period over which to assess viability, the Board has considered the Group's budgeting, forecasting and strategic planning cycles (covering the three-year period to March 2025), the time frame within which risks are assessed and the maturation of the Group's core financing facility (maturing in March 2024). Whilst the core banking facility expires in March 2024, the Board considers a scenario involving the Group failing to refinance its borrowings as remote. The Board therefore continue to be of the view that a three-year period is appropriate, taking into account the reliability of data as well as the predictability of events.

As in prior years, the Board and Audit Committee have continued to review and assess the Group's ongoing risk appetite, register of principal risks and uncertainties and progress on actions to mitigate the probability and impact of risks crystallising. The internal control structures and processes described on pages 48 to 49 also serve to mitigate exposure to single risk events that could threaten the Group's longer-term viability. Whilst all risks have the potential to impact longer-term viability, the principal risks deemed more relevant for a reasonable assessment of viability due to the potential to impact the Group's financial position are set out below:

Viability modelling	Link to principal risks and uncertainties
Scenario 1 The Board considered a number of events that could notably impact planned sales performance, either in a specific country due to a loss of use of a strategic production facility or across the entire Group. This included global disruption events more severe than the impact of the Covid-19 pandemic. **Assumptions** ○ Sales – reduction of 15% in FY23 with sales remaining at this level throughout FY24 and FY25. ○ Downside operating profit gearing of 25% on the sales shortfall (worse than the downside gearing of 8% experienced in the pandemic-impacted prior year). ○ Mitigating actions – Reduction in expansionary capital expenditure outflows.	○ **Macroeconomic and political volatility** Uncertainty driven by global events is undoubtedly creating volatility. As an international manufacturing business, the Group is dependent on stable trading environments to deliver our products and the resulting shareholder value. Significant changes in global trading dynamics have the potential to undermine the Group's longer-term prospects. ○ **Prolonged loss of a major manufacturing site** The risk of the loss of use of all or a significant portion of a strategic production facility which would adversely affect the ability of the Group to meet the demands of its customers. Ultimately translating into lower sales, lower profits and reduced cash flow.
Scenario 2 The Board considered the Group's strategy and the impact of failing to co-ordinate and deliver on all of the projects. **Assumptions** ○ Return on sales reduced to and maintained at 6.0% over the period of the viability review. ○ Increase in the Group's working capital ratio to 25%.	○ **Strategy execution** The risk of the Group's inability to successfully implement the Strategic Plan which could lead to the Group continuing to experience volatile financial results and weak levels of cash generation, including failure to fully pass through inflationary increases in the cost base.
Scenario 3 The Board considered a requirement to inject additional contributions into the Groups pension schemes. **Assumptions** ○ Additional pension cash payments of £1m per annum.	○ **Pensions deficit volatility** The risk of short-term cash funding requirements for legacy pension schemes diverting investment away from the Group's operations.
Scenario 4 The Board considered a combination of scenarios 1 to 4 above.	○ **As above**

The Board has continued to review the strategic plan during the current year. This included detailed review of our markets, competitors and product strategies in addition to financial forecasts. The review assessed the results of the above scenarios on financial forecasts and also financing options around the Group's acquisition strategy. The Board thereby assessed the potential impact of the risks noted above which could affect solvency or liquidity in 'severe but plausible' scenarios over the three-year period and concluded that the business would remain viable. In scenarios one to four, there were no breaches to the Group's covenants, and substantial covenant and liquidity headroom was maintained.

Reverse stress testing has also been applied to determine the level of fall in sales that would be required before the Group would be at risk of breaching its existing financial covenants or current liquidity headroom during the assessment period. The reverse stress test was conducted on the basis that only limited mitigating actions would be undertaken to reduce overheads during the period as sales declined and, on that basis, a fall in forecast sales of 30% (applied in the first year, with no subsequent growth in the three-year period) would be required before such a breach occurred. The Board considers the possibility of such a scenario to be remote and further mitigation, such as a reduction in planned capital expenditure, a possible extension of borrowing facilities and the potential to raise additional funds through share issues should be available if future trading conditions indicated that such an outcome were possible.

The Group maintains a conservative approach to borrowing. Whilst the banking covenants include a leverage limit of 2.5x Adjusted EBITDA, the Board generally seeks to operate within an internally imposed 2.0x leverage limit ensuring access to short-term borrowing to cope with short-term financial shocks.

Viability statement

Based on the outcomes of the viability assessment, the Board has a reasonable expectation that the Group would be able to withstand the impact of each of the above scenarios, in isolation and in a number of plausible combinations, should they occur in the course of the three-year assessment period. In each event, the Group would continue to operate and meet its obligations and liabilities as they fall due over the period to 31 March 2025.

Case study

Chain: Distribution and logistics chain

What is it used for?

Renold chain is widely used throughout the logistics industry and supports the continual automation of customer processes. Our standard duty product range is designed to meet our customers technical requirements, and is frequently used in large scale logistic warehouses. Our chains are used across driving systems and conveyor lines, including pallet conveyors and telescopic conveyors.

Why Renold?

Our Standard Duty range offers competitive prices and delivery, consistent quality and a broad range of sizes. Moreover, our Standard Duty series offers better performance on wear resistance and fatigue resistance compared with alternative suppliers. Case hardened pins improve wear resistance, whilst multiple hit plate holing gives the chain improved tensile strength & fatigue performance. Overall, our chains enable extended intervals between maintenance which reduces the total cost of ownership.

Governance

Chair's letter

Governance and ethics are core to how Renold does business. The tone is set by the Board and we expect all our employees to abide by the principles, which are set out in Group policies."

DAVID LANDLESS
CHAIR

Dear Shareholder,

On behalf of the Board I am pleased to present the Governance Report for the year ended 31 March 2022.

This section of the Annual Report and Accounts highlights the Group's governance processes, alongside the work of the Board and Board Committees.

On admission to AIM the Directors elected to adopt the Quoted Company Alliance Code (QCA Code) as the relevant corporate governance code to apply to the Company. However, the Directors also committed that they would continue to operate a governance regime which is consistent with the governance regime in force during the Company's main market listing, namely the UK Corporate Governance Code 2016 (2016 Code). The QCA Code does not require a comply or explain approach to governance matters.

Our compliance with AIM governance principles can be seen by viewing the Company's Rule 26 compliance section of the Investors section of the Company's website at www.investors.renold.com.

The Group's principal risks and uncertainties are described in the Strategic Report and that section of the Annual Report and Accounts also forms part of the Governance Report.

We appreciate the importance of upholding the principles of good corporate governance, not only for compliance purposes, but because we recognise that good governance reduces risk and adds value to the business.

Board composition

This year has seen the retirement of Mark Harper as Chair of the Company on 23 August 2021. Mark was Chair for over nine years and on behalf of the Board I thank him for his invaluable service to Renold.

In line with the Company's succession plan, I became Chair of Renold following the AGM on 23 August 2021. At the same time, Tim Cooper took on my former role as Senior Independent Non-Executive Director and Andrew Magson was appointed to my former role as Chair of the Audit Committee.

In May 2022 the Board appointed Vicki Potter as a Non-Executive Director. Vicki brings with her an HR and engineering skill set, adding to the breadth and balance of skills and experience on the Board.

Tone from the top

The Board continues to believe strongly in operating to the highest standards of ethical business conduct and in the importance of setting the right 'tone from the top'. These principles, which are core parts of the Group's culture, are reflected in the statement of our Values and Behaviours and Renold requires the same from all employees in the performance of their duties. These principles are consistent with the Group's objective to deliver organic GDP and revenue growth in an ethical and sustainable manner. The Board monitors and promotes a healthy culture through stakeholder engagement and responding to stakeholders' key interests as discussed in stakeholder engagement on page 35.

We are mindful of developments in corporate governance and ethics, whether in legislation, regulations or codes of practice.

In addition to matters of corporate governance and ethics, the key priority for the Board is the delivery of the strategic plan. On page 67 of our corporate governance report we set out the areas of focus for the Board this year and highlight the links between the issues considered and the Group's strategic objectives.

Annual General Meeting

Our AGM will be held at 11 am on 6 September 2022 at the Company's registered office, Trident 2, Trident Business Park, Styal Road, Wythenshawe, Manchester, M22 5XB.

I am pleased to be able to announce that this year we will (subject to the UK Government not re-introducing Covid -19 measures in the intervening period) be returning to business as usual at the 2022 AGM which will be a physical meeting where shareholders will have the opportunity to meet the Board in person.

Shareholders will be able to raise questions about the resolutions to be proposed at the AGM and details will be provided in the Notice of AGM itself.

On behalf of the Board, I would like to thank shareholders for their patience and support during the pandemic and welcome you to participate at the 2022 AGM.

DAVID LANDLESS
CHAIR

13 July 2022

Compliance with Corporate Governance

The Group is committed to high standards of corporate governance in order to facilitate efficient, effective and entrepreneurial management of the Company. The Board acknowledges its responsibility for ensuring management accountability, improving risk management and ultimately creating shareholder value over the longer term.

The Board considers that the Company has complied with all provisions set out in the QCA Code that are applicable to it and, as we committed to doing when re-listing on AIM, has not materially departed from the standards of the 2016 Corporate Governance Code throughout the year ended 31 March 2022.

The QCA Code is available from the QCA website, www.theqca.com.

Board of Directors

Committee memberships key:

A Audit Committee

N Nomination Committee

R Remuneration Committee

E Executive Risk Management and Monitoring Committee

The Board provides entrepreneurial leadership of the Company within a framework of prudent and effective controls which enables risk to be assessed and managed.

On these pages, we set out the age, tenure and biographical details of each Board member.

David Landless

CHAIR

Committee membership

N R

Appointment:

January 2017

Experience:

David, aged 62, was appointed to the Board as a Non-Executive Director on 9 January 2017, became Chair of the Audit Committee on 19 July 2017 and was appointed as Senior Independent Director on 13 November 2019. David became the Chair of Renold on 23 August 2021. As a fellow of the Chartered Institute of Management Accountants, David has significant experience at senior levels of international businesses in the industrials sector. He was most recently Group Finance Director of Bodycote plc from 1999 until his retirement on 1 January 2017. Prior to that, he held a range of finance roles for 15 years at Courtaulds in the UK and US, latterly as Finance Director of Courtaulds Coatings (Holdings) Limited, from 1997 to 1999. David is currently a Non-Executive Director of Ausurus Group Limited, which is the holding company for European Metal Recycling Limited as well as a Non-Executive Director and Chair of the Audit Committee of Innospec Inc. He was a Non-Executive Director of Luxfer Holdings plc from 2013 until June 2022, serving as Chair from 2019 until March 2022.

Robert Purcell

CHIEF EXECUTIVE

Committee memberships:

E

Appointment:

January 2013

Experience:

Robert, aged 60, joined the Group on 21 January 2013 as Chief Executive. Prior to joining Renold, Robert was Managing Director of Filtrona plc's Protection and Finishing Products Division. He has also held a Managing Director role at Low and Bonar plc within its technical textiles business. His early career was in operational management within Courtaulds plc, during which time he gained an MBA from the Cranfield School of Management.

Jim Haughey

FINANCE DIRECTOR

Committee memberships:

E

Appointment:

October 2020

Experience:

Jim, aged 55, was appointed to the Board as Finance Director on 1 October 2020. He is a member of The Institute of Chartered Accountants in England and Wales and has significant experience at a senior level within international industrial businesses. He spent 15 years working in senior financial positions with FKI plc and Bridon Group, and spent eight years as Group financial controller at Bodycote plc. More recently he held the positions of Group Finance Director at Mpac Group plc and Finance Director of Drive DeVilbiss Healthcare.

Tim Cooper

SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR

Committee memberships:

A N R

Appointment:

November 2018

Experience:

Tim, aged 63, was appointed as a Non-Executive Director of Renold in November 2018. He is Chair of the Remuneration Committee, a position he has held since November 2019. On 23 August 2021 Tim was appointed as the Senior Independent Director. Tim was an Executive Director of Victrex plc, a position he held from October 2012 until 30 September 2019. Tim joined Victrex in January 2010 as Managing Director of Victrex Polymer Solutions. Tim has over 30 years of international business management and commercial experience, having held senior leadership positions in a number of industries. Prior to joining Victrex, Tim was with Umeco plc, initially as Managing Director of Aerovac Systems Limited, but later becoming Group Managing Director of Umeco Composites Process Materials. He has been Managing Director of Tellermate plc and Avery Berkel Limited, having developed his international career with GEC, BP and Land Rover. Tim is currently the Senior Independent Non-Executive Director and Chair of the Remuneration Committee of Pressure Technologies plc.

Andrew Magson

NON-EXECUTIVE DIRECTOR

Committee memberships:

A N R

Appointment:

December 2020

Experience:

Andrew, aged 55, was appointed to the Board on 1 December 2020. On 23 August 2021 Andrew was appointed as Chair of the Audit Committee. Andrew, a Fellow of The Institute of Chartered Accountants in England and Wales, has career-long experience working in international industrial and manufacturing businesses owned by UK public companies. He was previously Group Finance Director of The Alumasc Group plc from 2006 until 2020. Prior to that, he was Group Financial Controller and Senior Corporate Finance manager at BPB plc as it grew to become a FTSE 100 company. Andrew spent his earlier career at PwC in London where he was a Senior Manager, gaining significant experience in Audit and Corporate Finance. Andrew is also a Trustee of the Alumasc Group Pension Scheme and he chairs its Investment Committee.

Vicki Potter

NON-EXECUTIVE DIRECTOR

Committee memberships:

A N R

Appointment:

May 2022

Experience:

Vicki, aged 50, was appointed to the Board as a Non-Executive Director on 3 May 2022. She has broad management experience in international engineering and manufacturing companies. Vicki is currently the Chief Human Resources Officer and Customer Services Director for Oxford Instruments plc, a global FTSE 250 technology and manufacturing business. She has worked with Oxford Instruments since 2006, initially providing outsourced HR services across the group through her own consultancy business. Vicki joined Oxford Instruments permanently in January 2011 and was appointed to her current role and to the management board of Oxford Instruments in 2016. Vicki has a degree in Electrical and Electronic Engineering and an MA in Human Resources Management. Prior to working with Oxford Instruments, Vicki held engineering, project and operations management roles at Pepsico Inc. and ICI plc.

Andrew Batchelor

GROUP GENERAL COUNSEL AND COMPANY SECRETARY

Appointment:

July 2018

Experience:

Andrew, aged 57, was appointed to his role in July 2018. Andrew has extensive experience in private practice, becoming a partner with the law firm Edge Ellison, then continuing his career in-house as the General Counsel and/or Company Secretary to a variety of UK main market-listed companies. His previous roles include JD Sports Fashion plc, Promethean World plc and Itnet plc. Andrew has also held the roles of Head of Risk and General Counsel for the large private company retailer, Wilko.

Corporate governance report

Compliance with corporate governance

The Group is committed to high standards of corporate governance in order to facilitate efficient, effective and entrepreneurial management of the Company. The Board acknowledges its contribution to achieving management accountability, improving risk management and ultimately to creating shareholder value over the longer term.

When the Company re-listed on AIM, it elected to adopt the QCA Code as its principal corporate governance code and the Board's compliance for the year ended 31 March 2022 is therefore measured against the requirements of the QCA Code. However, the Board of Directors highlighted that it would not seek to materially depart from the governance standards in place before the move to AIM. The standard of governance previously adhered to by the Company was the 2016 Corporate Governance Code.

The Board considers that the Company has complied with all provisions set out in the QCA Code that are applicable to it throughout the year ended 31 March 2022.

The QCA Code is available from the QCA website, www.theqca.com.

Board composition, responsibilities and activities

Membership of the Board

The last year has been an eventful one for Renold with the continued impact of the Covid-19 pandemic and the retirement of Mark Harper as Chair of the Board after nine years' service with the Company. Mark stepped down with effect from the closure of last year's AGM on 23 August 2021 and David Landless was appointed as Chair of the Company in his place.

The Company's succession plan has seen Tim Cooper step up to the role of Senior Independent Director (as well as continuing in his role as Chair of the Remuneration Committee) and Andrew Magson take on the role of Chair of the Audit Committee, all with effect from the conclusion of last year's AGM.

Vicki Potter was appointed to the Board as an additional Non-Executive Director in May 2022.

During the current reporting period, we experienced a period of change for the Board. During the year ended 31 March 2022 we saw the retirement of Mark Harper as Chair.

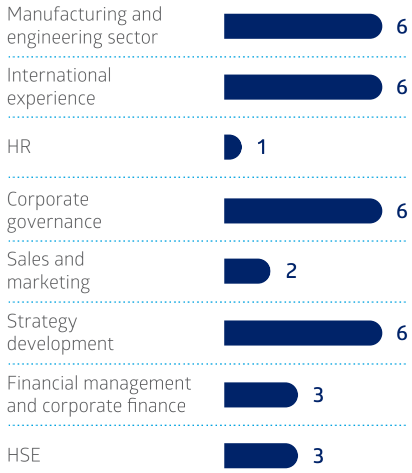
The Board continues to have a balance of Executive and Non-Executive Directors. Currently, the Board comprises a Non-Executive Chair, two Non-Executive Directors and two Executive Directors as shown below. The Board's consideration of its composition in the context of its diversity is set out in the Nomination Committee report on pages 78 and 79.

The Executive Directors are contracted to provide their full time and attention to the business of the Group, whilst the Non-Executive Directors are engaged to discharge their respective functions with an anticipated minimum commitment of 20 days per year.

Experience of the Board

The members of the Board maintain the appropriate balance of status, experience, independence and knowledge of the Company to enable them to discharge their respective duties and responsibilities and to ensure the Board is of a sufficient size that the requirements of the business can be met.

The below graphic shows the number of Directors with significant experience in the areas listed.



Responsibilities of the Board

The Board is collectively responsible for the effective oversight of the Group and its businesses.

In addition, it is responsible for strategic business planning, including reviewing succession planning, risk management and the development of Group policies in areas such as health, safety and environmental matters and Directors' and senior managers' remuneration and ethics. The Executive Directors have authority to deal with all other matters affecting the Group.

The Board has approved a schedule of reserved matters to ensure that it takes all major strategy, policy and investment decisions affecting the Group. As part of the Board's oversight of operations, it must ensure maintenance of a sound system of internal control and risk management.

Feedback is provided to the Board following presentations to investors and meetings with shareholders in order to ensure that its members, and in particular Non-Executive Directors, develop an understanding of the views of major shareholders about their Company.

Risk monitoring

The Board has overall responsibility for implementing the Group's system of internal control, including financial, operational and regulatory compliance controls and risk management systems. The Board is also responsible for reviewing internal control effectiveness and compliance and accords with the FRC's 'Guidance on Risk Management, Internal Control and Related Financial and Business Reporting'.

The ongoing process for the review of the system of internal controls by the Directors has been in place for the whole of the year ended 31 March 2022 and up to the date of approval of this report and the financial statements.

Internal controls and the risk management processes are reviewed on a regular basis by the Audit Committee, which reports directly to the Board. This review includes a report from the Executive Risk Management and Monitoring Committee (ERMMC) after each meeting to the Audit Committee. This review includes a focus on areas such as risk appetite, the operations of risk management and internal control systems, and their integration with the Group's strategy.

This year was the first year where the internal audit and risk management functions were managed by BDO LLP, who presented progress reports to each Audit Committee meeting. As part of their role, they have:

- proposed the annual risk-based internal audit plan;
- conducted Internal Audit (IA) reviews in line with the risk-based plan approved by the Audit Committee. These Internal Audit reviews included a range of site minimum financial control audits and specific project audits, through a combination of in person site visits and remote audits;
- reported the findings and recommendations on a regular basis to the Executive and Audit Committees; and
- conducted risk workshops with all Renold operating locations, providing reports to ERMMC.

However, with the appointment of BDO LLP as external auditors to replace Deloitte LLP, BDO LLP was then conflicted to provide internal audit and risk management support to the Company. Accordingly a tender process was undertaken and Mazars LLP has been appointed to continue the outsourced provision of internal audit and risk management services to the Company.

Further details about the composition and activities of the ERMMC and the Group's risk management framework can be found on pages 48 and 49 of the Strategic report. A description of the Audit Committee's oversight of the ERMMC can be found in the Audit Committee report on page 75.

Individual Directors' key responsibilities

The roles of Chair and Chief Executive are separated, with a clear division of responsibilities set out in writing and agreed by the Board.

Title	Responsibility
Chair David Landless (Mark Harper)	To ensure the effectiveness of the Board in setting the direction of the Company and the agenda of the Board.
Chief Executive Robert Purcell	To manage the business and implement the strategy agreed by the Board.
Finance Director Jim Haughey	To ensure sound financial management of the Group's business and provide strategic and financial guidance to ensure that the Company's financial commitments are met.
Senior Independent Non-Executive Director Tim Cooper	In addition to the role of an independent Non-Executive Director, to ensure that the views of each Non-Executive Director are given due consideration and act as a sounding board for the Chair.
Independent Non-Executive Directors Tim Cooper Andrew Magson Vicki Potter	To constructively challenge the Executive Directors and help develop proposals on strategy, including satisfying themselves on the integrity of financial information and ensuring financial controls and systems of risk management are robust and defensible.

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 a Company Secretary, who ensures that Board procedures are complied with.

Corporate governance report

Board and Committee membership and attendance

The Board meets on a regular basis with an agenda and necessary papers for discussion distributed electronically in advance of each meeting via Board portal software, Diligent. Agenda items are agreed in advance and set out in an annual planning schedule. The meetings are scheduled to coincide with the internal financial reporting timetable of the Company and key events, including interim and final results, and the AGM.

The Board's responsibilities are discharged by way of scheduled Board meetings. In addition, the Board reviews written reports in months where there is no meeting and convenes ad hoc meetings during the year in order to resolve matters by written resolutions to deal with specific business requirements.

The table below 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. Seven meetings have been held this year. In addition, the Board met for a separate full day to discuss the further evolution of the Group's Strategic Plan.

	Mark Harper[3]	David Landless	Robert Purcell	Jim Haughey	Andrew Magson	Tim Cooper
7 meetings The Board[4]	3	7	7	7	7	7
6 meetings Audit Committee[1,2]	2	6	6	6	6	6
4 meetings Nomination Committee[2]	1	4	4	4	4	4
7 meetings Remuneration Committee[2]	3	7	7	7	7	7
3 meetings ERMM Committee	–	–	3	3	–	–

1. Mark Harper and David Landless attended Audit Committee meetings or part thereof by invitation.
2. Robert Purcell and Jim Haughey attended Audit, Nomination and Remuneration Committee meetings or part thereof by invitation.
3. Mark Harper retired from the Board on 23 August 2021.
4. Vicki Potter was appointed to the Board on 3 May 2022, after the year end.

Board focus during the year

During the year ended 31 March 2022, the Board has provided its main focus on the following matters:

	Overview	Activity in year	Strategic objective[1]
Governance and Risk	• Implementation and review of compliance with the requirements of the QCA Code. • Ensure a sound system of internal control and risk management including review of the Group risk profile.	• Consideration of the QCA Code. • Consideration of the Viability Statement and agreeing the Group's risk profile, principal risks and uncertainties and risk appetite. • Review of the effectiveness of the risk management and internal control systems concluding with the tender for internal audit and risk management services being awarded to Mazars LLP. Conducting and reviewing an evaluation of the effectiveness of the Board and its Committees.	A
Strategy	• Responsibility for approval of the Group's strategic aims and objectives and review of performance. • Approval of major capital projects and oversight of benefits expectation and delivery.	• Board Strategy Day held to debate and discuss the Group's performance under the Strategic Plan. • Supporting the Chief Executive in the evolution of the Strategic Plan. • Review of customer service enhancement initiatives including the service improvement programme, 'STEP2 Service'. • Received presentations from Group senior management on operations and continued implementation of the Strategic Plan across the divisions and functions. • Approval of purchase of Company shares by the Employee Benefit Trust. • Appointment of finnCap as joint broker to seek to promote broader shareholder participation. • Approval of surrender of onerous long lease at Askwith Road.	B C D E F G
Leadership	• Responsibility for the overall leadership of the Group and setting the Group's Values. • Setting the 'tone from the top'.	• Monitoring health and safety performance. • Succession planning in relation to the Board and senior management including the recruitment process to appoint Vicki Potter as an additional Non-Executive Director. • Support to ongoing organisational development.	A C D F
Financial Stewardship	• Approval of financial reporting and controls. • Approval of relevant policies. • Review of system of internal control.	• Review and monitoring of the improvement to the financial control environment. • Approval of the annual operating and capital expenditure budgets. • Review of monthly business performance reports. • Review and approval of the half-year and full-year results and related announcements. • Review and approval of the delegated authorities matrix. • Specific approval for major capital investment projects. • Review of matters affecting the Group involving material litigation or disputes.	B D E G
Shareholder Relations	• Ensuring a satisfactory dialogue with shareholders, including approval of key information to shareholders.	• Received and discussed feedback from roadshows and presentations to shareholders. • Appointment of IFC as financial PR consultants to promote broader coverage of the Company amongst a broader shareholder participation. • Approval of Annual Report and Accounts and information to shareholders for the Annual General Meeting.	B E G

1. See key on page 24

Corporate governance report

Expected Board focus for next year

The Board will continue to review the areas set out in the table on page 67. In addition, it is anticipated that the following areas will receive focus by the Board for the year ending 31 March 2023:

- Working with the Group Head of People and Sustainability to embed the Group's sustainability strategy.
- Working to ensure the updated Group strategy is understood by existing and potential shareholders.
- Ensuring that the Group's cyber security risk management procedures are reviewed and then assessed by a suitable third party.
- Consider Board composition and succession planning in light of the Board's wish to increase ethnic and gender diversity.

Director induction and development

The training needs of the Board are discussed as part of the Board performance evaluation process. Updates are provided to the Board at regular intervals in order to refresh the Directors' knowledge. Training is arranged primarily by the Company Secretary or the Finance Director in consultation with the Chair. The Board has received an update from Peel Hunt LLP in relation to corporate governance best practice and developments. Remuneration advisers, PwC, have provided updates to the Remuneration Committee in relation to market trends in executive remuneration.

The Company has a detailed framework for the induction of new Directors. This includes the issuing of all key documents relating to each new Director's role on the Board, as well as site visits and face-to-face meetings with senior executives.

Non-Executive Director independence

The Non-Executive Directors are considered to be independent in character and judgement. The Board is of the opinion that all of the Directors take decisions objectively and in the best interests of the Company and that no individual or small group of individuals can dominate the Board's decision making. The balance between Non-Executive and Executive Directors allows independent challenge to the Executive Directors and senior management.

Board evaluation and effectiveness

The Board recognises that evaluation of its performance is important in enabling it to realise its maximum potential. 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 Chair is also carried out annually, led by the Senior Independent Non-Executive Director.

In addition, evaluations of the Audit Committee, the Nomination Committee and the Remuneration Committee were also carried out during the year.

The evaluation process commences with the completion of a written questionnaire for each separate review, compilation of a summary of the results and feedback obtained and then discussion between the participants. The subsequent Board discussion highlighted a number of areas where objectives might be set by the Board and practical issues for consideration. The Board has continued to allocate separate time for review and consideration of the Strategic Plan.

The evaluation process also included a number of discussions during the year between the Chair and the Non-Executive Directors, without the Executive Directors present, to discuss feedback arising from the process and the performance of each Executive Director. The Senior Independent Director also met with the other Directors as part of the Chair's performance evaluation process. The evaluation process for the current year produced higher marks than in the previous year.

The Board and each of the Board Committees raised the representation of racial and gender diversity as a key area for development last year and in this year's evaluation process. The Board envisages that the recruitment process, which culminated in the appointment of Vicki Potter as a Non-Executive Director in May 2022 will go some way towards achieving the Board's diversity aspirations.

Election of Directors

With a view to complying voluntarily with all terms of the 2016 Code, all Non-Executive Directors are subject to annual re-election.

Biographical and experience details of the Board appear on pages 62 and 63. Further details of the Executive Directors' service contracts and letters of appointment are set out in the Directors' remuneration report.

Governance structure

Board

The Board has ownership of global policies and is responsible for strategic business planning

Board Committees

Support the Board in its work with specific areas of review and oversight

Audit Committee

Oversees the Company's financial reporting and internal controls and their effectiveness, together with the procedures for identifying, assessing and reporting risks and mitigation. It also oversees the services provided by the external auditor and its remuneration.

Nomination Committee

Responsible for considering the structure, size and composition of the Board and its Committees, and succession planning. It also identifies and proposes individuals to be Directors where new appointments are to be made and leads that process.

Remuneration Committee

Determines remuneration policy and practices to attract, motivate and retain high-calibre Executive Directors and other senior employees to deliver performance for all our stakeholders and ensure a close alignment of executive pay to the Company's strategic objectives and performance.

Executive Risk Management and Monitoring Committee

Led by the Chief Executive, the principal role of the Executive Risk Management and Monitoring Committee is to evaluate and manage the risks to the Group. Includes monitoring progress of the implementation of mitigating actions and controls.

Group Management team

Implementation of the Group policies

Chief Executive

The Chief Executive has responsibility for managing the business and implementing the strategy agreed by the Board

Executive Committee

Business unit leaders

Functional leaders

Finance Director

Business unit teams

Functional teams

Corporate governance report

Key features of governance structures

The key features of the Group's governance structures, as shown in the schematic on the prior page, are as follows:

- 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, www.renold.com. Internal controls are in place at both local and Group level.
- The ERMMC oversees, on behalf of the Audit Committee and ultimately the Board, that appropriate policies are implemented to identify and evaluate risks.
- 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 while also permitting the accurate preparation of financial statements.
- 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 and the balance sheet, 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.
- Procedures for the appraisal, approval and control of acquisitions and disposals.
- Access for all Group employees to a free-of-charge, independent whistleblowing hotline enabling them to report any concerns about theft, fraud or other malpractice in the workplace.

The Board and its Committees

- The Board delegates authority to various Committees to deal with specific aspects of corporate governance.
- These Committees are summarised on the prior page. Details about the structure and activities of each are set out in the separate Committee reports. The Committees communicate and work together where required.
- Committee membership may not be refreshed as frequently as would be the case for a company with a larger board. However, the Board is satisfied that no undue reliance is placed on particular individuals.
- Terms of reference for each Committee, together with the schedule of matters reserved for the Board, are available on the Company's website, www.investors.renold.com.

Internal control

During the year ended 31 March 2022, the responsibility to review internal control effectiveness was delegated to the Audit Committee and reported to the Board as follows:

- Receiving and considering regular reports from the internal audit function on the status of internal control across the Group;
- Reviewing the internal audit function's findings, annual audit plan and the resources available to it to perform its work;
- Reviewing the external auditor's findings on internal financial control; and
- Monitoring the adequacy and timeliness of management's response to identified audit findings.

The Executive team is accountable to the Directors for implementing Board policies on internal control and for monitoring and reporting to the Board that it has done so.

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.

Financial reporting

There are also established internal control systems in relation to the Company's financial reporting process and the Group's process for preparation of consolidated accounts. These systems include policies and procedures that:

- Relate to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets;
- Provide reasonable assurance that transactions are recorded as necessary to permit the preparation of financial statements in accordance with IFRS;
- Require representatives of the businesses to certify that their reported information gives a true and fair view of the state of affairs of the business and its results for the period; and
- Review and reconcile reported data.

The Audit Committee is responsible for overseeing these internal control systems.

Fair, balanced and understandable reporting

The Annual Report and Accounts taken as a whole must be fair, balanced and understandable (FBU). The process for ensuring the Annual Report and Accounts meets the FBU requirement involves it being reviewed in the first instance by a Disclosure Committee and subsequently the Audit Committee and the Board. The Board's responsibility statement for the FBU requirement is on page 102.

Communications with shareholders

Communications with shareholders are given high priority and are made in a number of ways. The Board is accountable to shareholders and therefore, 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 Non-Executive Directors make themselves available to shareholders on request, can attend shareholder visits at Company sites and are available for discussions with analysts and the Company's joint brokers Peel Hunt and finnCap.

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. Formal regulatory news service announcements are also made in accordance with the Company's reporting obligations. 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 strategic report on pages 12 to 57.

The Company continues to keep shareholders informed of its strategy and progress at other times during the year, with updates provided to AIM and shareholders via the Company's website, www.investors.renold.com.

The Board receives feedback from the Company's NOMAD, Peel Hunt, throughout the year. During the year the Company appointed finnCap to act as joint broker with Peel Hunt to assist with the development of a wider shareholder base. In its role as joint broker, finnCap communicates with shareholders and potential investors and provides feedback to the Board. The Company's financial public relations consultants, IFC Advisory, also interact with and provide feedback from the financial media, shareholders and potential investors. In addition, the Chief Executive and Finance Director meet with major shareholders and potential investors to discuss Group strategy and performance and update the Board as a whole at each meeting. The Board also receives reports prior to each Board meeting which set out the main changes to the composition of the Company's share register.

The Chief Executive and Finance Director attend presentations to investors meetings with shareholders and analysts. Feedback from such meetings is provided to the Board. Brokers' briefings are also circulated to all Directors 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.

Annual General Meeting

The AGM will be held at 11 am on 6 September 2022 at the Company's registered office at Trident 2, Trident Business Park, Styal Road, Wythenshawe, Manchester, M22 5XB.

Notice of the AGM will be sent to shareholders at least 21 business days before the meeting.

There will be an opportunity for shareholders to post questions regarding the AGM and the resolutions to be proposed.

As usual, details of the outcome of the AGM and the resolutions passed will be announced to AIM and published on the company website at www.investors.renold.com.

All resolutions were passed at last year's Annual General Meeting.

Audit Committee report

During the year, the Committee focused on working with management and our external advisers to further improve standards of internal financial control and accounting across the Group, and to oversee and recommend the appointment of new external and internal auditors ahead of the 2022/23 financial year."

ANDREW MAGSON
CHAIR OF THE AUDIT COMMITTEE

Overview

It is a pleasure to present my first report as Renold's Audit Committee Chair. It has been a busy year for the Committee as we:

- worked with management to further improve standards of internal control and accounting across the Group, following initiatives led by our new Finance Director and recommendations from both external and internal auditors;
- provided oversight and guidance to workstreams that led us to recommend changes to both our external and internal audit providers. We recommended to the Board the appointment of BDO LLP as external auditors and Mazars LLP as internal auditors commencing in our 2022/23 financial year; and
- managed the transition of Committee Chair responsibilities from David Landless to myself, as David became Chair of the Company as part of a planned Board succession process.

I would like to take this opportunity to thank David on behalf of the Audit Committee and Board for his strong leadership of the Committee for the last four years. I'd also personally like to thank David for his support and wise counsel in the period after I joined the Committee, which helped enable a smooth transition of Committee Chair responsibilities last summer.

Key objectives and responsibilities of the Committee

In support of the Board's duty of stewardship, the Committee aims to ensure appropriate corporate governance is applied to the Group's systems of internal control, risk management, financial reporting, internal audit and other compliance matters.

We monitor the integrity of financial information published externally for use by shareholders and other stakeholders. We also ensure that the integrity of the financial statements is supported by an effective external audit.

We ensure that effective control structures operate over major change initiatives. We also support the efforts of the executive team to continuously improve the internal financial control and risk monitoring environment. Our approach is to ensure that risk management operates to pre-empt potential business issues and that, where possible, embedded controls prevent or mitigate unnecessary losses that may arise if a business risk does crystallise.

The terms of reference for the Committee were reviewed this year and updated. These terms of reference are available on the Company's website, www.renold.com and they set out the responsibilities of the Committee in greater detail.

Committee membership

For the majority of the 2021/22 financial year, the Committee, consisted of two members, Tim Cooper and myself, both being independent Non-Executive Directors. As described above, David Landless served as Committee Chair until he became Group Chair after the conclusion of the 2021 AGM in August last year, at which point he retired from the Committee and I succeeded him as Committee Chair. After the financial year end, we welcomed Vicki Potter to the Committee following her appointment to the Board as an independent Non-Executive Director on 3 May 2022.

At all times, the Committee complied with the requirements of the 2016 Code for a smaller company, this being to have at least two independent Non-Executive members.

AUDIT COMMITTEE MEMBERS AND MEETINGS ATTENDED DURING THE FINANCIAL YEAR

Name	Position	Meetings attended
Andrew Magson	Committee Chair[1] and Non-Executive Director	6 of 6
Tim Cooper	Non-Executive Director	6 of 6
David Landless[1]	Non-Executive Director	2 of 2

1. David Landless was Chair of the Committee and a Committee member until the conclusion of the 2021 AGM on 23 August 2021 when he became Group Chair and retired from the Committee.

Biographical details and experience of members are set out on pages 62 and 63.

Vicki Potter was appointed as a Non-Executive Director and member of the Committee on 3 May 2022. Therefore Vicki was not in post during the financial year.

Expertise

The Board believes that Committee members have an appropriate range of financial, operational, commercial and risk management expertise to allow the Committee to fulfil its duties. The Board considers that I have recent and relevant financial experience to perform the role of Committee Chair.

Committee meetings

During the year ended 31 March 2022, the Committee met six times. The meetings were attended by the independent Non-Executive Directors (the members), the Company Secretary and, by invitation, the Chair of the Board, the Chief Executive, the Finance Director, the Group Financial Controller and representatives of the Group's external and internal auditors and risk consultants. From time to time, other members of the Group's management team and other external advisers are invited to attend to present or respond to queries on particular areas of focus. The external and internal auditors have access to all Committee papers and minutes. The Committee meets privately at least once a year with representatives from both the external and internal auditors, which provides an opportunity for any matters to be raised in confidence which they consider should be brought to the attention of the Committee without the Executive Directors being present. Full details of Director attendance during the year are set out in the table of all Committee meetings on page 66 and in the table above.

Main activities of the Committee during the year

i. **Internal control**

The Renold Group comprises a number of relatively small businesses, with operations in 17 countries worldwide, some in remote locations. Whilst operating a devolved management and control structure to enable the business to be responsive to local market needs, the Group defines the common values, codes of conduct, policies and minimum financial control standards that all Group businesses should adhere to.

Against this background, a key role of the Committee is to work with, support and challenge management in evolving priorities for the continual improvement in the effectiveness of internal control systems, whilst ensuring the approach is proportionate and cost effective for an AIM listed group of Renold's size.

Three key areas of focus for improvement activity overseen by the Committee this year have been:

- Supporting management to progress the significant multi-year project to implement consistent business processes throughout the Group, including the replacement of a variety of legacy business systems with a common Infor M3 system. This should significantly improve the consistency, resilience and visibility of the operation and effectiveness of key controls throughout the Group. M3 systems are now largely implemented throughout the TT division, with roll-out now progressing through the Chain division, having started in China;
- Oversight of the outsourcing of internal audit and certain risk management activities at the beginning of the 2021/22 financial year. The scope and results of this work were reviewed and approved by the Committee and are considered to have been a significant improvement upon previous internal audit arrangements; and
- Supporting continuous improvement work streams in response to initiatives led by management and recommendations from our external and internal auditors. In 2021/22 this included improving the flexibility and accuracy of legacy standard costing and inventory valuation systems to respond to the significant changes in raw material, energy and labour costs observed during the year, together with ensuring appropriate absorption of manufacturing costs into the inventory valuation in view of the increase in activity levels following the restrictions of the Covid-19 pandemic. In addition, Group Finance is close to completing Project Unity which for the most part has eliminated adjustments made between local and Group accounts, whilst closely controlling on a monthly basis any adjustments that cannot be eliminated.

ii. **Accounting**

In addition to the improvements made to the accuracy of inventory valuation and costing systems described above, the Committee also reviewed and provided oversight for improvements made by management during the year in accounting for the following topics. It is an unfortunate consequence of the initiatives to improve the quality of our accounting during the year that we have needed to restate our previously published financial statements. Details of this are in Note 27 on page 164.

- Provisions for dilapidation of leasehold properties

  The re-negotiation of a sublease in the UK earlier in the financial year, prompted management to re-review our contractual liabilities for the maintenance and repair of this building. This resulted in an additional provision being required. In view of this, the Committee encouraged management to conduct a wider review for any similar potential obligations in leased buildings across the Group. This review resulted in total additional lease dilapidation liabilities being recorded of £2.7m of which £2.5m related to liabilities that existed in prior years and therefore has been recorded as a prior year adjustment, see Note 27 to the financial statements. Group policies and processes have been amended such that surveys of the Group's leased properties are now conducted on a regular cyclical basis to ensure dilapidation liabilities in future will remain up to date and materially accurate. A new accounting policy covering this area has been added to the financial statements on page 141.

- Accounting for deferred tax assets.

  We performed a fundamental review of our accounting, both at legal entity and Group levels, of deferred tax assets, principally those relating to the UK pension scheme. This resulted in a £5.8m reduction in the asset recognised in the Group accounts at 31 March 2021 and a £2.3m reduction in the equivalent asset in the Company's accounts at that date. The value of the asset we can recognise is currently restricted by the value of the IAS19 pension liability and prior tax relief taken on cash contribution made to the pension schemes.

- Changes in guidance in relation to accounting for software as a service

  The Committee reviewed the evolution of the Group's accounting practice following changes to accounting regulations clarifying how arrangements in respect of a specific part of cloud technology, Software-as-a-Service (SaaS), should be accounted for during the year. This requires costs incurred relating to configuring or customising software incurred in connection with software as a service (SaaS) contracts, to be expensed as incurred rather than capitalised and amortised over the period of the service. The financial impact of the change is disclosed in Note 27 to the financial statements.

- Revenue recognition on specific customer contracts

  The Group announced last summer that it had won an additional £11m of work to supply couplings to BAE for incorporation into the Royal Navy's Type 26 destroyer. In view of the increase in materiality of this work programme, management reviewed its policies for recognition of revenue over time on such bespoke customer contracts. Whilst this review has led to improvements in internal methodologies for accounting for this work, it did not materially impact the results or balance sheet for the 2021/22 year or the prior financial year, compared with that previously reported. An expanded Group accounting policy in this area is on pages 120 to 121.

iii. External and internal audit

Following a review of the external audit for the 2020/21 financial year, we agreed with Deloitte LLP that the audit should be put out to tender with the move to new Group auditors taking place after the approval of the 2021/22 Annual Report.

The Committee oversaw the tender process, whereby a number of large and medium-sized audit firms were invited to tender. Key criteria included the ability to cover Renold's global operational reach and the ability to provide high quality, robust audits and constructive challenge, including use of technology to improve efficiency in the audit process.

A number of firms that we initially approached, having performed due diligence, were not able to commit sufficient resource to adequately staff Renold's audit worldwide, reflecting an apparent shortage of auditors in the current marketplace, particularly to co-ordinate the Group audit work from the UK. A number of firms withdrew from the process accordingly.

In due course, two firms were shortlisted and met with both the Committee and the Board, where they were assessed against the criteria previously established. Following these meetings, the Committee recommended that the Board appoint BDO LLP as external auditors with effect from the conclusion of the 2021/22 financial year audit, to be approved by shareholders at the 2022 AGM.

Given that BDO LLP were the Group's incumbent internal auditors, and to avoid any conflict of interest arising, the Committee then also oversaw a tender process for internal audit and risk management work and met the firms shortlisted from this process. Following these meetings Mazars LLP were appointed as the Group's internal auditors and risk management consultants. The Committee continues to retain oversight and review, challenge and approve the proposed scope of internal audit work and recognises that the ultimate responsibility for internal control and risk management remains with the Board of Directors.

Other key activities of the Committee during the year

- Review, comment on, and recommend to the Board the Group's interim and full year financial statements for approval;
- Review and consider the appropriateness of the outcome of areas where significant judgements and estimates are required in the preparation of the financial statements, including those outlined on page 75;
- Consider the appropriateness of the going concern basis used to prepare the financial statements and the Board's statement on viability;
- Consider the appropriateness of presenting alternative performance measures and the clarity of disclosure relating to these measures;
- Consider and approve proposals from the external auditor regarding the approach to the audit strategy for the year ended 31 March 2022, including the proposed materiality level for the audit, and review of the findings of the audit;
- Review the results of internal audit activity for the year and consider, challenge and approve the scope of work proposed for the 2022/23 financial year;
- Review and update the Committee's terms of reference; and
- Review the Committee's effectiveness.

Significant issues considered in relation to the financial statements

The Committee monitors the integrity of the Company's financial information and other formal documents relating to its financial performance and makes appropriate recommendations to the Board before publication.

A key factor in the integrity of financial statements is ensuring that suitable and compliant accounting policies are adopted and applied consistently on a year-on-year basis and across the Group. In this respect, the Committee also considers significant estimates and judgements made by management in preparing the financial statements.

The Committee's considerations are supported by input from other assurance providers, e.g. the Group's external and internal auditors and other advisers such as pension scheme actuaries.

The following table summarises the material judgemental issues that the Committee considered during the year in relation to the financial statements. These were also the areas of key risk focus for the external auditors. The table also sets out the key performance indicators impacted by each of these issues in the financial statements, their relevance to the financial statements, an assessment of the degree of judgement required in concluding on each item and cross references to further detail.

Review matters	Relevant Measures	Relevance	Judgement required
Inventory valuation and provisioning	Inventory value Average working capital ratio	○ Net inventory value £48.4m (2021: £37.7m) ○ Average working capital ratio 18% (2021: 22%) For more detail see above and significant judgements section on page 122.	Moderate to high
Dilapidation provisions	Dilapidation provision Number of properties surveyed in the year	○ Provision for dilapidations £2.8m (2021: £2.5m) ○ 20 properties surveyed For more detail, see Note 16 to the financial statements.	Moderate, after taking external advice from surveyors
Pension accounting and disclosure	Financing charges Net pension liability	○ IAS 19 finance charge £1.8m (2021: £2.2m) ○ Net pension liability £87.1m (2021: £102.4m) For more detail, see Note 18 to the financial statements.	Moderate, after taking external actuarial advice

Internal control and risk management

We regularly evaluate the integrity of financial reporting and the robustness of internal controls to ensure compliance with applicable legal and internal requirements. We also review the Group's policies and procedures for identifying material business risks, mitigating controls and action plans aimed at reducing the likelihood of risks crystallising and lessening the impact if they do.

The Executive Risk Management and Monitoring Committee (ERMMC) receives regular reports from the Group's internal auditors and business risk consultants, to convey the status of risk profiles and actions arising from the business risk assessment process. The ERMMC reports the results of its meetings to the Committee.

The Committee reviews, discusses and challenges reports of the ERMMC and the draft Group-level risk heat map with the Executive Directors. In the year under review, particular consideration was given to evolving risks such as input cost inflation and supply chain resilience, recovery of input cost inflation in selling prices and cyber security. In addition, potential emerging risks such as the impact of climate change over time, and the broader potential consequences of the conflict in the Ukraine were considered and discussed.

The Group's sales to Russia and the Ukraine prior to the conflict amounted to less than 0.5% of Group revenues.

Further details of our internal control and risk management systems, including the financial reporting process, can be found on pages 48 and 49. Our primary risk factors are shown in the strategic report on pages 50 to 55.

Audit Committee report

Confidential reporting procedures and whistleblowing

The stewardship of the Group's assets and the integrity of the financial statements are further supported by confidential reporting and whistleblowing procedures. The Committee reviews these procedures once a year to ensure that appropriate processes are in place to treat complaints confidentially and implement proportionate and independent investigations in all cases. The Committee is diligent in ensuring a high degree of visibility and accessibility of whistleblowing communication methods to all staff, including first-hand inspection during site visits. Details of all matters raised via the whistleblowing line and the progress in any open investigations are reported to the Committee.

The Committee considers the number and nature of reports received in the year to be small in both number and scale of risk in comparison to businesses of a similar size and geographical distribution.

Internal audit

This year has seen the first full year of operation of the outsourcing of the Group's internal audit and risk management functions. The Committee receives and considers regular reports on internal controls from the internal auditors. These reports provide constructive feedback and recommendations for improvement. The Committee considers that the outsourcing of the internal audit function has improved visibility of the operation of internal financial controls across the Group. In addition, the Committee monitors the resolution of internal and external audit points raised via the Group's Integrated Risk Management System. The annual internal audit plan, which contains risk-based and cyclical audits and reviews, currently focuses mainly on internal financial controls.

The Committee undertakes an annual review of the effectiveness of the internal audit function.

External audit

The Committee is responsible for overseeing relations with the external Auditor, including the approval of their terms of engagement, and makes recommendations to the Board on their remuneration and appointment and, where appropriate, reappointment based upon reviews of audit effectiveness.

Details of total remuneration for the Auditor for the year, including audit services, audit-related services and other non-audit services, can be found in Note 2(B) to the consolidated financial statements.

As explained above, following the recent tender process, Deloitte LLP will resign as external Auditor to the Group and cease to hold office at the 2022 AGM. Deloitte LLP were originally appointed in 2015 and the current Audit Partner has undergone two years of tenure. There are no circumstances related to their resignation which require reporting to shareholders in accordance with section 519 of the Companies Act 2006.

Following a recommendation by the Committee, the Board proposes that BDO LLP succeed Deloitte as external Auditor for the 2022/23 financial year. Whilst BDO LLP performed the outsourced internal audit and risk management functions for the Group for the 2021/22 financial year, these activities ceased on 31 March 2022. No members of BDO's internal audit team will have any involvement in the external audit. On this basis, both BDO LLP and the Board are satisfied that BDO LLP will be independent as external auditors on appointment.

The Board will seek shareholder approval of the appointment of BDO LLP at the 2022 AGM.

Auditor independence and objectivity

The independence of the external Auditor is essential to the provision of an objective opinion on the true and fair view presented in the financial statements. Auditor independence and objectivity is safeguarded by limiting the nature and value of non-audit services performed by the external Auditor. The Group has policies of not recruiting senior employees of an external Auditor who have worked on the audit in the past two years to senior financial positions within the Group. The lead engagement partner of the auditor is rotated at least every five years.

Non-audit services provided by the External Auditor

To safeguard the independence and objectivity of the Auditor, the Committee has approved a policy on non-audit services provided by the Auditor in line with professional practice and in accordance with ethical standards published by the Audit Practices Board of the Financial Reporting Council. Control of non-audit services is exercised by ensuring that all non-audit services, where fees exceed an agreed limit, are subject to the prior approval of the Committee, who must be satisfied there is no conflict of interest. The policy is available on the Company's website, www.renold.com.

Non-audit services relating to the provision of assistance in preparing statutory accounts for the Group's subsidiary company in Sweden were provided by Deloitte during the year at a cost of £2,600 (2021: £2,600). The work is mechanical and routine in nature and neither the Committee nor Deloitte considered there to be any conflict of interest arising from this work.

Assessment of effectiveness of external audit

The Committee has a formal system for evaluating the performance and independence of the external Auditor. This system involves active dialogue with the lead engagement partner, a formal questionnaire and feedback process involving senior management in direct contact with the audit team, and the auditor's response to accounting, financial control and audit issues as these arise.

The Committee conducts an annual review of the structure and approach taken in the external audit, the level of non-audit fees, and the effectiveness, independence and objectivity of the external Auditor. This includes consideration of:

- The global external audit process;
- The Auditor's performance;
- The expertise of the firm and our relationship with them; and
- The results of the questionnaire process noted above.

The results of the review are discussed with the external Auditor.

Following this year's annual review, although the Committee was satisfied with the independence and objectivity of the external Auditor, we agreed with Deloitte we would put the audit out to tender. There are no contractual obligations restricting the choice of external Auditor, nor has the Company entered into any Auditor liability agreements.

Following the tender process outlined above, Deloitte LLP will cease to hold office on approval of the 2021/22 Annual Report and will be replaced by BDO LLP, who will hold office subject to approval by shareholders at the 2022 AGM.

Audit information

Having made the requisite enquiries, so far as the Directors in office at the date of the approval of this report are aware, there is no relevant audit information of which the Auditor is unaware and each Director has taken all reasonable steps to make themselves aware of any relevant audit information and to establish that the Auditor is aware of that information.

Fair, balanced and understandable

As part of the process of ensuring that all disclosures made by the Company are timely, accurate and importantly meet the 'fair, balanced and understandable' requirement, the Group maintains a Disclosure Committee whose membership includes the Chair of the Audit Committee (as Chair), the Finance Director, the Group Financial Controller and the Company Secretary.

The Disclosure Committee presents its findings and recommendations to the Audit Committee as part of its review of processes to enable the fair, balanced and understandable statement to be made.

Committee effectiveness evaluation

The Committee's effectiveness is assessed annually from questionnaires completed by Committee and Board members that are then discussed by the Committee and the wider Board. Feedback from the assessment is used to seek continuous improvement, where applicable. Following positive feedback this year, the Committee considers that it acted within its terms of reference and carried out its responsibilities effectively.

BEIS proposals for audit and governance reform and future sustainability reporting

The Committee has been keeping abreast of proposals made by the Department for Business Energy and Industrial Strategy relating to Audit and Governance Reform. We are not captured within the expanded definition of Public Interest Entities, as while our employee numbers are greater than 750, our Group turnover is expected to be below £750m.

The Climate-Related Financial Disclosures regime will become applicable to Renold in its 2023/24 financial year and a workstream has commenced to address these new disclosure requirements.

We welcome feedback from shareholders on this report.

ANDREW MAGSON
CHAIR OF THE AUDIT COMMITTEE

13 July 2022

Nomination Committee report

In my first report as Chair of the Nominations Committee, I am very pleased to report the recent appointment of Victoria (Vicki) Potter. Vicki brings new insights to the Board which enhance the blend of skills and experience we have and which are needed to deliver the Company's strategic aims."

DAVID LANDLESS
CHAIR OF THE NOMINATION COMMITTEE

The last year has been an eventful one for Renold with the continued impact of the Covid-19 pandemic and the retirement of Mark Harper as Chair of the Board and of this Committee after nine years' service with the Company. Mark stepped down with effect from the closure of this year's AGM on 23 August 2021 and it was an honour to be appointed in his place. I would like to take this opportunity to thank Mark for his unswerving belief in the Group, its people and products. He leaves the Group in a far stronger position than when he joined. I wish him well for the future.

Our succession plan has seen Tim Cooper step up to the role of Senior Independent Director and Andrew Magson take on my former role as Chair of the Audit Committee, all with effect from the conclusion of last year's AGM.

In May 2022, the Board appointed Vicki Potter as an additional Non-Executive Director. Vicki brings with her an HR and engineering skill set adding to the breadth and balance of skills and experience on the Board.

We are confident that our current Board is balanced and has a wide range of relevant skills, knowledge and experience. We are committed to maintaining and building on this broad base of skills.

Key objectives

In support of the Board's duty of good stewardship, the Committee aims to ensure that appropriate corporate governance is applied when considering the structure, size and composition of the Board and its Committees. Succession planning is at the top of the Committee's agenda, with processes in place to ensure the Board is diverse and has a broad and relevant skill set.

Governance

The Committee is compliant with the QCA Code. The terms of reference are available on the Company's website, www.investors.renold.com.

Responsibilities

The Committee has delegated authority from the Board in accordance with its terms of reference. The Committee's responsibilities include:

- Reviewing the structure, size and composition of the Board. This includes assessing skills, knowledge, experience and diversity of Board members and any resulting recommendations for change;
- Where new appointments of Executive and/or Non-Executive Directors are to be made, to lead that process and identify and recommend candidates to the Board; and
- Giving full consideration to succession planning for Directors and senior executives, taking account of the challenges and opportunities facing the Company.

Composition of the Nomination Committee

The Committee, which I chair, consists of three Non-Executive Directors: Tim Cooper, the Senior Independent Non-Executive Director, Andrew Magson and myself. Vicki Potter joined on 3 May 2022 so was not present during this financial year.

Name	Position	Meetings attended
Mark Harper[1]	Chair	1 of 4
David Landless	Chair	4 of 4
Tim Cooper	Non-Executive Director	4 of 4
Andrew Magson	Non-Executive Director	4 of 4

1. Mark Harper was Chair of the Committee and a Committee member until his retirement from the Board at the conclusion of the 2021 AGM on 23 August 2021 and I was appointed to succeed Mark with effect from the conclusion of the 2021 AGM.

Policy on appointments to the Board and diversity

The Committee's primary objective is to ensure that the Executive and Non-Executive Directors have the relevant skills, knowledge and experience to create a balanced and effective Board and to support the Group in delivering its overall strategic objectives. Our policy extends to ensuring that the various sub-committees of the Board also have an appropriate range of skills and experience to deliver their terms of reference.

In addition to skills and experience, we will also consider factors such as how an individual's personal attributes would complement and enhance the diversity of the Board. For the appointment of Non-Executive Directors, additional factors for consideration include independence and ability to commit sufficient time to the Company.

The Board recognises the benefits of diversity in all its aspects.

In selecting candidates for any appointment, the Board always considers candidates from a wide range of backgrounds and on merit and against objective criteria.

A formal and rigorous process is followed during the recruitment process for a new Director. The process for making appointments commences with the evaluation process described above. The Committee will then seek to identify suitable candidates, usually with the use of external recruitment consultants or, where appropriate, the use of open advertising. The Board will only engage search firms who have signed up to the Voluntary Code of Conduct on gender diversity and best practice and who do not have any other connection with the Company.

Process for selection of Vicki Potter – Non-Executive Director

The process for the selection of a new Non-Executive Director commenced in April 2021. The brief was to identify candidates who had complementary skills, experience and style to successfully contribute in the role whilst also supporting our diversity aspirations.

In August 2021, the recruitment consultancy, Korn Ferry was engaged as advisers to source potential candidates.

Korn Ferry developed a long list of 23 potential candidates. These candidates were evaluated against a matrix of relevant criteria agreed by the Committee at the commencement of the recruitment process. The four best suited candidates from this list were then interviewed by the CEO and Group Director – People and Sustainability before also being recommended for interview by myself and the two NEDs. These interviews were conducted during December 2021 and January 2022.

Vicki Potter was identified as the preferred candidate and was interviewed at the final stage by Robert Purcell and me on 8 March 2022.

Following this process, a recommendation to appoint Vicki Potter was made to the Nomination Committee.

In the meeting held on 9 March 2022, the Nomination Committee recommended to the Board the appointment of Vicki Potter as a Non-Executive Director of the Company, subject to successful referencing and pre-appointment checks and after Vicki had the opportunity to meet with the external audit partner and Finance Director.

On 10 March 2022 the Board resolved that, subject to successful referencing and pre-appointment checks, Vicki Potter be appointed as a Non-Executive Director of the Company.

Referencing and pre-appointment checks were successfully completed and Vicki was appointed as a Non-Executive Director of the Company on 3 May 2022.

Board composition

At the time of writing we have a Board consisting of six members, with two Executive Directors and four Non-Executive Directors.

The Committee considers that the current capability of the Board is appropriate to progress the Group's strategy, whilst meeting the expectations of good corporate governance.

For further information on the background of the Directors, see the chart on page 64.

Other succession planning

A detailed review of succession planning for the Board and senior management took place during the year, in accordance with governance good practice.

Effectiveness review

During the year, the Committee has also carried out its annual evaluation. Again, this has proved a useful exercise in reviewing the Committee's work and concluded that it continues to work effectively.

DAVID LANDLESS
CHAIR OF THE NOMINATION COMMITTEE

13 July 2022

Directors' remuneration report

"

It is pleasing that this year has seen a return to a business-as-usual approach by the Remuneration Committee having had to adapt to the impact and repercussions of Covid-19 last year."

TIM COOPER
CHAIR OF THE REMUNERATION COMMITTEE

Committee

The financial year 2021/2022 demonstrated the Company's resilience and its capability to navigate the challenges brought by the Covid-19 pandemic. As a result of this, the Committee sought to realign remuneration principles to a business-as-usual environment.

In light of the business performance and the lack of any bonus incentive programme for the Executive Directors at the height of the pandemic, the Committee established a bonus award for the Executive Directors for the financial year 2021/2022 based on EBITDA and operating cashflow targets, excluding the benefit of any global government Covid-19 support.

The Committee reviewed the salaries of the Executive Directors, considering the average increase awarded to UK-based indirect employees, and determined that the salaries of the Chief Executive and Finance Director should be increased by 3.23% and 3.25% respectively, in line with the UK-based indirect employee pay increases. This led to new base salaries of £320,000 and £206,500 respectively. The salary increases were effective from 1 August 2021. In the prior financial year, the Executive Directors accepted a 25% cut in salary for a four-month period. This salary reduction has not been repaid to the Executive Directors.

The Committee reviewed the fees payable to the Chair of the Company, the last benchmark review having been undertaken in August 2019. Considering the average increase in salaries for UK-based indirect employees, the Committee resolved that the sum payable to the Chair of the Company be increased from £124,000 to £128,000, being consistent with the increase awarded to the Executive Directors.

In June 2021, performance share awards (PSP) were made to the Executive Directors and senior management on the basis of EPS growth over a three-year vesting period, to June 2024, using the same approach that was in place before the start of the pandemic.

In March 2022, the Committee considered the request of Jim Haughey to receive a cash allowance in lieu of his 7.5% employer pension contribution entitlement and resolved to accept the proposal payable on a monthly basis.

The Committee remains sensitive to investor sentiment around the treatment of executive bonus and share plan awards and will continue to monitor this when making new awards and assessing performance. In particular, the Committee will use discretion where circumstances are appropriate, for example, in the event of any windfall gains.

This year the Committee has reviewed the Remuneration Policy in conjunction with PwC (as advisors to the Committee) and whilst no material changes have been identified, the Committee is recommending a number of minor changes to the existing Remuneration Policy.

Structure of our Directors' Remuneration report

This report is on the activities of the Remuneration Committee for the period to 31 March 2022. It sets out the Remuneration Policy and remuneration details for the Executive and Non-Executive Directors of the Company.

Our report is structured in the following sections after this Annual Statement:

- The Committee and its Activities, which sets out the responsibilities and work undertaken by the Remuneration Committee.
- Our Remuneration principles and elements of remuneration section, which gives an easily accessible overview of this year's Directors' Remuneration Report.
- The Directors' Remuneration Policy, which sets out the Company's policy on Directors' remuneration which is intended to apply for three years from this year's AGM.
- The Annual Report on Remuneration, which shows the implementation of the Directors' Remuneration Policy during the year ended 31 March 2022 and how it is proposed to be applied for the year ending 31 March 2023.

The Companies Act 2006 requires the Auditor to report to the shareholders on certain parts of the Directors' Remuneration Report and to state whether, in their opinion, those parts of the report have been properly prepared in accordance with the Regulations. The parts of the Annual Report on Remuneration that are subject to audit are indicated in that report. This Annual Statement, the At a Glance section and the Directors' Remuneration Policy are not subject to audit.

In this Annual Statement, I summarise the main outcomes in the year for the remuneration of the Executive Directors and also the continued application of the Remuneration Policy.

Key remuneration outcomes for the year

The salaries for the Executive Directors, Non-Executive Directors and the Chair were reviewed and increased as reported above. The pay awards have been determined with reference to the increases awarded to the UK indirect workforce, coupled with market information.

The key outcomes under the elements of variable pay for the year are:

- Annual bonus: The executive annual bonus plan for the year to 31 March 2022 was based upon achievement of adjusted EBITDA and operating cashflow targets. Government support received by the Group for disruption caused by the pandemic was excluded from these targets. The Committee assessed performance against both targets, and concluded that performance exceeded the higher range of the target. As a result, the bonus achieved by the Executive Directors was capped at 100% of the award available.
- PSP: The performance period for the PSP awards granted in November 2019 ended on 31 March 2022. The performance conditions required a straight-line growth of between 5% and 10% per year in adjusted EPS. Adjusted EPS increased over the testing period from 3.0p for the period ended 31 March 2019 to 4.2p (measured on a consistent basis) for the period ended 31 March 2022, and therefore the awards will vest in full.

The Committee did not apply any discretion to the awards which were achieved on the basis of the underlying award criteria alone.

The share price used to determine the quantum of the awards was set by the Committee at a price higher than the share price at the date of grant of the awards to reflect the reduction in the Company's share price in 2019.

Director changes

This has been a year of change for the Board of Renold plc both in terms of personnel and roles.

We announced to shareholders in August 2020 our succession planning for the Board in the light of Mark Harper's stated intention to retire as Chair of the Company. Mark Harper retired as Chair of the Company at the conclusion of the 2021 AGM on 23 August 2021. As a Non-Executive Chair, Mark did not receive a bonus or any PSP awards, nor any other form of compensation.

On 23 August 2021 David Landless stepped up to take on Mark's former role as the Non-Executive Chair of Renold and vacated his posts as Chair of the Audit Committee and Senior Independent Non-Executive Director. David received the Chair's fee from 23 August 2021.

I was appointed as the Senior Independent Non-Executive Director on 23 August 2021, in addition to continuing in the role of Chair of the Remuneration Committee.

With David Landless vacating the post of Audit Committee Chair, Andrew Magson succeeded David as the Chair of the Audit Committee. An additional fee for the role of Chair of the Audit Committee was paid to Andrew from 23 August 2021.

The Company's search for a suitable candidate to strengthen the Board was concluded on 3 May 2022 with the appointment of Victoria Potter as a Non-Executive Director of the Company. Vicki has experience in the manufacturing sector and brings with her the key skillsets of holding leadership roles in engineering businesses, HR and project management to the Board.

Remuneration policy

The current remuneration policy was adopted by the Company in 2018 whilst Renold was a company listed on the main market of the London Stock Exchange. Since then, the Company has re-listed on AIM and as such has no obligation to maintain a Remuneration Policy nor subject the same to a shareholder vote. However, the Board committed not to reduce the level of corporate governance applicable to the Company at the time of the move to AIM, therefore the Board wishes to continue to publish a Remuneration Policy and every three years to review the same and present it to shareholders at the Annual General Meeting for a non-binding vote.

The Remuneration Policy has been reviewed by the Committee with the assistance of PwC as external advisers and whilst minor changes have been made to the current policy, these have not been material. The Committee considers the policy to be fit for purpose, to be aligned with the long-term strategic interests of the Company and with the interests of our shareholders.

Good progress has been executed on the Strategic Plan, but there remains much to do to fully deliver upon the strategic objectives of the Group. The Committee firmly believes that the PSP continues to appropriately incentivise the Executive Directors and supports the delivery of the strategic objectives. In addition, the shareholding requirements for Executive Directors will continue to align management's interests with those of shareholders.

The Committee believes that the structure and implementation of total remuneration for the Executive Directors is market competitive with companies of a similar size and complexity, and consistent with maintaining support for the Company's cash position. Under the implementation of the Remuneration Policy, PSP awards are usually based on EPS targets aligning to the Group's objective of delivering improving shareholder returns.

The Committee continues to focus on clear reporting of past remuneration and future policy. We are aware that the landscape for executive pay is changing. In particular, while the current policy allows Company pension contributions of up to 15% of salary, market practice on pensions for Executives has evolved and as a Committee we have decided to offer Company pension contribution rates in line with the maximum Company pension contribution rates for the majority of other UK-based Renold employees.

We will continue to respond to changes and best practice as they develop in so far as they are appropriate to the Company's governance regime.

TIM COOPER
CHAIR OF THE REMUNERATION COMMITTEE

13 July 2022

Directors’ remuneration report

The Committee and its activities

This section of our report describes the membership of the Committee, its key responsibilities and principal activities during the year. It forms part of the Annual Report on Remuneration section of the Directors’ Remuneration Report.

Remuneration Committee composition and meetings attended

The members of the Committee are the Non-Executive Directors, all of whom are considered by the Board to be independent. Members of the Committee during the year are set out below and further biographical details can be found on pages 62 and 63.

The Committee’s terms of reference require meetings to be held at least twice a year. This year, the Committee met on seven occasions.

Remuneration Committee members and meetings attended

Vicki Potter was appointed as a Non-Executive Director on 3 May 2022 so she did not attend any meetings of the Committee in the period.

Name	Position	Meetings attended
Tim Cooper	Chair	7 of 7
David Landless	Non-Executive Director	7 of 7
Andrew Magson	Non-Executive Director	7 of 7
Mark Harper[1]	Non-Executive Director	3 of 7

1. Mark Harper retired from the Board at the 2021 AGM on 23 August 2021.

The Executive Directors, the Chair of the Board and the Group HR Director attend meetings by invitation. PwC, the external advisers to the Committee, also attend meetings by invitation. Further details in relation to PwC’s engagement as adviser to the Committee can be found below. No Director is involved in deciding their own remuneration, whether determined by the Committee or, in the case of the Non-Executive Directors, by the Board.

Governance

The terms of reference of the Committee were reviewed by the Committee during the year. Minor changes were made and the revised terms of reference are available on the Company’s website, www.investors.renold.com. None of the Committee members have any personal financial interest (other than as shareholders) in the matters to be decided or any conflict of interest, cross-directorships or day-to-day involvement in the running of the business.

An evaluation of the Committee was undertaken during the year ended 31 March 2022 and this review concluded that the Committee has operated effectively.

Key responsibilities of the Committee

The Committee has delegated authority from the Board. The Committee’s responsibilities include:

- Determination 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 Chair, and the terms of the service contracts and all other terms and conditions of employment of the Executive Directors.
- Ensuring that executive pay is strongly aligned to the Company’s business priorities and the interests of shareholders. The Remuneration Policy is designed to attract, motivate and retain individuals who will deliver strong performance for all of our stakeholders. The Committee takes into account the pay and employment conditions of employees within the Group when determining the Executive Directors’ remuneration.

Adviser to the Committee

During the year, the Committee received independent advice from PwC in relation to remuneration reporting, operation of the Company’s share plans, advice on long-term incentive performance measurement and information on market trends in executive remuneration. Total fees for services provided over the year amounted to £25k.

PwC was appointed by the Committee in 2014 following an assessment and interview process and has advised on various issues including Remuneration Policy, the regulations governing reporting on remuneration and updating the Committee on trends in compensation matters. Fees charged have been on a retainer basis in addition to time-spent fees, where appropriate. PwC is a member of the Remuneration Consultants Group and adheres to that Group’s Code of Conduct. PwC has provided tax and pensions-related services to the Company. The Committee has chosen to retain PwC as its adviser.

The Committee is satisfied that the advice given on executive remuneration is objective and independent and that no conflict of interest arises as a result of these services.

In addition to external advice received from PwC, the Committee consulted and received reports from the Finance Director and the Group HR Director. At all times, the Committee recognises the need to identify and manage conflicts of interest when receiving reports from, or consulting with, the Executive Directors or members of senior management.

Main activities of the Committee during the year

This year, the Committee discussed the following themes and agenda items in accordance with its terms of reference:

Theme	Agenda items
Best practice	Considering the current corporate governance environment and the implications for the Company
Annual Report on Remuneration	Considering and approving the Annual Report on Remuneration to be put to shareholders
Executive Directors	Determining the Executive Directors' Incentive Plan (Bonus) in FY22
	Determining the Executive Directors' annual pay review increase in FY22
	Approving the awards made under the Company's Performance Share Plan (PSP) during the year
Committee performance	Reviewing the Committee's performance
Performance of external advisers	Reviewing the performance of PwC and considering whether to retain them as external remuneration consultants
Policy	Reviewing and recommending changes to the Remuneration Policy
Terms of reference	Reviewing the Committee's terms of reference

Directors' remuneration report

The Committee and its activities

Our remuneration principles and elements of remuneration

Principle	Attract, retain and motivate Executive Directors to deliver high performance	Align Executive Director pay to Company strategy and performance
Elements	○ Base salary ○ Pension ○ Other benefits	Short-term variable ○ Annual bonus Long-term variable ○ PSP
Purpose	○ Provide appropriate level of minimum pay commensurate with role	○ Drive annual Company performance ○ Align to earnings generation and shareholder value

How we have performed this year

Element	Measure	Threshold target	Maximum target	Actual
PSP	Growth in adjusted EPS from FY19 to FY22	5% p.a. growth	10% p.a. growth	10% p.a. growth

Single total figure of remuneration for Executive Directors

Executive Directors	Salary (£'000)	Benefits (£'000)	Bonus (£'000)	LTIP (£'000)	Pensions (£'000)	**Total 2022 (£'000)**	Total 2021 (£'000)
Robert Purcell	317	18	310	474	48	**1,167**	345
Jim Haughey	204	12	200	–	15	**431**	115

Directors' remuneration report

Directors' remuneration policy

Introduction

This section of the Directors' remuneration report (from pages 85 to 89) sets out the Company's remuneration policy for the remuneration of its Directors which is proposed to be adopted by the Company at the 2022 Annual General Meeting.

The application of the current policy for the year ended 31 March 2022 is set out in the Annual Report on Remuneration on pages 90 to 97.

Policy review/timing

This policy report describes the principles and policy that will be used to set and manage the Directors' remuneration with effect from 6 September 2022. It is intended this policy will apply for three years from the date of the 2022 Annual General Meeting.

During the current financial year, the existing policy has been reviewed by the Committee with advice from PWC as advisers to the Committee. The review concluded that the substantive sections of the existing policy remain aligned with the Group's strategy and in line with general market principles in relation to the corporate governance approach to remuneration for Executive Directors. Consequently, only a small number of minor changes have been made to the existing policy and the underlying principles remain the same as the policy adopted by the Company in 2019.

Remuneration principles for Executive Directors

Our Directors' Remuneration Policy has been designed to deliver two key aims:

- To attract, motivate and retain executives who will deliver high performance for all our stakeholders.

  We believe the mix of fixed and variable compensation in our remuneration package provides an appropriate and balanced set of rewards and is consistent with the key strategic objective of having a flexible cost base. However, we are careful to ensure that appropriate incentive opportunities remain for sustainable improvements in business performance.
- To ensure a close alignment of executive pay to the Company's strategic objectives and performance.

We review our incentive plans each year to ensure they remain closely aligned with the Company's strategic objectives and our shareholders' interests, while continuing to motivate and engage the team leading the Company to achieve stretching targets.

In addition, we aim to make the remuneration framework for Executive Directors relatively simple – the incentive plans are therefore limited to an annual bonus and the PSP.

Policy table

Based on our view of current market practice, and the principles of our Remuneration Policy, we are proposing the adoption of the Remuneration Policy set out in this report at the 2022 AGM. The following table summarises the fixed and variable elements of remuneration for the Executive Directors.

Remuneration element	Purpose and link to corporate strategy	Operation of the element	Maximum potential value and payment at threshold/review basis	Performance metrics
Base salary	Competitive salaries to attract, retain and motivate those responsible for executing strategy while ensuring the Company pays no more than is necessary.	Paid in 12 equal monthly instalments during the year. The policy is to provide lower quartile salary for comparable jobs in manufacturing companies of a similar size, influenced by: ○ Role, experience and performance; ○ Changes in broader workforce salary; and ○ Salaries payable in similar companies.	Reviewed annually and typically set on 1 August each year. Annual rate for each Executive Director is set out in the Annual report on remuneration. Salary increases for Executive Directors will be set with reference and regard to the rate of pay increase for the UK workforce. Higher increases may be awarded if an individual falls behind market competitive levels or following recruitment into a role at a below-market rate until the individual is aligned with market levels or due to a change in role or responsibilities. Such increases will be explained in the Remuneration Report.	None.

Directors' remuneration report

Directors' remuneration policy

Remuneration element	Purpose and link to corporate strategy	Operation of the element	Maximum potential value and payment at threshold/review basis	Performance metrics
Benefits	As base salary above. Benefits are non-pensionable.	Paid monthly or as required for one-off events, consisting of: ○ Fully expensed company car (or cash equivalent); ○ Private medical insurance; and ○ Lump sum death-in-service benefit of five times base salary. Reasonable relocation expenses will be provided in line with market practice. The Committee may change the benefits offered in line with local market practice or business needs.	Car benefit is reviewed annually and set on 1 August each year in line with the Company's car policy. The maximum opportunity for other benefits is defined by the nature of the benefit itself and the cost of providing it. As the cost of providing such benefits varies according to premium rates and the cost of other benefits is dependent on market rates and other factors, there is no formal maximum monetary value.	None.
Pension	As base salary above.	The Company makes pension provision in the form of membership of the Company's pension scheme, annual contributions to personal pension arrangements or cash supplements in lieu of pension.	The value of the Company pension contribution for Executive Directors is 7.5% of base salary, in line with the maximum Company pension contribution for the majority of other UK-based Renold employees. The current Chief Executive Officer receives a legacy pension provision of 15% of base salary pension allowance, in accordance with his contractual provisions.	None.
Annual bonus	To incentivise delivery of the corporate strategy and reward delivery of superior performance. Bonuses are non-pensionable.	Annual bonuses are paid shortly after the end of the financial year end to which they relate. Bonuses are normally payable in cash but the Committee has flexibility to introduce a share-based deferral if it deems it appropriate. Maximum bonus payments are made only on the achievement of outstanding performance. Performance targets are set at the start of the financial year and the level of bonus paid is determined by the Committee after the year end based on performance against target. Part or all of the cash bonus may be forfeited or clawed back should exceptional circumstances occur. Such circumstances include but are not limited to fraud, misconduct, significant misstatement of financial results or incorrect calculation of performance conditions.	Maximum annual bonus payable is 100% of base salary. No bonuses will be payable unless a minimum level of financial performance has been achieved. Threshold performance results in nil bonus being awarded and on-target performance results in 50% of the maximum bonus being awarded.	The bonus may be based on a range of financial, non-financial and personal targets as set by the Committee from year to year. Financial targets will comprise at least half of the bonus. Details of the targets set will be set out in the Annual Report on Remuneration following the end of each financial year. The Committee has the right to exercise its discretion fairly and reasonably in assessing the bonus outcome, including making adjustments for exceptional events occurring during the year. The Committee has the discretion to vary the performance metrics over the life of this policy.

Remuneration element	Purpose and link to corporate strategy	Operation of the element	Maximum potential value and payment at threshold/review basis	Performance metrics
PSP	To incentivise delivery of long-term shareholder value.	Key features of the PSP are: ○ Conditional share awards or nil-cost options. ○ Outstanding commitments to issue new shares under all share plans operated by the Company are subject to a maximum of 10% of the Company's issued share capital in any ten-year period. ○ The PSP includes the ability to grant options under an HM Revenue & Customs approved schedule. ○ Part or the whole of the PSP award can be recovered prior to vesting should exceptional circumstances occur. Such circumstances include fraud, misconduct, significant misstatement of financial results or incorrect calculation of performance conditions.	Chief Executive – Up to 200% of base salary each year. Finance Director – Up to 100% of base salary each year. Vesting is dependent on performance conditions. On achievement of threshold performance, no more than 25% of the award vests.	The performance conditions can include one or more financial, non-financial and strategic measures, as determined by the Committee from year to year. In exceptional circumstances, the Committee has discretion to change the performance measures, targets and weightings between measures during the performance period if there is a significant event which causes the Committee to believe that the original conditions are no longer appropriate. Any amendments would be such that the new conditions are not materially less difficult to satisfy than the original conditions. The Committee also has discretion to reduce the percentage that vests in cases where it believes the outcome of the performance conditions is not a fair reflection of the Company's performance.
Shareholding requirement	To strengthen the alignment between the interests of Executive Directors and those of shareholders.	Executive Directors are expected to build towards the minimum meaningful shareholding out of vested PSP awards. Executive Directors are expected to retain all vested share awards prior to achieving the meaningful shareholding, (except those sufficient to satisfy income tax and National Insurance contributions). Share-based incentives will be used as the only compulsory method to build up shareholdings.	Executive Directors are expected to retain a shareholding value equal to the percentage of salary used to calculate the PSP award quantum.	None.

Directors’ remuneration report

Directors’ remuneration policy

Shareholder views

The Committee welcomes the views of shareholders in respect of pay policy as well as those views expressed on behalf of shareholders by their respective proxy advisers. The Committee documents all remuneration related comments made at the Company’s AGM and feedback received during consultation with shareholders throughout the year. Any feedback received is fully considered by the Committee and amendments may be made to the Remuneration Policy where thought necessary.

Discretion of the Committee

The Committee has discretion in various areas of policy as set out in this report. The Committee may also exercise operational and administrative discretions under relevant plan rules approved by shareholders as set out in those rules. In addition, the Committee has the discretion to amend the implementation of policy with regard to minor or administrative matters where it would be, in the opinion of the Committee, disproportionate to seek or await shareholder approval.

Differences in remuneration policy for all employees

All employees of the Group are entitled to base salary and benefits in line with local country statutory requirements. The Group operates a number of pension plans for employees which it operates in line with local market practice. Some employees in senior roles are entitled to participate in an annual bonus scheme. The maximum opportunity available is based on the seniority and responsibility of the role.

Conditional share awards or nil-cost options are only available to nominated senior executives and Executive Directors.

Statement of consideration of employment conditions elsewhere in the group

The Committee has access, upon request, to details of remuneration terms for the employee population across the Group. Significant changes to existing remuneration practice in the Group would be brought to the attention of the Committee through the Group Director – People and Sustainability.

The Group Director – People and Sustainability consults with the Committee on the performance metrics for Executive Directors’ bonuses. The Committee approves the grant of all PSP awards across the Group.

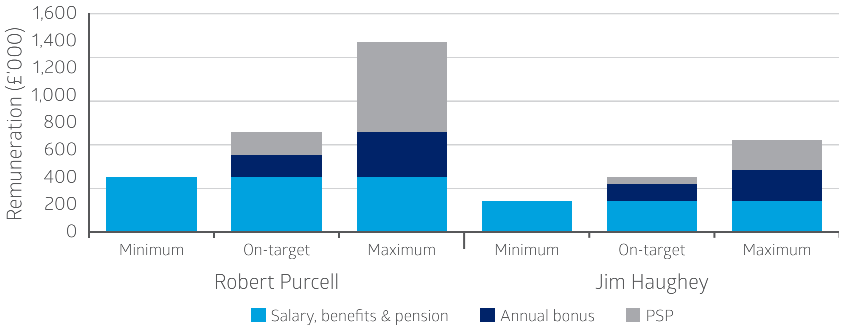
The Group does not specifically invite employees to comment on the Directors’ Remuneration Policy but any comments made by employees are taken into account.

Total remuneration opportunity

The chart below demonstrates the total amount of remuneration payable to the Chief Executive, Robert Purcell and Finance Director, Jim Haughey, under the proposed Remuneration Policy for the year ending 31 March 2023 should they achieve minimum, on-target or maximum performance. The amounts shown represent £’000s, and for share-related elements, are the face value of awards.

The chart shows that at minimum levels of performance the Executive Directors’ only form of remuneration is the fixed element of base pay, benefits in kind and pension contributions.

The salary and pension contributions are subject to the annual pay review which will take place in August 2022, and therefore the values presented below may be subject to change. The PSP awards have not yet been granted and therefore the chart below represents the maximum entitlement that may be available under the Remuneration Policy, but the actual award may be different to this.



Service contracts, remuneration and exit payments

As a matter of policy, the length of service contracts and notice periods are determined by the Committee at the time of appointment in light of the 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 Purcell	21 January 2013	No specified term/terminable on 12 months’ notice
Jim Haughey	1 October 2020	No specified term/terminable on 12 months’ notice

Other than normal payments due during notice periods, there are no express provisions for compensation on 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 Committee has noted the Association of British Insurers’ and National Association of Pension Funds’ joint statement on Executive Contracts and Severance. None of the Executive Directors’ contracts provide for compensation in the event of a change of control of the Company. Copies of the service contracts are available for inspection by shareholders at the Company’s registered office.

Change of control

In the event of a change of control, any outstanding awards under the PSP may vest. Awards will become exercisable immediately. The proportion of award vesting will be determined by the Committee based on the proportion of the performance period completed and the extent to which the performance condition has been met at the date the change of control occurs.

The Committee has discretion to waive any performance condition if it considers this appropriate in the particular circumstances.

Leavers

The Committee's policy for exit payments on a leaver event involving an Executive Director is:

Item	Policy	Details
Salary, pension and benefits	A maximum of 12 months' salary, pension and benefits may be payable.	Payments may be subject to mitigation if the leaver finds alternative employment.
Annual bonus	No annual bonus normally payable, unless the Committee uses its discretion to treat as a good leaver.	Good leavers are entitled to receive a bonus based on performance to date of termination, pro-rated for the period of service to termination.
PSP	In accordance with the PSP Rules, awards held by individuals leaving will lapse on cessation of employment, unless they are classified as a good leaver. Good leavers are those who leave for reason of death, retirement, ill-health or disability, or those for whom the Committee uses discretion to allow awards not to lapse.	Good leavers' awards shall ordinarily vest at the normal vesting date, pro-rata, based on the proportion of the vesting period completed and based on the extent to which the performance condition has been met. In the event of death, awards vest immediately subject to time pro-rating and assessment of performance. The Committee has discretion to accelerate vesting to date of cessation for other good leavers. Awards may be exercised within a six-month period following date of leaving or vesting if later. In the case of death, the award may be exercised within a 12-month period following death.

In determining whether an individual should be treated as a good leaver or a bad leaver, and in assessing the extent to which any award will vest, the Committee will consider the specific circumstances of the departure, the individual's performance prior to departure and the performance of the Company.

Approach to recruitment remuneration

In the event of the appointment of a new Director, the same principles would apply as they do today to the existing Directors. The remuneration package of any new Executive Director would therefore include the elements set out on pages 85 to 87 in accordance with the Company's remuneration policy and subject to the same discretions.

The Committee's approach to recruitment remuneration is to set the base salary level in accordance with the remuneration policy and having taken into account the individual's experience, the nature of the role and their existing remuneration package.

Where it is necessary to 'buy out' an individual's awards from a previous employer, the Committee will seek to match the value, timing of vesting and type of awards of these awards with replacement awards. Any buy-out awards would be an additional element of remuneration to the normal maxima as set out in the policy table on pages 85 to 87.

In exceptional circumstances, the Committee may use discretion to grant an additional share-option award on joining, where it believes such an award is necessary to secure the recruitment of an Executive Director.

Details of the Company's approach to the remuneration of Non-Executive Directors is set out on below.

External Non-Executive directorships

The Board encourages Executive Directors to broaden their experience outside the Company by taking up a Non-Executive Directorship.

Non-Executive Directors

The Company's policy for Non-Executive Directors' remuneration is managed by the Board. Their remuneration is confined to fees alone, with no performance-related element. Reasonable expenses are also reimbursed as incurred.

Fees for the Non-Executive Directors are determined by the Chair and the Executive Directors. The level of fees is reviewed from time to time with regard to the average of any salary increases awarded to UK-based employees, fees paid in comparable organisations and the time commitment required.

The Chair's remuneration is determined by the Committee and is subject to the same basis of review as the other Non-Executive Directors.

The letters of appointment for each of the Non-Executive Directors confirm that their appointment 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 a period until the next following AGM, subject to earlier termination by either party. Thereafter, the appointment may be renewed, provided that both the Non-Executive Director and the Board agree and, subject to re-election at each AGM. The letters of appointment contain no provision for payment or compensation on early termination. Copies of the individual letters of appointment are available for inspection by shareholders at the Company's registered office.

Directors' remuneration report

Annual report on remuneration

Introduction

This section of the Directors' remuneration report sets out the remuneration paid to Executive Directors and the fees paid to Non-Executive Directors for the financial year ending 31 March 2022. This section, together with the description of the composition of the Committee, which is set out on page 82 of the report, constitutes the Annual Report on Remuneration. The Annual Report on Remuneration will be subject to an advisory shareholder vote at the AGM on 6 September 2022.

Directors' remuneration (audited information)

Total remuneration – Single total figure table

The total remuneration for each Director for the period and for the prior year is set out below:

		Fixed pay				Variable pay			
Executive Director		Salary (£'000)	Benefits (£'000)	Pensions (£'000)	Subtotal (£'000)	Bonus (£'000)	LTIP (£'000)	Subtotal (£'000)	Total (£'000)
Robert Purcell	**2022**	**317**	**18**	**48**	**383**	**310**	**474**	**784**	**1,167**
	2021	284	18	43	345	–	–	–	345
Jim Haughey	**2022**	**204**	**12**	**15**	**231**	**200**	**–**	**200**	**431**
	2021	100	7	8	115	–	–	–	115

Non-Executive Directors' fees[5]	**2022 £'000**	2021 £'000	Change[2]
Mark Harper[1/3]	**52**	116	-55.0%
David Landless[3]	**98**	47	109.0%
Tim Cooper[3]	**50**	44	13.6%
Andrew Magson[4]	**46**	14	228.6%

1. Mark Harper retired on 23 August 2021.
2. David Landless was appointed as Chair of the company, Tim Cooper was appointed to Senior Independent Non-Executive Director and Andrew Magson was appointed to Chair of the Audit Committee on 23 August 2021.
3. Mark Harper, David Landless and Tim Cooper agreed to a voluntary reduction in their fees of 20% from 1 April 2020 until 31 July 2020. The change in fees received vary as a result of this pay reduction and the changes in role discussed above.
4. Andrew Magson joined Renold on 1 December 2020.
5. Vicki Potter was appointed as Non-Executive Director on 3 May 2022. No fees were payable during the year ended 31 March 2022 and 31 March 2021.

(1) Fixed elements of pay

(I) Base salary

The salaries of the Executive Directors were reviewed on 1 August 2021. Increases were awarded to Robert Purcell and Jim Haughey of 3.23% and 3.25% respectively, in line with the average increase awarded to UK-based indirect employees. Robert Purcell's salary increased to £320,000 and Jim Haughey's salary increased to £206,500. The proportion of the Group's basic salary bill attributable to the Executive Directors' base salaries for the year ended 31 March 2022 was 0.87% (2021: 0.80%).

(II) Pension

The pension entitlement for Robert Purcell is Company contributions equivalent to 15% of base salary. The Remuneration Committee sought to equalise the Company contributions for new Directors, including Jim Haughey, in line with other UK employees, at a rate of 7.5% of base salary. During the year ended 31 March 2022, cash payments of £47,500 (2021: £42,625) and £15,325 (2021: £7,500) were made by the Company to Robert Purcell and Jim Haughey respectively.

(III) Benefits

Benefits received by the Executive Directors during the period included a company car or car allowance, fuel allowance and private healthcare.

Non-Executive Directors do not receive any benefits.

(2) Variable elements of pay – awards assessed in the year

(I) Annual bonus (payable in cash)

The annual bonus, which is payable in cash, provides the Executive Directors with the opportunity to receive an annual bonus of up to 100% of base salary on achievement of adjusted EBITDA and adjusted operating cash flow targets. For the year ended 31 March 2022, the annual bonus targets for Executive Directors were based upon the targets below:

	Weighting £m	Entry (10% payout) £m	Mid (50% payout) £m	Max (100% payout) £m
Adjusted EBITDA	70%	20.3	22.3	23.8
Adjusted Operating Cash Flow	30%	1.6	4.1	6.1

For the year ended 31 March 2022, the adjusted EBITDA was £25.4m at budget exchange rates (£24.7m at reported exchange rates, see Note 26) and the adjusted operating cash flow was £8.1m at budget exchange rates. The achievement of these targets is measured in accordance with the annual bonus plan rules. Adjusted operating cash flow is a measure derived from the Group's management accounts and differs from the operating cash flow metric reconciled in Note 26. The adjusted operating cash flow metric used for bonus targets is designed to incentivise the senior management team to invest in appropriate potential capital expenditure or acquisition projects. Furthermore the metric includes certain cash flows, including taxation and pension cash out flows, not ordinarily considered operating in nature but which are within the control of the senior management team.

Adjusted EBITDA and adjusted operating cash flow exceeded the maximum target range and accordingly the bonus is payable in full, amounting to £610,000.

(II) PSP awards performance testing

The performance period for PSP awards granted in November 2019 completed on 31 March 2022. The performance conditions applying to these awards are as follows:

	Threshold		Maximum		
Award date	EPS CAGR	% Vesting	EPS CAGR	% Vesting	Performance period
2019	5%	10%	10%	100%	3 years to 31 March 2022

Adjusted EPS increased by 10% (measured on a consistent basis) per annum between 2019 and 2022. The maximum target was achieved and therefore the award is due to vest in full.

(3) Variable elements of pay – awards made in the year

Awards made to Executive Directors during the year under the PSP, and associated performance conditions, are set out below. Awards equal to 200% of salary were made to the Chief Executive, Robert Purcell. Awards equal to 100% of salary were made to the Finance Director, Jim Haughey.

	Type of award	Face value	Number of shares	Date of award	Performance period ending	Threshold vesting
Robert Purcell[1]	Nil-cost option	£620,000	2,480,000	23 July 2021	31 March 2024	25%
Jim Haughey[1]	Nil-cost option	£200,000	800,000	23 July 2021	31 March 2024	25%

1. The number of shares awarded was based on a notional share price of 25.0p, being a premium to the share price of 21.2p at the date of grant.

The year ended 31 March 2022 was the ninth year in which awards were made under the PSP. As in the majority of prior years there has been a single performance criteria linked to compound annual growth in adjusted EPS over a three year period.

(4) Payments to past Directors

Mark Harper retired and left the Company on 23 August 2021. No compensation awards or payments were made to Mark on his departure from Renold.

(5) Payments made for loss of office

No payments have been made to directors for loss of office in the year ended 31 March 2022.

Directors' shareholding and share interests (audited information)

(I) Vesting history of the 2004 Options Plan and PSP

The following table shows the vesting history of the 2004 Options Plan and PSP over the last six years as a percentage of the total award to Executive Directors.

	Award 2014/15 Vesting 2016/17	Award 2015/16 Vesting 2017/18	Award 2016/17 Vesting 2018/19	Award 2017/18 Vesting 2019/20	Award 2018/19 Vesting 2020/21	**Award 2019/20 Vesting 2021/22**
Vesting %	Nil	Nil	Nil	Nil	Nil	**100%[1]**

1. These awards are expected to vest based on the performance period ended 31 March 2022 and relate to options awarded to Robert Purcell in the year ended 31 March 2020.

(II) Directors' Interests

The beneficial interest of each of the Executive and Non-Executive Directors and their connected persons in the ordinary shares of the Company is detailed below and these amounts were unchanged between the year ended 31 March 2022 and the date of this report.

	Shareholding requirement (% of salary)	**Shareholding as per Remuneration Policy at 31 March 2022**	**Shareholding at 31 March 2022[2] (% of salary)**
Robert Purcell	200%	**6,953,916[1]**	**450%**
Jim Haughey	100%	**20,000**	**2%**

1. Comprised of 4,743,789 beneficially owned shares and 2,210,127 vested but unexercised options.
2. Based on a share price of 20.5p at 31 March 2022.

The Chief Executive and Finance Director are required to build up a shareholding as shown above over a five-year period. This includes beneficially owned shares and vested but unexercised options. Unvested share options are not counted within the shareholding requirement. The table above sets out the extent to which this requirement was met as at 31 March 2022. No such minimum shareholding requirement exists for Non-Executive Directors.

Non-Executive Directors[1]	**Shareholding at 31 March 2022**
David Landless	**35,000**
Tim Cooper	**43,482**
Andrew Magson	**50,000**
Victoria Potter	**Nil**

1. Mark Harper retired as Chair and left the company on 23 August 2021. As a result, his shareholding has not been included in the table above.

There have been no changes in the interests of any current Director in the share capital of the Company between 31 March 2022 and the date of this report.

(III) Directors' share options

Awards over shares in which the Executive Directors retain an interest are detailed in the table below as at 31 March 2022.

Robert Purcell	Options held at 1 April 2021	Granted in year	Lapsed in year	Exercised in year	Options held at 31 March 2022	Options vested at 31 March 2022	Option price (p)	Date from which exercisable	Expiry date
	Number of share options								
2004 Options Plan	1,145,038	–	–	–	**1,145,038**	**1,145,038**	26.20	21.1.2016	21.1.2023
Total 2004 Options Plan	1,145,038	–	–	–	**1,145,038**	**1,145,038**			
PSP	1,065,089	–	–	–	**1,065,089**	**1,065,089**	Nil	25.7.2016	25.7.2023
	2,078,282	–	(2,078,282)	–	**–**	**–**	Nil	8.6.2021	8.6.2028
	1,834,862	–	–	–	**1,834,862**	**–**	Nil	22.11.2022	22.11.2029
	2,066,667		–	–	**2,066,667**	**–**	Nil	29.9.2023	29.9.2030
	–	2,480,000	–	–	**2,480,000**	**–**	Nil	23.7.2024	23.7.2031
Total PSP	7,044,900	2,480,000	(2,078,282)	–	**7,446,618**	**1,065,089**			
Total	8,189,938	2,480,000	(2,078,282)	–	**8,591,656**	**2,210,127**			

Jim Haughey	Options held at 1 April 2021	Granted in year	Lapsed in year	Exercised in year	Options held at 31 March 2022	Options vested at 31 March 2022	Option price (p)	Date from which exercisable	Expiry date
	Number of share options								
PSP	666,667	–	–	–	**666,667**	**–**	Nil	12.11.2023	12.11.2030
	–	800,000	–	–	**800,000**	**–**	Nil	23.7.2024	23.7.2031
Total	666,667	800,000	–	–	**1,466,667**				

The performance conditions for the share options are disclosed on page 91 and are included in this audited information section by reference. None of the terms and conditions of the share options were varied in the year.

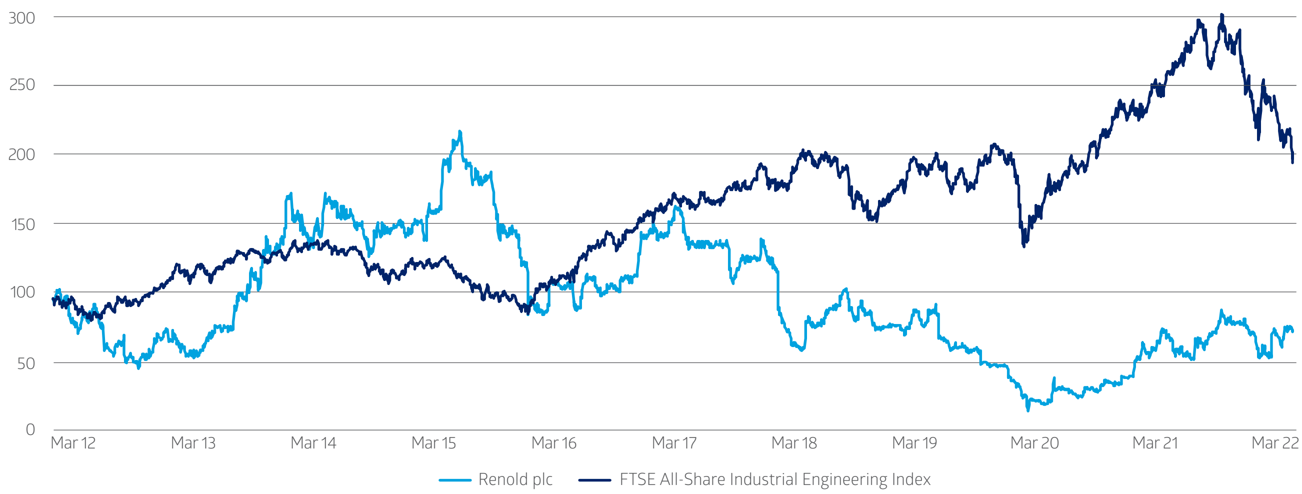
Directors’ remuneration report

Annual report on remuneration

(6) Performance graph and table

The graph below shows the Company’s total shareholder return (share price growth plus dividends reinvested where applicable) for each of the last ten financial years of a holding of shares in the Company against a hypothetical holding of shares in the FTSE All-Share Industrial Engineering Index. The Committee considers this index to be an appropriate index for total shareholder return and comparison disclosure as it represents a broad equity index of similar companies.

Total shareholder return



(7) Chief Executive’s remuneration for the years ended 31 March 2013 to 31 March 2022

The following table shows the history of the Chief Executive’s total remuneration and proportions of annual bonus and options vesting each year as a percentage of the maximum over the last ten years.

	2013	2014	2015	2016	2017	2018	2019	2020	2021	**2022**
Chief Executive’s total remuneration[1] £’000	311	659	561	1,015	363	364	434	378	345	**1,167**
Annual bonus as % of maximum awarded	16%	100%	67%	–	–	–	20%	–	–	**100%**
LTIP as % of maximum vesting	–	n/a	n/a	100%	–	–	–	–	–	**100%[2]**

1. The values use the same methodology as that shown in calculating the single figure basis of remuneration in the table on page 90.
2. Expectation of vesting percentage based on the performance period ended 31 March 2022.

(8) Percentage change in remuneration

The table below shows the percentage change from the preceding financial year in respect of the total of all Directors remuneration (on a single total remuneration basis as shown in the table on page 90).

	Percentage change in salary or fees[7]	Percentage change in benefits	Percentage change in annual bonus
Executive Directors			
Robert Purcell	11.6%	(5.6%)	100%
Jim Haughey[3]	9.1%	(7.1%)	100%
Non-Executive Directors[6]			
David Landless[4]	10.6%	n/a	n/a
Tim Cooper[4]	10.8%	n/a	n/a
Andrew Magson[4]	10.8%		
Average Employee[2/5]	9.3%	nil	n/a
UK Workforce[1/2]	9.3%	nil	n/a

1. The Group uses the UK workforce as an appropriate comparator group as the executives are based in the UK and the structure of remuneration varies considerably based on local market practice in other countries in which the Group operates.
2. The figures include only those employees who were not promoted and did not change role during the year to provide a like-for-like comparison.
3. Jim Haughey joined on 1 October 2020 and therefore his salary, benefits and bonus have been annualised.
4. David Landless, Tim Cooper and Andrew Magson changed roles during the financial year therefore their prior year comparative fees have been normalised for their change in role, in order to provide a like for like basis.
5. Average employee represents the full workforce of the parent company.
6. Mark Harper retired on 23 August 2021, part way through the financial year, therefore is not included in the table.
7. This includes the voluntary pay reduction taken in the year ended 31 March 2021.

(9) Relative importance of spend on pay

The table below sets out the total of the Executive Directors' remuneration (on a single total remuneration basis as shown in the table on page 90) compared to a number of other key financial metrics. The metrics chosen are considered of interest and to be of relevance to both the Group's actual performance in the period and to different stakeholder groups.

	Employee remuneration	Shareholder distributions	Market capitalisation[1]	Revenue[2]	Adjusted operating profit[2/3]	Adjusted EBITDA[3/4]	Executive Directors' total remuneration
2022	**£69.8m**	**Nil**	**£46.2m**	**£195.2m**	**£15.3m**	**£24.7m**	**£1.6m**
2021	£60.3m	Nil	£48.7m	£165.3m	£11.4m	£21.3m	£0.6m
Difference (%)	15.8%	Nil	(5.1%)	18.1%	34.2%	16.0%	166.3%

1. Based on a share price of 20.5p at 31 March 2022 and share price of 21.6p at 31 March 2021.
2. Note 1 to the Company financial statements sets out the calculation of revenue and Note 26 sets out the calculation of adjusted operating profit.
3. The prior year results have been restated, refer to accounting policies and Note 27 for further information.
4. Adjusted EBITDA is adjusted operating profit before depreciation and amortisation charges.

(10) Statement of implementation of remuneration policy in the next financial year

The Committee intends to operate the remuneration policy as set out in the policy table and notes on pages 85 to 89 for three years from the date of the 2022 Annual General Meeting.

(11) Base salary

Consistent with the timing of annual employee pay reviews across the Group, which are implemented with effect from 1 August, the Committee reviews base salaries for the Executive Directors annually. The next review is expected to take place in August 2022 and any change implemented from 1 August 2022. The current base salaries for the Executive Directors are set out on page 90 and below:

	£'000
Robert Purcell	**317**
Jim Haughey	**204**

Appointment details and fees of the Non-Executive Directors are set out below:

Name[1]	Date of appointment	Unexpired term (months)	Date of election/last re-election	Contractual fees
Mark Harper	1 May 2012	–	24 July 2020[2]	n/a[2]
David Landless	9 January 2017	2	23 August 2021	£128,000
Tim Cooper	14 November 2018	2	23 August 2021	£51,200
Andrew Magson	1 December 2020	2	23 August 2021	£49,100

1. Vicki Potter was appointed on 3 May 2022 and will seek election at the 2022 Annual General Meeting.
2. Mark Harper retired during the year.

(12) Annual bonus

The performance measures for the 2022/23 annual bonus will be based on adjusted EBITDA and adjusted Operating Cashflow. The performance targets for the annual bonus are based on internal targets and considered commercially sensitive. Performance targets will continue to be disclosed retrospectively in the Remuneration Report for 2022/23 in the interests of transparency.

(13) Long term incentive plan – PSP

The performance conditions attaching to options that will be granted under the PSP in the year commencing 1 April 2022 are expected to be in line with the current year which is linked to EPS growth.

(14) Statement of shareholder voting

The Directors' Remuneration Report received shareholder support at the 2021 Annual General Meeting held on 23 August 2021. Votes cast in respect of this resolution at the 2021 Annual General Meeting are detailed in the table below. The Committee acknowledges the number of votes cast against.

	2021 AGM	%
Votes cast for	90,707,826	92.64%
Votes cast against	7,206,163	7.36%
Total	97,946,646	
Votes withheld[1]	32,657	

The Directors' Remuneration Policy received significant shareholder support at the Annual General Meeting held on 20 September 2019. Votes cast in respect of this resolution at the 2019 Annual General Meeting are detailed in the table below.

Remuneration Policy	2019 AGM	%
Votes cast for	148,657,622	99.85%
Votes cast against	220,338	0.15%
Total	148,877,960	
Votes withheld[1]	1,059,058	

[1] A vote withheld is not a vote in law and is not counted in the calculation of the proportion of votes cast 'for' and 'against' a resolution.

Approved by the Board and signed on its behalf by:

TIM COOPER
CHAIR OF THE REMUNERATION COMMITTEE

13 July 2022

Directors' report

The Directors submit their report and the financial statements as set out on pages 114 to 179. The Directors' Report, which comprises pages 98 to 101, sets out certain information in relation to the Company in accordance with the requirements of the Companies Act 2006 and the FCA's Listing and Disclosure and Transparency Rules.

The Strategic Report provides an overview of the performance of the business in the year ended 31 March 2022 and covers likely future developments in the business of the Company and the Group.

In accordance with section 414C (11) of the Companies Act 2006, information about the employment of disabled persons, employee involvement and greenhouse gas emissions, which is required to be included in the Directors' Report, has been included in the Strategic Report. The Corporate Governance Report also forms part of the Directors' Report. Where statutory disclosures have been made elsewhere in the Annual Report and Accounts, they are cross-referenced in the table on page 101 and therefore incorporated by reference.

Group

The Company is a public limited company incorporated in England and Wales with registered number 249688. Its registered office is located at Trident 2, Trident Business Park, Styal Road, Wythenshawe, Manchester M22 5XB.

The Group is an international engineering Group, producing a wide range of high-quality engineering products which are sold worldwide.

Results

Profit before tax for the year ended 31 March 2022 is £12.4m, compared with a profit of £6.1m (restated)[1] for the year ended 31 March 2021.

Dividends

Details about dividend policy are set out in Note 6 of the Group financial statements.

The Board has decided to recommend that no ordinary dividend be paid in respect of the year ended 31 March 2022, but it will consider future dividend policy in the light of results from the business going forward.

Dividend payments in respect of the 6% cumulative preference stock in the Company were made on 1 July 2021 and 2 January 2022.

Directors' appointment and replacement

The appointment and replacement of Directors of the Company is governed by its Articles of Association and legislation. 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 AGM following their appointment.

In addition, any Director who was not elected or re-elected at either of the two preceding Annual General Meetings must retire and seek re-election. Robert Purcell was not re-elected at the two preceding AGMs and therefore Robert will stand for re-election at the 2022 AGM.

The Board has decided that all Non-Executive Directors are subject to annual re-election; please refer to the Corporate Governance Report on page 68 for further details. David Landless, Tim Cooper and Andrew Magson, as Non-Executive Directors, will stand for re-election at the 2022 AGM. Vicki Potter was appointed mid-year so she will seek election as a Non-Executive Director at the 2022 AGM.

Under the terms of reference of the Nomination Committee, appointments to the Board are recommended by the Nomination Committee for approval by the Board. For a full description of the Company's policy on appointments to the Board, see the Nomination Committee Report on pages 78 to 79. The Nomination Committee recommended the appointment of Vicki Potter as a Non-Executive Director on 9 March 2022 and Vicki was appointed as a Non-Executive Director on 3 May 2022.

Shareholders may also appoint a Director by ordinary resolution.

Directors' interests

Details of the interests of the Directors and their connected persons in the Company's share capital and in options held under the Company's 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 90 to 97. 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.

Conflicts of interest

The Company's Articles of Association allow the Board to authorise potential conflicts of interest of Directors, on such terms (if any) as the Board thinks fit when giving any authorisation. Any decision of the Board to authorise a conflict of interest is only effective if it is approved 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 Board considers that the procedures it has in place for reporting and considering conflicts of interest are effective and a review of previously approved conflicts is carried out annually.

Shares

Share capital

As at 31 March 2022, the issued share capital of the Company was £11,851,369 divided into 225,417,740 ordinary shares of 5p each and 580,482 units of 6% cumulative preference stock of £1 each.

The ordinary shares represent 95.1% of the Company's total share capital and the preference stock represents 4.9%. The Company's ordinary shares and preference stock are listed on AIM.

1. The results for the year ended 31 March 2021 have been restated. Refer to Note 27 and the Accounting Policies on page 123 for details of the restatements.

Purchase of own shares

The Company obtained shareholder authority at the 2021 AGM to make market purchases of up to 22,541,774 ordinary shares in the Company, which remains outstanding until the earlier of the conclusion of the 2022 AGM and 23 November 2022. The minimum price (exclusive of any expenses) which must be paid for any ordinary share is the nominal value of such share at the time of the purchase and the maximum price (exclusive of any expenses) shall be the higher of (i) 5% above the average of the middle market quotations of the ordinary shares (as derived from the AIM Appendix to the Daily Official List of the London Stock Exchange) for the five business days immediately prior to the contracted purchase date and (ii) the highest current independent bid for any number of ordinary shares on the London Stock Exchange. 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 2022 AGM for the Company to purchase, in the market, up to 22,541,774 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 are also set out in Note 19 to the Group financial statements.

The rights and obligations attaching to the Company's shares are contained in the Company's Articles of Association, a copy of which is available at www.investors.renold.com or can be obtained upon request from the Company Secretary. The Articles of Association were adopted at the General Meeting held on 8 May 2019.

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.

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 2022 AGM are set out in the Notice of the forthcoming AGM.

Major shareholdings

As at the date of this report, the Company had been notified or is aware of the following major holdings of voting rights attached to its ordinary shares under the FCA's Disclosure and Transparency Rule 5:

Shareholder	Shares	% issued share capital
Rights and Issues Investment Trust (Regional (England))	30,000,000	13.3%
Tellworth Investments (London)	25,354,003	11.2%
Canaccord Genuity Wealth Mgt (London)	25,000,000	11.1%
Renold Plc Employee Benefit Trust	18,422,509	8.1%
Hargreaves Lansdown Asset Mgt (Bristol)	17,554,090	7.8%
Janus Henderson Investors (London)	17,150,473	7.6%
Interactive Investor (Glasgow)	12,896,064	5.6%
River & Mercantile Asset Management (London)	11,037,117	4.9%

1. The number of voting rights and the percentage of voting rights are as at 23 June 2022.

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.

Directors' report

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 either by way of a rights issue or in any other way, provided that the shares issued, other than by way of a rights issue, open offer or other pre-emptive offer of the Company, be limited to shares with an aggregate nominal value of £563,544.35, being equal to 5% of the aggregate nominal amount of the Company's ordinary share capital in issue as at the date of the Notice of the Company's 2021 Annual General Meeting. The authority will expire at the earlier of the forthcoming AGM and 23 November 2022. The Directors will seek authority from shareholders at the 2022 AGM to issue equity securities either by way of a rights issue or in any other way, provided that the shares issued, other than by way of a rights issue, open offer or other pre-emptive offer of the Company, be limited to shares with an aggregate nominal value of £563,544.35.

In addition, the Directors are authorised to issue equity securities free of pre-emption rights, up to a maximum nominal amount of £563,544.35, representing an additional 5% of the issued ordinary share capital, for transactions which the Directors determine to be an acquisition or other specified capital investment. The authority will expire at the forthcoming AGM. The Directors will seek authority from shareholders at the 2022 AGM to issue equity securities free of pre-emption rights, up to a maximum nominal amount of £563,544.35, representing an additional 5% of the issued share capital, for transactions which the Directors determine to be an acquisition or other specified capital investment.

In addition, the Directors have authority to allot shares up to a maximum nominal amount of £7,506,410 (of which one half may be allotted in any circumstances and the other half may be allotted pursuant to any rights issue or pursuant to any arrangements made for the allocation of shares included in, but not taken up, under such rights issue), the aggregate sum representing approximately two-thirds of the issued ordinary share capital as at the date of the Notice of the Company's 2021 Annual General Meeting. The authority will expire at the earlier of the forthcoming AGM and 23 November 2022. The Directors will seek authority from shareholders at the 2022 AGM to allot shares up to a maximum nominal amount of £7,506,410 (of which one half may be allotted in any circumstances and the other half may be allotted pursuant to any rights issue or pursuant to any arrangements made for the allocation of shares included in, but not taken up under, such rights issue), again representing approximately two thirds of the issued ordinary share capital as at the date of the Notice of the AGM.

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 (e.g. insider trading laws and market requirements relating to close periods) and pursuant to the AIM Rules for Companies whereby certain employees of the Company require the approval of the Company to deal in the Company's securities.

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.

Donations

During the year, the Group made no political donations.

Contracts: change of control provisions

The Company's main UK banking facilities agreement with HSBC UK Bank plc, CitiBank N.A. and AIB Group (UK) plc 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.

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.

Note 18 to the Group financial statements details the Group's obligations to contribute to the UK defined benefit pension schemes.

Details of the effect of any change of control in relation to awards under the PSP are set out on page 89 within the Directors' remuneration report.

Annual General Meeting

The Annual General Meeting (AGM) of the Company will be held at the Company's registered office at Trident 2, Trident Business Park, Styal Road, Wythenshawe, Manchester M22 5XB on Tuesday 6 September 2022 at 11 am.

The resolutions being proposed at the 2022 AGM will be general in nature, including the renewal for a further year of the limited authority of the Directors to allot the unissued share capital of the Company and to issue shares for cash other than to existing shareholders (in line with the Pre-Emption Group's Statement of Principles). A resolution will also be proposed to renew the Directors' authority to purchase a portion of the Company's own shares. Resolutions will be proposed to renew these authorities, which would otherwise expire at the 2022 AGM.

One of the areas of special business to be addressed at this AGM is the proposal to extend the authority to disapply pre-emption rights by a further 5% of the issued ordinary share capital, such additional authority to be used only for limited purposes, which will be set out in the Notice of Meeting of the AGM.

Auditor

Deloitte LLP have tendered their resignation as external auditors of the Company, such resignation to take effect from the commencement of the 2022 AGM. Following a tender process, the Audit Committee recommended to, and the Board approved the appointment of BDO LLP were appointed as external auditor subject to the confirmation of their appointment at the 2022 AGM.

The Company's current auditor, Deloitte LLP has deposited with the Company a statement of the circumstances connected with its ceasing to hold office confirming that there are no matters that need to be brought to the attention of members or creditors of the Company for the purposes of Section 519 of the Companies Act 2006.

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 120, which is incorporated by reference here.

Directors' statement of disclosure of information to the Auditor

Each of the persons who is a Director at the date of approval of this Annual Report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Other disclosures	Pages
Directors' biographical details and date of appointment	62 to 63
Employee involvement	35 and 42
Employment of disabled persons	45
Financial instruments Note 24 to the Group financial statements	152 to 159
Greenhouse gas emissions	39
Important events affecting the Group since 31 March 2022 Note 25 to the Group financial statements	159
Statement of Directors' responsibilities	102

The Directors' Report was approved by the Board on 13 July 2022.

For and on behalf of the Board:

ROBERT PURCELL
CHIEF EXECUTIVE

JIM HAUGHEY
FINANCE DIRECTOR

Directors’ responsibilities statement

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with United Kingdom adopted international accounting standards. The financial statements also comply with International Financial Reporting Standards (IFRSs) as issued by the IASB. The directors have chosen to prepare the Parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 “Reduced Disclosure Framework”. Under company law, the Directors must not approve the accounts 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 the Parent Company financial statements, the Directors are required to:

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

In preparing the Group financial statements, International Accounting Standard 1 requires that Directors:

- Properly select and apply accounting policies;
- 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 of the financial reporting framework are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity’s financial position and financial performance; and
- Make an assessment of the Group and Company’s ability to continue as a going concern.

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

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

Responsibility statement

We confirm that to the best of our knowledge:

- The financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole;
- The strategic report includes 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; and
- The annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company’s position and performance, business model and strategy.

This responsibility statement was approved by the Board of Directors on 13 July 2022 and is signed on its behalf by:

By order of the Board.

ROBERT PURCELL
CHIEF EXECUTIVE

JIM HAUGHEY
FINANCE DIRECTOR

Shareholder information

The Company's website, www.investors.renold.com, which 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, Link Group, whose contact details appear on page 180. Alternatively, you can view up-to-date information and manage your shareholding through Link'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.signalshares.com.

Beware of share fraud

Fraudsters use persuasive and high-pressure tactics to lure investors into scams. They may offer to sell shares that turn out to be worthless or non-existent, or to buy shares at an inflated price in return for an upfront payment. While high profits are promised, if you buy or sell shares in this way, you will probably lose your money.

How to avoid share fraud

- Keep in mind that firms authorised by the FCA are unlikely to contact you out of the blue with an offer to buy or sell shares.
- Do not get into a conversation; note the name of the person and firm contacting you and then end the call.
- Check the Financial Services Register (the Register) from www.fca.org.uk to see if the person and firm contacting you is authorised by the FCA.
- Beware of fraudsters claiming to be from an authorised firm, copying its website or giving you false contact details.
- Use the firm's contact details listed on the Register if you want to call it back.
- Call the FCA on 0207 066 1000 if the firm does not have contact details on the Register or you are told they are out of date.
- Search the list of unauthorised firms to avoid at www.fca.org.uk/consumers/unauthorised-firms-individual.
- Consider that if you buy or sell shares from an unauthorised firm you will not have access to the Financial Ombudsman Service or Financial Services Compensation Scheme.
- Think about getting independent financial and professional advice before you hand over any money.
- Remember: if it sounds too good to be true, it probably is!

Report a scam

- If you are approached by fraudsters, please tell the FCA using the share fraud reporting form at www.fca.org.uk/report-scam-unauthorised-firm-individual, where you can find out more about investment scams.

You can also call the FCA Consumer Helpline on 0207 066 1000.

If you have already paid money to share fraudsters you should contact Action Fraud on 0300 123 2040.

Case study

Chain: Forestry Conveyor Chain

What is it used for?

Renold has extensive experience in the manufacture of conveyor chain. Our wide range of conveyor chains are used widely in the forestry industry in applications such as log transfer, sorting tables, infeed and outfeed conveyors, as well as cross-transfer conveyors.

Why Renold?

The Renold specification of conveyor chain has been developed over a number of years, with the resulting chain delivering highly reliable service life and performance due to the quality of the engineering for both the product and process.

Our Forestry Conveyor Chain offers accurate holing and pin/plate fit, providing optimal resistance to shock loads, whilst deeper case hardening of pins and bushes guarantees longer life. These benefits, coupled with our rigorous selection of high quality raw materials, ensures the finished product is able to operate in rugged and hostile environments.

Financial statements

Additional information

Independent Auditor's report

to the Members of Renold plc

Report on the audit of the financial statements

1. Opinion

In our opinion:

- the financial statements of Renold plc (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2022 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB);
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated statement of cash flows;
- the related notes 1 to 28 to the group financial statements; and
- the related notes 1 to 18 to the parent company financial statements.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and United Kingdom adopted international accounting standards and IFRSs as issued by the IASB. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework"(United Kingdom Generally Accepted Accounting Practice).

2. Basis for opinion

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

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: - Inventory valuation; and - Valuation of dilapidation provision. Within this report, key audit matters are identified as follows: Newly identified Increased level of risk Similar level of risk Decreased level of risk
Materiality	The materiality that we used for the group financial statements was £558,000 which was determined on the basis of 5% of adjusted profit before tax. This is defined as being profit before tax adjusted for Relief of Morristown Government assistance, Bredbury Right of use asset impairment, Askwith Road Disposal, Software as a service adjustment and addback of Bredbury Dilapidations expense.
Scoping	As a consequence of the audit scope determined, we achieved coverage of approximately 84% of revenue, 78% of profit before tax (on an absolute basis) and 87% of net assets (on an absolute basis).

Significant changes in our approach	In 2022 we no longer consider going concern to be a key audit matter. This has been considered on the basis of the improved performance of the business in the year, showing recovery from the impacts of the Covid-19 pandemic and improved order performance which continued from the end of last year into the current year. This has also correlated with an increase in margin and profitability alongside a strong net assets position which have then removed the key audit matter around going concern. We have considered valuation of the dilapidation provision as a key audit matter in the year due to the valuation of the cost to satisfy these restoration obligations being subject to significant judgement and estimation uncertainty. Additionally, there has been historical understatement of provisions which has resulted in a prior year adjustment. We have changed the materiality benchmark from EBITDA in the prior year to adjusted profit before tax. This was the benchmark used in the prior years and was only changed in the prior year to EBITDA for one year due to the impacts of the Covid-19 pandemic reducing the materiality to an unrepresentative level.

4. Conclusions relating to going concern

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

Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting included:

- We obtained an understanding of the relevant controls relating to management's basis of preparation for the forecasts and key assumptions underpinning the going concern basis of accounting;
- We evaluated the future forecast projections and the process by which they are drawn up, including challenging the underlying assumptions behind the forecasts (including reasonably possible downside scenarios identified), and consider by reference any third party industry and economic reports the extent which forecasts prepared by management are reasonable;
- We assessed the terms of the covenant agreements and assessed management's forecast projections in relation to their ability to pass the covenant tests in place during the next 12 months, as well as considering sensitised scenarios and further downturn scenarios in which the covenants may be breached;
- We assessed the mitigating factors available to management in respect of the ability to restrict capital and other discretionary expenditure;
- We tested the mathematical accuracy of the model used to forecast future financial performance; and
- We assessed the appropriateness of the going concern disclosures in the financial statements.

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

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

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1 Inventory valuation	
Key audit matter description	As shown in note 11 to the financial statements, the Group holds inventory of £48.4m (2021: £37.7m). As discussed in the Audit Committee report on page 75 and in the accounting policies on page 122, management judgement is applied to the cost of inventories in order to accurately reflect the manufacturing costs incurred in bringing them to their current condition and physical location. This manufacturing cost primarily relates to the assessment of direct labour costs incurred, manufacturing overheads to be absorbed and other relevant production costs. The risk identified is that the carrying value of inventory is not appropriate which has been pinpointed toward the manufactured goods (including finished goods £36.0m and work in progress £5.5m). This element of inventory is where there was an increased level of management judgement required around the labour and overhead absorption, and composition of bills of materials for finished and work in progress goods. There is also a risk is that the carrying value of inventory exceeds its net realisable value as a result of inadequate provisioning judgements. The Group adopts a policy of providing for items held for more than two years with excess stock above usage and also for any inventory where there is specific quality concerns or other known issues. Establishing a provision for slow moving, obsolete and damaged inventory involves estimates and judgements, taking into account forecast sales and historical usage information. A risk is identified on the valuation of the stock provision including management adjustments to the provision, and fluctuations in the approach to stock provisioning due to this being a manual process at certain components due to the different IT systems across the group.
How the scope of our audit responded to the key audit matter	We have performed the following audit procedures ○ We obtained an understanding of the relevant controls over the inventory first in first out ("FIFO") valuation, absorption calculations and inventory provisioning; ○ We agreed a sample of inventory items selected through to bill of materials, evaluating whether the total amount reconcile to breakdown of raw material, labour and overhead cost in the bill of materials, confirming labour and overhead rates agree to actual workings; ○ We agreed the cost of a selected raw material element from the bill of material for the finished good to third party supplier invoices to assess FIFO valuation; ○ We challenged the key assumptions concerning overhead absorption by assessing the appropriateness of costs included in the calculation to assess whether they were allowable in consideration of IAS 2; ○ We challenged the labour and overhead workings through review of audited actual costs compared with those used in absorption calculation and the machine hours recorded. We further challenged hours through forming an assessment of available hours against machine hours; ○ We created our own independently calculated blended rate to challenge the absorption rate of management; and ○ We held discussions with engineering and manufacturing departments to challenge composition and maintenance of bills of materials. We have also performed the following procedures to the inventory provision aspect of the valuation: ○ We tested the accuracy of the stock usage reports by agreement back to supporting sales documentation; ○ We obtained an understanding of the movements in the provision year on year and assessed the scale of the provision in comparison to the gross stock value, to determine whether any there are any unusual transactions; ○ We performed sensitivity analysis on the provision if it was to move to a one or three year excess usage from two years; ○ We recalculated the value of the provision based on a sample of items selected from the usage report; ○ We agreed the usage reports used in the above recalculation through to supporting delivery documentation; ○ We challenged manual adjustments to the provision through understanding these and agreeing to supporting documentation; and ○ We assessed the net realisable value (NRV) of stock items by agreeing their subsequent sales price to customer invoices to evaluate whether the items being held at the lower of cost and NRV.
Key observations	Based on the work we performed, we have concluded that the group inventory balance is appropriate as at 31 March 2022.

5.2 Valuation of the dilapidation provision (!)

Key audit matter description	The Group has entered into various leases in place that have an obligation to restore the property back to a state as specified within each lease agreement. This is captured within the disclosures in notes 10 and 16 in the financial statements. Management have assessed dilapidation provision across the group through using third party surveyors to assist with the cost estimate . The key assumptions on these costs have been around the risk free rate in multiple geographies, inflation rate and the judgement around timing of the costs relating to the liability. Management used discount rate and inflation data from reputable third parties to estimate the provision. An additional dilapidation liability of £2.2m as at 31 March 2022 was recognised, of which £1.9m has been restated as a prior year adjustment. The classification of the costs between the current and prior year is a key source of judgement in this conclusion. It has been considered to constitute a key audit matter due to the inherent estimation uncertainty of the valuation and the historical understatement of provisions resulting in the prior year adjustment.
How the scope of our audit responded to the key audit matter	We have performed the following procedures to address this risk: ○ We obtained an understanding of the control around review of the dilapidations provision; ○ We tested the dilapidations provision booked by site on a substantive sample basis by obtaining the surveyor reports for the sample selected and agreed the valuation of costs to the value used in management's assessment; ○ For a sample of sites we held discussions with the surveyors to challenge the scope of their work and the estimates included in their valuations. This also included challenging their understanding of the different rental agreements and the obligations for dilapidations and the impact of assumptions on both the current year and prior years; ○ We assessed the surveyors' competence, capabilities, and objectivity as management experts; ○ For a sample of sites we engaged our real estate specialists to assess the reasonableness of the surveyors' dilapidations scope and assessment of the liabilities; ○ We independently benchmarked discount/construction inflation rates used in management's calculation; and ○ We assessed the prior year adjustment in context of materiality and associated disclosure and assessed the classification of costs between the current and prior year to supporting evidence.
Key observations	Based on the work we performed, we concluded that the valuation of the dilapidation provision is appropriate.

6. Our application of materiality

6.1 Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
Materiality	£558,000 (2021: £401,000)	£195,300 (2021: £140,350)
Basis for determining materiality	5% of Adjusted profit before tax (2021: 2% of EBITDA). This is defined as being profit before tax adjusted for relief of Morristown government assistance, Bredbury right of use asset impairment, Askwith road disposal, software as a service adjustment and addback of Bredbury dilapidations expense.	The parent company materiality represents approximately 0.3% (2021: 0.2%) of equity
Rationale for the benchmark applied	In the prior year the benchmark was changed from Adjusted profit before tax to EBITDA as a result of the impact on the market and trading environment primarily driven by the pandemic on the Group's adjusted profit tax metric. In line with the recoverability of the business in the current year a return to the profit before tax metric was considered appropriate. This benchmark is the key metric of underlying group performance and with a more stable year is the best indicator of performance for materiality. In order to note take one off items into the materiality we have considered it appropriate to adjust for the items noted. This metric is consistent with previous years aside from 2021 as explained above.	As a non-trading parent company, equity is the key driver of the company

6.2 Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	Parent company financial statements
Performance materiality	70% (2021: 70%) of group materiality	70% (2021: 70%) of parent company materiality
Basis and rationale for determining performance materiality	In determining performance materiality for the Group and Parent company we have considered the following factors: ○ Our risk assessment, including our assessment of the Group's overall control environment, the continued impact of Covid-19, and our past experience of the audit; ○ The disaggregated nature of the Group; and ○ The nature, volume and size of misstatements identified previously in our audits. ○ Management have made improvements to the finance team, controls and processes in response to prior year findings and continue to develop this going forward.	

6.3 Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £27,900 (2021: £20,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1 Identification and scoping of components

The Group operates from a number of locations across the globe, albeit principally in Europe, Asia and the Americas, with its head office based in the UK. Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level. Based on that assessment, we focused our Group audit scope primarily on the audit work at 14 locations (2021: 14 locations). 4 (2021: 4) of these were subject to a full scope audit, 4 (2021: 4) were subject to an audit of specified account balances where the extent of our testing was based on our assessment of the risks of material misstatement and of the materiality of the Group's operations at those locations. The remaining 6 (2021: 6) were subject to review procedures.

These locations covered 84% of Group's revenue (2021: 79%), 78% of the Group's profit before tax (on an absolute basis) (2021: 77%) and 87% of the Group's net assets (on an absolute basis) (2021: 89%), with movement in coverage levels reflecting the sales mix of the Group, as the 8 locations in scope remained consistent. Our audit work at the 4 full scope audit and 4 specified account balances scope locations was executed at levels of materiality applicable to each individual entity which were lower than Group materiality, being £195,300 (excluding the parent company component materiality which is disclosed separately above). In the prior year component materiality was £140,000.

At Group level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit or audit of specified account balances.

7.2 Our consideration of the control environment

We obtained an understanding of the processes and controls operated by the Group in relation to certain key business cycles including the property valuations and revenue processes.

As a result of the ongoing global ERP implementation we have not sought to rely on general IT controls across the Group with the exception of Indian component which has its own accounting system and does take IT control reliance.

7.3 Working with other auditors

Our audit work has included the use of component auditors, which form part of the Deloitte member firm network. We reviewed the component auditor's work, including issuing referral instructions to them and evaluating the results of the work performed. Consistent with the previous year, the Group audit team employed technology solutions for all key meetings and performed remote reviews of component auditor working papers.

8. Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

10. Auditor's responsibilities for the audit of the financial statements

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

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

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

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

11.1 Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance target;
- results of our enquiries of management, internal audit, and the audit committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance including the dividends that were not made in accordance with the Companies Act 2006 (see page 28 of the Strategic report);
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team including significant component audit teams and relevant internal specialists, including tax, valuations, pensions, and IT specialists, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas: inventory valuation, valuation of the dilapidation provision and revenue recognition, specifically cut-off. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, Listing Rules, pensions legislation, tax legislation in all relevant jurisdictions in which the Group operates.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty. These included the group's environmental regulations.

11.2 Audit response to risks identified

As a result of performing the above, we identified inventory valuation and valuation of the dilapidation provision as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the audit committee and external legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HRMC;
- in addressing the risk of fraud through revenue recognition, we focused our testing in relation to cut-off of revenue, substantively testing a sample of revenue recognised pre and post year-end to third party supporting evidence to determine whether revenue was recognised in the correct period and to assess whether performance obligations have been satisfied;
- in response to the potential breach of the Companies Act we assessed whether any accounting entries are required as a consequence and determine what disclosure is required in the annual report; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and significant component audit teams, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006

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

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

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

13. Matters on which we are required to report by exception

13.1 Adequacy of explanations received and accounting records

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

13.2 Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

We have nothing to report in respect of this matter.

14. Use of our report

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

SCOTT BAYNE FCA
(SENIOR STATUTORY AUDITOR)

For and on behalf of Deloitte LLP
Statutory Auditor
Leeds, United Kingdom
13 July 2022

Consolidated income statement

for the year ended 31 March 2022

	Note	2022 £m	(Restated[1]) 2021 £m
Revenue	1	**195.2**	165.3
Operating costs	2	**(179.0)**	(154.6)
Operating profit		**16.2**	10.7
Finance costs	3	**(3.8)**	(4.6)
Profit before tax		**12.4**	6.1
Taxation	4	**(2.2)**	(1.5)
Profit for the financial year		**10.2**	4.6
Earnings per share	5		
Basic earnings per share		**4.7p**	2.0p
Diluted earnings per share		**4.4p**	2.0p
Basic adjusted earnings per share		**4.3p**	2.3p
Diluted adjusted earnings per share		**4.0p**	2.3p

1. See accounting policies on page 123 and Note 27 for details of prior period restatements.

All results are from continuing operations.

Consolidated statement of comprehensive income

for the year ended 31 March 2022

	Note	2022 £m	(Restated[1]) 2021 £m
Profit for the financial year		**10.2**	4.6
Items that may be reclassified to the income statement in subsequent periods:			
Exchange differences on translation of foreign operations		**3.2**	(5.8)
(Loss)/gain on hedges of the net investment in foreign operations		**(0.3)**	0.7
Cash flow hedges:			
Loss arising on cash flow hedges during the period		**(0.5)**	(0.1)
Less: Cumulative gain arising on cash flow hedges reclassified to profit and loss		**0.1**	0.3
Income tax relating to items that may be reclassified subsequently to profit or loss	17	**0.1**	–
		2.6	(4.9)
Items not to be reclassified to the income statement in subsequent periods:			
Remeasurement gains/(losses) on retirement benefit obligations	18	**12.3**	(5.6)
Tax on remeasurement gains/losses on retirement benefit obligations – excluding impact of statutory rate change	17	**(3.1)**	0.7
Effect of changes in statutory tax rate on deferred tax assets	17	**2.3**	–
		11.5	(4.9)
Other comprehensive income/(expense) for the year, net of tax		**14.1**	(9.8)
Total comprehensive income/(expense) for the year, net of tax		**24.3**	(5.2)

1. See accounting policies on page 123 and Note 27 for details of prior period restatements.

Consolidated balance sheet

as at 31 March 2022

	Note	2022 £m	(Restated[1]) 2021 £m	(Restated[1]) 2020 £m
ASSETS				
Non-current assets				
Goodwill	7	**22.7**	21.7	24.0
Other intangible assets	8	**5.1**	4.9	6.5
Property, plant and equipment	9	**49.3**	48.1	53.6
Right-of-use assets	10	**8.0**	10.7	11.9
Deferred tax assets	17	**15.4**	15.2	14.3
		100.5	100.6	110.3
Current assets				
Inventories	11	**48.4**	37.7	46.1
Trade and other receivables	12	**35.7**	30.3	35.8
Current tax		**–**	0.2	1.5
Cash and cash equivalents	13	**10.5**	19.9	15.6
		94.6	88.1	99.0
TOTAL ASSETS		**195.1**	188.7	209.3
LIABILITIES				
Current liabilities				
Borrowings	14	**(1.0)**	(2.3)	(0.3)
Trade and other payables	15	**(48.5)**	(31.5)	(37.6)
Lease liabilities	10	**(2.8)**	(2.5)	(3.0)
Current tax		**(2.8)**	(2.3)	(1.0)
Derivative financial instruments	24	**(0.5)**	(0.1)	(0.3)
Provisions	16	**(0.2)**	(1.4)	(0.7)
		(55.8)	(40.1)	(42.9)
NET CURRENT ASSETS		**38.8**	48.0	56.1
Non-current liabilities				
Borrowings	14	**(22.8)**	(35.5)	(51.4)
Preference stock	14	**(0.5)**	(0.5)	(0.5)
Trade and other payables	15	**(4.7)**	(5.4)	(5.3)
Lease liabilities	10	**(9.2)**	(12.9)	(14.1)
Deferred tax liabilities	17	**(5.4)**	(4.1)	(4.6)
Retirement benefit obligations	18	**(87.1)**	(102.4)	(97.6)
Provisions	16	**(3.8)**	(2.5)	(2.4)
		(133.5)	(163.3)	(175.9)
TOTAL LIABILITIES		**(189.3)**	(203.4)	(218.8)
NET ASSETS (LIABILITIES)		**5.8**	(14.7)	(9.5)
EQUITY				
Issued share capital	19	**11.3**	11.3	11.3
Share premium account	21	**–**	30.1	30.1
Capital redemption reserve	21	**–**	15.4	15.4
Currency translation reserve	21	**9.8**	6.8	11.9
Other reserves	21	**(5.4)**	(0.1)	(0.3)
Retained earnings	21	**(9.9)**	(78.2)	(77.9)
TOTAL SHAREHOLDERS' FUNDS (DEFICIT)		**5.8**	(14.7)	(9.5)

1. See accounting policies on page 123 and Note 27 for details of the prior period restatements.

Approved by the Board on 13 July 2022 and signed on its behalf by:

ROBERT PURCELL
CHIEF EXECUTIVE

JIM HAUGHEY
FINANCE DIRECTOR

Consolidated statement of changes in equity

for the year ended 31 March 2022

	Share capital £m Note 19	Share premium account £m Note 21	(Restated[1]) Retained earnings £m Note 21	Currency translation reserve £m Note 21	Capital redemption reserve £m Note 21	Other reserves £m Note 21	Total shareholders' funds £m Note 21
At 31 March 2020	11.3	30.1	(68.8)	11.9	15.4	(0.3)	(0.4)
Prior year adjustments (Note 27)	–	–	(7.6)	–	–	–	(7.6)
Change in accounting policy (page 123 and Note 27)	–	–	(1.5)	–	–	–	(1.5)
At 31 March 2020 (Restated[1])	11.3	30.1	(77.9)	11.9	15.4	(0.3)	(9.5)
Profit for the year (Restated[1])	–	–	4.6	–	–	–	4.6
Other comprehensive income	–	–	(4.9)	(5.1)	–	0.2	(9.8)
Total comprehensive income/ (expense) for the year (Restated[1])	–	–	(0.3)	(5.1)	–	0.2	(5.2)
At 31 March 2021 (Restated[1])	**11.3**	**30.1**	**(78.2)**	**6.8**	**15.4**	**(0.1)**	**(14.7)**
Profit for the year	–	–	10.2	–	–	–	10.2
Other comprehensive income/ (expense)	–	–	11.5	3.0	–	(0.4)	14.1
Total comprehensive income/ (expense) for the year	–	–	21.7	3.0	–	(0.4)	24.3
Own shares purchased	–	–	–	–	–	(4.9)	(4.9)
Capital reorganisation (Note 21)	–	(30.1)	45.5	–	(15.4)	–	–
Share-based payments	–	–	1.1	–	–	–	1.1
At 31 March 2022	**11.3**	**–**	**(9.9)**	**9.8**	**–**	**(5.4)**	**5.8**

1. See accounting policies on page 123 and Note 27 for details of the prior period restatements.

Included in retained earnings is £1.9m (31 March 2021: £0.8m) relating to a share option reserve.

The other reserves are stated after deducting £4.9m (31 March 2021: £0.035m) relating to shares held in the Renold plc Employee Benefit Trust. The Renold Employee Benefit Trust holds Renold plc shares and satisfies awards made under various employee incentive schemes when issuance of new shares is not appropriate.

At 31 March 2022 18,422,509 (31 March 2021: 199,790) ordinary shares of 5p each were held by the Renold Employee Benefit Trust and, following recommendations by the employer, are provisionally allocated to satisfy awards under employee incentive schemes. The market value of these shares at 31 March 2022 was £3.7m (31 March 2021: £0.035m).

Consolidated statement of cash flows

for the year ended 31 March 2022

	2022 £m	2021 £m
Cash flows from operating activities (Note 23)		
Cash generated from operations	**21.0**	26.0
Income taxes (paid)/received	**(1.7)**	0.7
Net cash flow from operating activities	**19.3**	26.7
Cash flows from investing activities		
Proceeds from property disposals	**0.2**	0.2
Purchase of property, plant and equipment	**(4.1)**	(2.3)
Purchase of intangible assets	**(1.2)**	(0.8)
Consideration paid for acquisition	**(0.5)**	–
Net cash flow from investing activities	**(5.6)**	(2.9)
Cash flows from financing activities		
Repayment of principal under lease liabilities	**(4.2)**	(3.2)
Finance costs paid	**(1.5)**	(2.0)
Own shares purchased	**(4.9)**	–
Proceeds from borrowings	**4.7**	2.8
Repayment of borrowings	**(16.0)**	(19.9)
Net cash flow from financing activities	**(21.9)**	(22.3)
Net (decrease)/increase in cash and cash equivalents	**(8.2)**	1.5
Net cash and cash equivalents at beginning of year	**17.3**	15.1
Effects of exchange rate changes	**0.4**	0.7
Net cash and cash equivalents at end of year (Note 13)	**9.5**	17.3

Accounting policies

To aid the reader of the financial statements, certain accounting policies can be found in the relevant notes.

Basis of accounting

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's financial statements present information about the Company as a separate entity and not about the Group. The financial statements have been prepared in accordance with UK-adopted international accounting standards and with International Financial Reporting Standards as issued by the IASB.

The Parent Company has elected to prepare its parent company financial statements in accordance with FRS 101; these are presented on pages 168 to 179. The financial statements were approved by the Board on 13 July 2022.

The consolidated financial statements have been prepared on a historical cost basis except for items that are required by International Financial Reporting Standards ('IFRS') to be measured at fair value, principally certain financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

The principal accounting policies adopted are set out below.

Functional and presentation currency

These consolidated financial statements are presented in Pounds Sterling, which is the functional currency of Renold plc, the Parent Company of the Group.

Foreign currency translation

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 Pounds Sterling at the exchange rates 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, 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 other comprehensive income. On loss of control of a foreign entity, related exchange differences previously recognised in other comprehensive income are recognised in the income statement as part of the gain or loss on sale.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company made up to 31 March each year.

Business combinations are accounted for using the acquisition method. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and equity interests issued by the Group in exchange for control of the acquired entity. Consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed in operating costs as incurred. All identifiable assets and liabilities acquired and contingent liabilities assumed are initially measured at their fair values at the acquisition date.

The excess of the consideration transferred, the amount of any non-controlling interest and the acquisition date fair value of any previously held equity interest in the acquired entity as compared with the Group's share of the identifiable net assets are recognised as goodwill. Where the Group's share of identifiable net assets acquired exceeds the total consideration transferred, a gain from a bargain purchase is recognised immediately in the income statement after the fair values initially determined have been reassessed.

(A) Subsidiaries

Subsidiaries are entities that are controlled by the Group. As per IFRS 10 there are 3 elements of control; power over the investee, exposure, or rights, to variable returns from involvement with the investee; and the ability to use power over the investee to affect the amount of those returns. Typically, a shareholding of more than 50% of the voting rights is indicative of control. However, the impact of potential voting rights currently exercisable is taken into consideration.

The financial statements of subsidiaries are included in the consolidated financial statements of the Group from the date that control is obtained to the date that control ceases. The accounting policies of new subsidiaries are changed where necessary to align them with those of the Group.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. They are initially measured at the non-controlling interest's share of the net fair value of the assets and liabilities recognised or at fair value, as determined on an acquisition-by-acquisition basis. Subsequent to acquisition, non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interest's share of the changes in equity since the date of the combination.

Accounting policies

The results and financial position of Renold Scottish Limited Partnership (SLP) have been consolidated in the consolidated financial statements of Renold plc. Renold plc is the parent undertaking of the general partner in the SLP (see Note (xv) to the Company financial statements). To determine that Renold plc has control over the SLP, we considered the following activities, benefits and risks:

- Activities – The SLP was established by Renold plc as a means of funding its pension obligation in an efficient manner.
- Benefits – During the 25-year period, the Renold Pension Scheme will receive substantially all of the SLP's income. However, after this period, the Renold Group is entitled to any remaining income generated in the SLP, together with any other residual value in the SLP.
- Risks – The Group bears the risks incidental to the activities of the SLP because it retains the obligation to ensure the pension scheme is appropriately funded.

Accordingly, advantage has been taken of the exemption conferred by paragraph 7 of the Partnerships (Accounts) Regulations 2008 from the requirements for preparation, delivery and publication of the partnership's accounts.

(B) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expense arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investments are eliminated to the extent of the Group's interest in that investment. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

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 financial position, liquidity, cash balances and borrowing facilities is set out in the Strategic Report section of the Annual Report. In addition, the financial statements within the Annual Report include 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. Information relating to post balance sheet events is disclosed in Note 25. The key covenants attached to the Group's multi-currency revolving credit facility relate to leverage (net debt to EBITDA, maximum 2.5x) and interest cover (minimum 4.0x), which are measured on a pre-IFRS 16 basis. The Group regularly monitors its financial position to ensure that it remains within the terms of its banking covenants. Following the strong cash performance in the prior year, the Group has achieved a further reduction in net debt during the current financial year, with net debt reducing by £4.6m to £13.8m (31 March 2021: £18.4m), notwithstanding significant cash out flows for share purchases (£4.9m) and lease exit payments (£1.1m). The Group has accordingly remained within the borrowing covenant levels throughout the year ended 31 March 2022.

Given the current level of macroeconomic uncertainty stemming from Covid-19, inflation, the global supply chain crisis and geopolitical risks, and being also mindful of the risk matrix disclosed on page 49, the Group has performed financial modelling of future cash flows. The Board has reviewed the cash flow forecasts, which cover a period of 12 months from the approval of the 2022 Annual Report, and which reflect forecasted changes in revenue across the Group's business units. A reverse stress test has been performed on the forecasts to determine the extent of downturn which would result in a breach of covenants. Revenue would have to reduce by 30% over the period under review for the Group to breach the leverage covenant under the terms of its borrowing facility. The reverse stress test does not take into account further mitigating actions which the Group would implement in the event of a severe and extended revenue decline, such as reducing discretionary spend and capital expenditure. This assessment indicates that the Group can operate within the level of its current facilities, as set out above, without the need to obtain any new facilities for a period of not less than 12 months from the date of this report.

Following this assessment, the Board of Directors are satisfied that the Group has sufficient resources to continue in operation for a period of not less than 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in relation to this conclusion and preparing the Consolidated Financial Statements. There are no key sensitivities identified in relation to this conclusion. Further information on the going concern of the Group can be found on page 56 in the Viability Statement.

Revenue

Revenue for goods sold is recognised at the value of the consideration specified in the contract with the customer for the sale of goods net of sales rebates, discounts, VAT and other sales related taxes and after eliminating sales within the Group. Revenue is recognised when the performance obligations of the Group have been fulfilled. Revenue is principally recognised at a point in time, when the obligation to despatch or deliver the specified goods is satisfied. There are a small number of contracts with customers for which performance obligations are satisfied over time. Revenue is recognised on the following basis:

(A) Sale of goods

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

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

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

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

(B) Sales rebates and discounts

These comprise customer discounts and rebates which are sales incentives to customers to encourage them to purchase increased volumes and are related to total volumes purchased and sales growth or incentives for early payment. They are recognised in the same period as the sales to which they relate based upon management's best estimate of the amount necessary to meet claims made by the Group's customers in respect of these rebates and discounts such that the revenue recognised equals the consideration specified in the contract net of contractual rebates and discounts.

(C) Future performance obligations

The transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at 31 March 2022 is £84.1m (2021: £53.6m). This mostly comprises of the obligation to manufacture and supply standard Group products. The majority of this revenue is recognised at a point in time.

An amount of £11.7m (2021: £1.3m) relates to revenue from a small number of large customer contracts, for which revenue is recognised over time in line with progress against performance obligations. This revenue is expected to be recognised over the next eight years (2021: within the next twelve months).

Discounts received from suppliers

These comprise rebates and discounts received from suppliers as incentives to purchase increased volume or early settlement of amounts payable. They are recognised within operating costs over the period to which the contract or purchase relates.

Research and development

Expenditure on research and development is charged to the income statement in the year in which it is incurred with the exception of:

- amounts recoverable from third parties; and
- expenditure incurred in respect of the development of major new products, where the outcome of those projects is assessed as:
    - i. being reasonably certain with regard to viability and technical feasibility; and
    - ii. where the Group has obtained contractual commitments for the purchase of the new product covering a period of greater than 12 months.

Such expenditure is capitalised and amortised over the estimated period of sale for each product, commencing in the year that sales of the product are first made. Amortisation is charged on a straight-line basis.

Government assistance

A grant shall not be recognised until there is reasonable assurance that the business will comply with the conditions attached to it and that the grant will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets (including property, plant and equipment) are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

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

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

Dilapidations provisions

During the year, as disclosed in Note 27, the Group has undertaken work to quantify dilapidation provisions arising from leased assets. This work involved several critical judgements which were: the extent of obligations to restore properties arising under lease agreements; the degree of wear and tear that has been incurred at leased properties to the balance sheet date; the cost of remedial work judged to be required upon termination of the lease and long-term inflation rates and discount rates across various geographies.

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

Key sources of estimation uncertainty

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying value of the Group's assets or liabilities in the future. The Directors have considered the potential impact of climate change on the key sources of estimation uncertainty and concluded that there was no impact on the assumptions disclosed.

Accounting policies

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) Taxation

The Group records liabilities in respect of open tax computations where the liabilities remain to be agreed with the relevant tax authorities. At 31 March 2022 the provision for open tax matters totalled £1.9m (31 March 2021: £2.3m). The uncertain tax items for which a liability is recorded principally relate to ongoing tax audits and the interpretation of tax legislation. Due to the uncertainty associated with such tax items, it is possible that at a future date, on conclusion of open tax matters, the final outcome may vary significantly. While a range of outcomes is reasonably possible, the extent of this range is additional liabilities of up to £0.5m to a reduction in liabilities of up to £0.3m.

(B) Retirement benefit obligations

The valuation of the Group's defined benefit plans are determined by using actuarial valuations. These involve making assumptions about discount rates, mortality rates, future salary increases and future pension increases (future salary and pension increases are linked to inflation rate assumptions). Due to the long-term nature of these plans such estimates are subject to significant uncertainty. Net interest is calculated by applying the discount rate to the net defined benefit liability. Further details are given in Note 18.

(C) Right-of-use assets

The Group has previously assessed lease arrangements at its Bredbury UK facility as onerous, with an onerous lease provision recorded as a reduction to the opening value of the Bredbury right-of-use asset on adoption of IFRS 16. The head lease on the Bredbury property expires in May 2030 at a rental cost of £0.8m per annum. A significant proportion of this site has previously been sublet and, as described in Note 25, during the current year the Group signed a sub-lease for the remaining nine years of the head lease (which expires in May 2030), with the existing tenant. Subsequent to 31 March 2022, the tenant vacated the site and it became evident that the tenant was experiencing financial difficulties. Accordingly, and following forfeiture of the new sub-lease, the Group has impaired the Bredbury right-of-use asset by £1.7m, reflecting the uncertainty regarding the future income stream from the site. At the end of the current reporting period, the value of the Bredbury right-of-use asset (£1.6m) is based on assumptions upon future sub-let income streams and the discount rate used. For further details of the Bredbury lease refer to Note 10.

(D) Inventory valuation

Determining the carrying value of the Group's inventory involves a number of estimations and assumptions, including:

- those involved in deriving the gross value of inventory under the Group's standard cost methodology; and
- those involved in calculating an appropriate level of provision.

The Group's standard cost methodology allocates amounts of attributable direct costs, indirect costs and overheads incurred in the production process to the value of work in progress and finished goods. Determining the amount to absorb into these manufactured inventory balances involves deciding which cost lines should be included within the standard costing model. The standard costing model is also dependent on production volume and machine hours. While the inputs to the model are subject to detailed review and challenge, they rely on the estimations of management.

The calculation of inventory provisions requires estimation by management of the expected value of future sales. If the carrying value of inventory is higher than the expected recoverable value, the Group makes provisions to write inventory down to its net recoverable value. Inventory is initially assessed for impairment by comparing inventory levels to utilisation rates over the last 24 months.

At 31 March 2022, there was a total provision of £10.6m (2021: £6.3m) against gross inventory of £59.0m (2021: £52.4m). See Note 11 for a breakdown of inventory. The key driver of the provision is underpinned by the Group's estimate of demand for individual products and the overall level of inventory held. Based on uncertainties in the market, the Group continues to calculate the provision by reference to the higher of two years historical demand or committed future orders. Consequently, the key sensitivities to the provision are the extent of recovery and performance across the various markets in which the Group operates. Should demand be lower than expected, this would result in an increase in the value of the provision as a proportion of inventory. A 5% increase in the proportion of raw materials provided for would increase the provision by £0.4m (2021: £0.3m) and a 5% increase in the proportion of finished goods provided for would increase the provision by £2.0m (2021: £1.8m).

Adoption of new and revised standards

(A) New and revised accounting standards adopted by the group

During the year, the International Accounting Standards Board and International Financial Reporting Interpretations Committee have issued the following standards, amendments and interpretations, which are considered relevant to the Group. Their adoption has not had any significant impact on the amounts or disclosures reported in these financial statements.

Interest rate benchmark reform (Amendments to IFRS 9, IAS 39, IFRS 7 and IFRS 16) – At the end of 2021, the LIBOR reference rate was phased out and transitioned to the sterling overnight index average (SONIA). The impact of this change on these financial statements is not material.

(B) New and revised accounting standards and interpretations which were in issue but were not yet effective and have not been adopted early by the group

The IASB published a number of amendments to IFRSs, new standards and interpretations which are not yet effective, and of which some have been endorsed for use in the EU. An impact assessment has been performed for each of these, with no significant financial impact being identified for the consolidated financial statements of the Group and the separate financial statements of Renold plc. The amendments, new standards and interpretations will be adopted in accordance with their effective dates.

- Conceptual Framework (Amendments to References to the Conceptual Framework in IFRS Standards)
- Amendments to IFRS 10 and IAS 28 (Sale or Contribution of Assets between an Investor and its Associate or Joint Venture)
- Amendments to IAS 1 (Classification of Liabilities as Current or Non-Current)
- Amendments to IAS 16 (Property, Plant and Equipment – Proceeds before Intended Use)
- Amendments to IAS 37 (Onerous contracts – Cost of fulfilling a contract)
- Amendments to IAS 12 (Deferred Tax related to Assets and Liabilities arising from a single transaction)
- Amendments to IAS 8 (Definition of Accounting Estimates)
- Amendments to IAS 1 and IFRS Practice Statement 2 (Disclosure of accounting policies)
- Annual Improvements to IFRS 2018-2020
- IFRS 17 'Insurance Contracts'

Change in accounting policy – software as a service ('SaaS') arrangements

The Group has changed its accounting policy related to the capitalisation of certain software costs, this change follows the IFRIC interpretation Committee's agenda decision published in April 2021, which clarifies the accounting treatment of the costs of configuring or customising software under Software as a service arrangements.

The Group's accounting policy has historically been to capitalise costs directly attributable to the configuration and customisation of SaaS arrangements as assets in the Balance Sheet. Following the adoption of the above IFRIC agenda guidance, any SaaS arrangements were identified and assessed to determine if the Group has control of the software and associated configured or customised elements. For those arrangements where the Group does not have control of the developed software, the Group has derecognised the asset.

The change in accounting policy led to adjustments in the 31 March 2021 and 31 March 2020 balance sheets amounting to a £1.2m reduction in intangible assets (2020: £1.5m reduction). This change also led to adjustments in the income statement for the year ended 31 March 2021 amounting to a £0.3m decrease in amortisation of intangibles.

Accordingly, the prior period Balance Sheets at 31 March 2021 and 31 March 2020 have been restated in accordance with IAS 8, and, in accordance with IAS 1 (revised), a Balance Sheet at 31 March 2020 is also presented, together with related notes. The tables in Note 27 show the impact of the change in accounting policy on the previously reported financial results.

Notes to the consolidated financial statements

1. Segmental information

For management purposes, the Group is organised into two operating segments according to the nature of their products and services and these are considered by the Directors to be the reportable operating segments of Renold plc as shown below:

- The Chain segment manufactures and sells power transmission and conveyor chain and also includes sales of torque transmission products through Chain National Sales Companies (NSCs); and
- The Torque Transmission segment manufactures and sells torque transmission products, such as gearboxes and couplings.

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

The Chief Operating Decision Maker (CODM) for the purposes of IFRS 8 'Operating Segments' is considered to be the Board of Directors of Renold plc. Management monitor the results of the separate reportable operating segments based on operating profit and loss which is measured consistently with operating profit and loss in the consolidated financial statements. The same segmental basis applies to decisions about resource allocation. Disclosure has been included in respect of working capital as opposed to operating assets of each segment as this is the measure reported to the CODM on a regular basis. However, Group finance costs, retirement benefit obligations and income taxes are managed on a Group basis and therefore 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 2022	Chain[2] £m	Torque Transmission £m	Head office costs and eliminations £m	Consolidated £m
Revenue				
External customer – transferred at a point in time	158.2	35.6	–	193.8
External customer – transferred over time	–	1.4	–	1.4
Inter-segment[1]	1.0	3.4	(4.4)	–
Total revenue	159.2	40.4	(4.4)	195.2
Operating profit/(loss)	20.5	4.1	(8.4)	16.2
Finance costs				(3.8)
Profit before tax				12.4
Taxation				(2.2)
Profit after tax				10.2
Other disclosures				
Working capital[3]	30.0	9.0	(3.4)	35.6
Capital expenditure[4]	3.4	2.0	0.9	6.3
Total depreciation and amortisation	6.2	1.9	1.4	9.5

Year ended 31 March 2021	(Restated[5]) Chain[2] £m	Torque Transmission £m	(Restated[5]) Head office costs and eliminations £m	(Restated[5]) Consolidated £m
Revenue				
External customer – transferred at a point in time	128.9	35.5	–	164.4
External customer – transferred over time	–	0.9	–	0.9
Inter-segment[1]	1.1	2.7	(3.8)	–
Total revenue	130.0	39.1	(3.8)	165.3
Operating profit/(loss) (Restated[5])	12.9	5.0	(7.2)	10.7
Finance costs				(4.6)
Profit before tax (Restated[5])				6.1
Taxation				(1.5)
Profit after tax (Restated[5])				4.6
Other disclosures				
Working capital[3]	29.5	7.8	(0.8)	36.5
Capital expenditure[4]	1.7	0.7	0.6	3.0
Total depreciation and amortisation (Restated[5])	6.9	1.9	1.8	10.6

1. Inter-segment revenues are eliminated on consolidation.
2. Included in Chain external sales is £4.2m (2021: £3.6m) of Torque Transmission product sold through the Chain NSCs, usually in countries where Torque Transmission does not have its own presence.
3. The measure of segment assets reviewed by the CODM is total working capital, defined as inventories and trade and other receivables, less trade and other payables. Working capital is also measured as a ratio of rolling annual sales.
4. Capital expenditure consists of additions to property, plant and equipment and intangible assets.
5. The results for the year ended 31 March 2021 have been restated. Refer to Note 27 and accounting policies for details of the restatements.

In addition to statutory reporting, the Group reports certain financial metrics on an adjusted basis (alternative performance measures, APMs). Definitions of adjusted measures, and information about the differences to statutory metrics are provided in Note 26 to the financial statements. Current year adjusting items include a £1.7m gain (2021: £nil) relating to US PPP loan forgiveness (Chain segment), £0.7m of non-recurring loss (2021: £nil) relating to new lease arrangements on sublet properties (Head office costs and eliminations segment) and £0.1m (2021: £0.7m) of amortisation of acquired intangibles (Chain segment).

Constant exchange rate results are retranslated to current year exchange rates and therefore only the prior year comparatives are an alternative performance measure. A reconciliation is provided on the next page and in Note 26..

Notes to the consolidated financial statements

1. Segmental information continued

Year ended 31 March 2021	(Restated[1]) Chain £m	Torque Transmission £m	(Restated[1]) Head office costs and eliminations £m	(Restated[1]) Consolidated £m
Revenue				
External customer – transferred at a point in time	128.9	35.5	–	164.4
External customer – transferred over time	–	0.9	–	0.9
Inter-segment	1.1	2.7	(3.8)	–
Foreign exchange retranslation	(3.8)	(0.7)	–	(4.5)
Total revenue at constant exchange rates	126.2	38.4	(3.8)	160.8
Operating profit/(loss) (Restated[1])	12.9	5.0	(7.2)	10.7
Foreign exchange retranslation	(0.4)	(0.1)	–	(0.5)
Operating profit/(loss) at constant exchange rates (Restated[1])	12.5	4.9	(7.2)	10.2

1. The results for the year ended 31 March 2021 have been restated. Refer to Note 27 and accounting policies for details of the restatements.

Geographical analysis of external sales by destination, non-current asset location and average employee numbers

The UK is the home country of the parent company, Renold plc. The principal operating territories, the proportions of Group external revenue generated in each (customer location), external revenue, non-current assets (asset location) and average employee numbers in each are as follows:

	Revenue ratio		**External revenue**		**Non-current assets (excluding deferred tax)**		**Average employee numbers**	
	2022 %	2021 %	**2022 £m**	2021 £m	**2022 £m**	(Restated[1]) 2021 £m	**2022**	2021
United Kingdom	**8.4**	7.4	**16.4**	12.3	**13.9**	16.5	**282**	288
Rest of Europe	**31.2**	30.6	**60.9**	50.6	**17.2**	17.9	**499**	504
Americas	**39.1**	39.9	**76.4**	65.8	**30.5**	28.7	**279**	271
Australasia	**10.5**	11.7	**20.5**	19.4	**4.8**	4.3	**133**	127
China	**4.9**	4.9	**9.5**	8.1	**14.3**	13.5	**259**	229
India	**4.2**	3.5	**8.2**	5.8	**4.4**	4.5	**362**	297
Other countries	**1.7**	2.0	**3.3**	3.3	**–**	–	**–**	–
	100.0	100.0	**195.2**	165.3	**85.1**	85.4	**1,814**	1,716

1. The results for the year ended 31 March 2021 have been restated. Refer to Note 27 and accounting policies for details of the restatements.

All revenue relates to the sale of goods and services. No individual customer, or group of customers, represents more than 10% of Group revenue (2021: None).

Non-current assets consist of goodwill, other intangible assets, property, plant and equipment and investment property. Other non-current assets and deferred tax assets are not included above.

2. Operating costs and adjusting items

(A) Operating profit is stated after charging/(crediting):

	2022		(Restated[1]) 2021	
	£m	£m	£m	£m
Change in finished goods and work in progress		(8.2)		6.0
Raw materials and consumables		73.6		54.4
Other external charges		32.3		25.9
Employee costs				
Gross wages and salaries	60.0		53.4	
Social security costs	7.3		5.4	
Pension costs				
– defined benefit (Note 18)	0.1		0.4	
– defined contribution	1.1		1.0	
Share-based incentive plans (including related social security costs)	1.3		0.1	
		69.8		60.3
Depreciation of property, plant and equipment				
– owned assets		5.3		5.5
– right-of-use assets		2.6		2.8
Amortisation of intangible assets		1.5		1.6
Amortisation of acquired intangible assets		0.1		0.7
Short-term leases and leases of low-value assets – plant and machinery		0.1		0.1
Income from sub-leasing right-of-use assets		(0.2)		(0.6)
Loss on disposal of owned property, plant and equipment		–		0.1
Loss on disposal of right-of-use assets		0.2		–
Research and development expenditure		0.6		0.5
Auditor's remuneration (Note 2(B))		0.8		0.7
Impairment losses and gains (including reversals of impairment losses) on financial assets				
– impairment of right-of-use asset		1.7		–
– trade receivables impairment		0.2		–
Net foreign exchange losses		0.7		0.1
Pension administration costs (Note 18)		0.7		0.5
Government assistance support received		(1.7)		(4.0)
Non-recurring profit on disposal of right-of-use asset and associated lease liability		(1.1)		–
Total operating costs		179.0		154.6

1. See accounting policies and Note 27 for details of prior period restatements.

As a result of the Covid-19 pandemic, the Group benefited from £1.7m (2021: £4.0m) of government assistance programmes. The current year income relates to the US PPP loan which was received as cash flow support from the US government in respect of operating costs incurred during the pandemic in the prior year and finalised with the US authorities in the current year. Under the terms of the programme the Group was not required to repay the initial PPP funding received. Given the nature of the agreement with the US authorities this has been recognised in operating costs in line with IAS 20. The prior year government support largely related to employee support schemes. In line with IAS 20, this income is recognised in the income statement at the date at which the conditions attached to receipt of such assistance have been met, in the period it becomes receivable.

During the current year a non-recurring gain of £1.1m was recorded in relation to new lease arrangements on a previously closed site in Rainham, UK. Additionally, included in costs relating to new lease arrangements on sub-let properties, is £1.7m of impairment relating to the Group's Bredbury right-of-use asset. The Bredbury asset has been impaired as the previous sublease agreement ended during the year creating uncertainty regarding the future income stream relating to this site. For further details relating to both leases refer to Note 10.

2. Operating costs and adjusting items continued

(B) Auditor's remuneration

	2022 £000	2021 £000
Audit of the Group's annual financial statements	330	300
Audit of the Company's subsidiaries	472	441
Total audit fees	802	741
Statutory accounts preparation	3	–
Total non-audit fees	3	–
This is reported in the following captions in the financial statements:		
Operating costs before adjusting items	805	741

(C) Employees and key management compensation

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

	2022 £000	2021 £000
Statutory Directors' remuneration	1,355	790
Share-based payment charge including social security	616	106
Social security costs	183	97
Contributions to defined contribution pension plans	15	–
Total	2,169	993

Further details of the remuneration of Directors are provided in the Directors' Remuneration Report on pages 80 to 97.

The share-based payment charge/(credit) includes amounts attributable to related employers social security charges.

A geographical split of the Group's average number of employees during the year is included in Note 1. The total number of employees employed by the Group at 31 March 2022 was 1,817 (2021: 1,739).

3. Finance costs

	2022 £m	2021 £m
Finance costs:		
Interest payable on bank loans and overdrafts[1]	(1.1)	(1.6)
Interest expense on lease liabilities[1]	(0.5)	(0.5)
Amortised financing costs[1]	(0.3)	(0.2)
Loan finance costs	(1.9)	(2.3)
Net IAS 19 finance costs	(1.8)	(2.2)
Discount unwind on non-current trade and other payables	(0.1)	(0.1)
Finance costs	(3.8)	(4.6)

1. Amounts arising on financial liabilities measured at amortised cost.

4. Taxation

Accounting policy

The tax charge included in the income statement 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 using the liability method, providing for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. The amount of deferred tax provided is calculated using tax rates enacted or substantively enacted at the balance sheet date.

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 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 equity if it relates to items that are credited or charged directly to equity. Otherwise, income tax is recognised in the income statement.

Deferred tax balances are analysed in Note 17.

Analysis of tax charge in the year

	2022 £m	(Restated[1]) 2021 £m
United Kingdom		
UK corporation tax at 19% (2021: 19%)	**(0.1)**	–
Overseas taxes		
Corporation taxes	**1.9**	0.6
Movement in uncertain tax positions	**(0.3)**	1.3
Adjustments in respect of prior periods	**0.3**	(0.1)
Withholding taxes	**0.2**	0.4
Current income tax charge	**2.0**	2.2
Deferred tax		
UK – origination and reversal of temporary differences	**0.1**	(0.8)
Overseas – origination and reversal of temporary differences	**0.1**	0.1
Effect of changes in corporate tax rates	**(0.5)**	–
Adjustments in respect of prior periods	**0.5**	–
Total deferred tax charge/(credit) (Note 17)	**0.2**	(0.7)
Tax charge on profit on ordinary activities	**2.2**	1.5

	2022 £m	2021 £m
Tax on items taken to other comprehensive income		
Deferred tax on changes in net pension deficits	**3.1**	(0.7)
Effect of changes in statutory tax rate on deferred tax assets	**(2.3)**	–
Tax on fair value of derivatives direct to reserves	**(0.1)**	–
Tax charge/(credit) in the statement of other comprehensive income	**0.7**	(0.7)

1. See accounting policies on page 123 and Note 27 for details of prior period restatements.

Factors affecting the group tax charge for the year

The increase in the current tax charge for the year is primarily attributable to the full utilisation of historical tax losses in jurisdictions for which the headline statutory tax rate is higher than the prevailing UK tax rate. This in turn resulted in an increase in cash tax paid during the year. On 24 May 2021, the Finance Bill 2021 was considered substantively enacted thereby triggering a restatement of UK deferred tax balances from the 19% rate to 25%. This resulted in a deferred tax credit which was partially offset by a charge for the current year movement in the deferred tax balance. A portion of the restatement of the UK deferred tax balance has also been recognised in the statement of changes in equity. The deferred tax charge also includes a prior year adjustment relating to the recognition of deferred tax on US state tax balances. At 31 March 2022, the provision for open tax matters totalled £1.9m (31 March 2021: £2.3m).

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 in accordance with IAS 12.39.

4. Taxation continued

The actual tax on the Group's profit before tax differs from the theoretical amount using the UK corporation tax rate as follows:

	2022 £m	(Restated[1]) 2021 £m
Profit on ordinary activities before tax	12.4	6.1
Tax charge at UK statutory rate of 19% (2021: 19%)	2.4	1.2
Effects of:		
Non-taxable income	(1.2)	(1.1)
Non-deductible expenditure	0.3	0.1
Other taxable income	0.8	0.1
Other deductible	–	(1.0)
Movement in uncertain tax positions	(0.4)	1.3
Overseas tax rate differences	0.9	0.4
Effect of changes in corporate tax rates	(0.3)	–
Adjustments in respect of prior periods	0.5	–
Movement in unrecognised deferred tax	(1.0)	0.1
Withholding taxes	0.2	0.4
Total tax charge	2.2	1.5

1. See accounting policies on page 123 and Note 27 for details of prior period restatements.

Effective tax rate

The effective tax rate of 18% (2021: 25%) is lower than the UK tax rate of 19% (2021: 19%) due to the following factors:

- Losses in jurisdictions where, due to uncertain future profitability, deferred tax assets are not recognised.
- Permanent differences including items that are non-assessable from a tax perspective such as US Paycheck Protection Program debt forgiveness income which is tax exempt.
- The impact of substantively enacted tax rate increases on existing recognised deferred tax asset balances.
- Prior year adjustments arising as tax submissions are finalised and agreed in specific jurisdictions.
- A release of provisions held in respect of open tax matters as these are agreed with revenue authorities.

Tax payments

Cash tax paid in the year was £1.7m (2021: £0.7m received). The net inflow in the prior year was driven by a review of payments on account across the Group, with revised payment profiles leading to a recovery of £1.3m of contributions from earlier periods.

5. Earnings per share

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

	2022			(Restated[1]) 2021		
	Earnings £m	Shares (thousands)	Per share amount (pence)	Earnings £m	Shares (thousands)	Per share amount (pence)
Basic EPS – Profit attributed to ordinary shareholders	10.2	214,795	4.7	4.6	225,418	2.0
Effect of adjusting items, after tax:						
Amortisation of acquired intangible assets	0.1		0.1	0.7		0.3
US PPP Loan forgiveness	(1.7)		(0.8)	–		–
New lease arrangements on sublet properties	0.7		0.3	–		–
Adjusted EPS	9.3	214,795	4.3	5.3	225,418	2.3

1. See accounting policies and Note 27 for details of prior period restatements.

Inclusion of the dilutive securities, comprising 16,908,941 (2021: 7,292,980) additional shares due to share options, in the calculation of basic and adjusted EPS changes the amounts shown above to 4.4p and 4.0p respectively (2021 (Restated): basic EPS 2.0p, adjusted EPS 2.3p).

The adjusted EPS numbers have been provided in order to give a useful indication of underlying performance by the exclusion of adjusting items. Due to the existence of unrecognised deferred tax assets there were no associated tax credits on some of the adjusting items and in these instances adjusting items are added back in full.

6. Dividends

Accounting policy

Dividend distributions to the Company's shareholders are 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.

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

7. Goodwill

Accounting policy

(I) Initial recognition
Goodwill arises on business combinations and represents the excess of the cost of an acquisition over the Group's share of the identifiable net assets of the acquiree at the acquisition date. Where the cost is less than the Group's share of the identifiable net assets, the difference is immediately recognised in the income statement as a gain from a bargain purchase.

Goodwill arising on acquisitions before the date of transition to IFRS has been retained at the previous UK GAAP amounts subject to being tested for impairment at that date.

(II) Subsequent measurement
Goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investments, goodwill acquired directly is included in the carrying amount of the investment.

(III) Impairment
Goodwill is tested at least annually for impairment and carried at cost less accumulated impairment losses. Goodwill is allocated to cash generating units for the purpose of impairment testing. The cash generating unit to which the goodwill has been allocated is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets. Any impairment charge is recognised immediately in the income statement.

	2022 £m	2021 £m
Cost		
At 1 April	**25.1**	27.6
Exchange adjustment	**1.1**	(2.5)
At 31 March	**26.2**	25.1
Accumulated amortisation and impairment		
At 1 April	**3.4**	3.6
Exchange adjustment	**0.1**	(0.2)
At 31 March	**3.5**	3.4
Carrying amount	**22.7**	21.7

Impairment testing

The Group performed its annual impairment test of goodwill at 31 March 2022 which compares the current book value to the recoverable amount from the continued use or sale of the related business.

The recoverable amount of each Cash Generating Unit (CGU) has been determined on a value-in-use basis, calculated as the net present value of cash flows derived from detailed financial plans. All business units in the Group have submitted a budget for the financial year ending 31 March 2023 and strategic plan forecasts for the two financial years ending 31 March 2025. The budget and strategic forecasts, which are subject to detailed review and challenge, were approved by the Board. The Group prepares cash flow forecasts based on these projections for the first three years, with years four and five extrapolated based on known future events, recently observable trends and management expectations. A terminal value calculation is used to estimate the cash flows after year five.

Sensitivity analysis has been performed including a zero revenue growth scenario (with current year revenue modelled for all future periods of the forecast) and a reverse stress test, to determine the extent of downturn which would result in a potential impairment. Revenue would have to reduce by 28% in the first year of the period under review (worse than the decline seen during the Covid-19 pandemic), followed by 3% p.a. growth thereafter, for the first CGU containing goodwill to require potential impairment. Under the reverse stress test the first CGU with headroom that eliminated was India.

The forecasts used for the impairment review are consistent with those used in the Going Concern review.

7. Goodwill continued

During the current year management have completed an exercise to enhance the allocation of business units to CGUs. This identified that previous impairment testing had been performed at a level which did not eliminate largely all of the inter-group trading between the Group's business units. Accordingly, the Group has improved its CGU allocation to amalgamate the Chain Europe and Chain China business units into a 'Europe & China' CGU. Furthermore, management have reviewed previous impairment testing exercises and note that the changes to defined CGUs would not result in any impairment had it been applied consistently in prior periods.

The Chain Europe and Chain China business units have been combined into a single CGU to eliminate the dependency arising from the significant level of inter-group sales made by the Chinese manufacturing facility to European Chain operations.

The key assumptions used in the value-in-use calculations are:

- Sales: Forecast sales are built up with reference to expected sales prices and volumes from individual markets and product categories based on past performance, projections of developments in key markets and management's judgement;
- Margins: Forecast margins reflect historical performance and management's experience of each CGU's profitability at the forecast level of sales including the impact of all completed restructuring projects. The projections do not include the impact of future restructuring projects to which the Group is not yet committed;
- Discount rate: Pre-tax discount rates have been calculated based on the Group's weighted average cost of capital and risks specific to the CGU being tested; and
- Long-term growth rates: As required by IAS 36, cash flows beyond the period of projections are extrapolated using long-term growth rates published by the Organisation for Economic Co-operation and Development for the territory in which the CGU is based. The discount rates applied to the cash flows of each of the CGUs are based on the risk free rate for long-term bonds issued by the government in the respective market. This is then adjusted to reflect both the increased risk of investing in equities and the systematic risk of the specific CGU (using an average of the betas of comparable companies). These rates do not reflect the long-term assumptions used by the Group for investment planning.

The Directors do not consider that any reasonably possible changes to the key assumptions would reduce the recoverable amount to its carrying value for any CGU. No impairment charge has been recognised in the current or prior period for any CGU.

	Growth rates		CGU discount rates (pre-tax)		Carrying values	
Cash generating unit	**2022 %**	2021 %	**2022 %**	2021 %	**2022 £m**	2021 £m
Americas (Jeffrey Chain, USA)	**1.7**	1.9	**16.2**	12.1	**20.0**	19.0
Australia (Ace Chains, Australia)	**2.6**	2.6	**12.0**	12.3	**0.5**	0.5
India (Renold Chain, India)	**6.2**	7.4	**20.8**	19.6	**1.7**	1.7
Europe & China (Renold Tooth Chain, Germany)	**1.1**	1.3	**15.5**	15.7	**0.5**	0.5
					22.7	21.7

8. Intangible assets

Accounting policy

(i) 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 seven years. Costs associated with maintaining computer software programs are recognised as an expense as incurred.

(ii) Software as a service

For Software as a Service ('SaaS') arrangements, the Group capitalise costs only relating to the configuration and customisation of SaaS arrangements as intangible assets where control of the software and associated configuration and customised elements exists.

(iii) Other intangible assets

Other intangible assets, such as those identified on acquisition by the Group that have finite useful lives, are recognised at fair value and measured at cost less accumulated amortisation and impairment losses. The estimated useful lives for the Group's finite life intangible assets are between one and seven years.

Intangible assets 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.

	Customer orderbook £m	Customer lists £m	Technical know-how £m	(Restated[1]) Computer software £m	(Restated[1]) Total £m
Cost					
At 1 April 2020	0.3	4.4	0.2	20.8	25.7
Prior period restatement	–	–	–	(1.7)	(1.7)
At 1 April 2020 (Restated[1])	0.3	4.4	0.2	19.1	24.0
Exchange adjustment	–	(0.2)	–	(0.2)	(0.4)
Additions	–	–	–	0.8	0.8
At 31 March 2021 (Restated[1])	**0.3**	**4.2**	**0.2**	**19.7**	**24.4**
Exchange adjustment	**–**	**–**	**–**	**(0.1)**	**(0.1)**
Additions	**–**	**–**	**–**	**1.2**	**1.2**
Disposals	**–**	**–**	**–**	**(0.9)**	**(0.9)**
Acquisition of subsidiary (Note 28)	**–**	**0.4**	**–**	**–**	**0.4**
At 31 March 2022	**0.3**	**4.6**	**0.2**	**19.9**	**25.0**
Accumulated amortisation and impairment					
At 1 April 2020	0.3	3.7	0.2	13.5	17.7
Prior period restatement	–	–	–	(0.2)	(0.2)
At 1 April 2020 (Restated[1])	0.3	3.7	0.2	13.3	17.5
Exchange adjustment	–	(0.2)	–	(0.1)	(0.3)
Amortisation charge (Restated[1])	–	0.7	–	1.6	2.3
At 31 March 2021 (Restated[1])	**0.3**	**4.2**	**0.2**	**14.8**	**19.5**
Exchange adjustment	**–**	**(0.1)**	**–**	**(0.2)**	**(0.3)**
Amortisation charge	**–**	**0.1**	**–**	**1.5**	**1.6**
Disposals	**–**	**–**	**–**	**(0.9)**	**(0.9)**
At 31 March 2022	**0.3**	**4.2**	**0.2**	**15.2**	**19.9**
Net book amount					
At 31 March 2022	**–**	**0.4**	**–**	**4.7**	**5.1**
At 31 March 2021 (Restated[1])	–	–	–	4.9	4.9

1. Software intangible assets have been restated for the impact of the Group's change in accounting policy for Software as a service ('SaaS') arrangements. See accounting policies and Note 27 for further details.

The gross customer list cost predominately relates to the acquisition of the Tooth Chain (Germany) business, acquired in January 2016, which brought significant benefit to the Group in terms of new customers, relationships and technical 'know-how'. The Tooth Chain acquired intangible assets are now fully amortised although during the current year amounts have been recognised in relation to the Brooks (UK) acquisition (see Note 28 for further details).

The customer list acquired with the Brooks business has been valued under IFRS 3 using estimates of useful lives and discounted cash flows of expected income. The value is being amortised as follows:

- Customer lists and technical know-how are amortised over five years as the benefits crystallise over a long period.

No brand names have been acquired in the current year acquisition or previous acquisitions.

Notes to the consolidated financial statements

9. Property, plant and equipment

Accounting policy

Tangible assets are stated at cost, being purchase cost plus any incidental costs of acquisition, less accumulated depreciation and impairment.

Depreciation is calculated on a straight-line basis so as to charge the depreciable amount of the respective assets to the income statement over their expected useful lives. No depreciation has been charged on freehold land. The useful lives of assets are as follows:

	Years
Freehold buildings	*50*
Leasehold property improvements	*50 years or the period of the lease if less*
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 amounts and are included in operating profit.

	Land and buildings £m	(Restated[1]) Plant and equipment £m	(Restated[1]) Total £m
Cost			
At 1 April 2020	24.7	124.0	148.7
Prior period restatement	–	0.3	0.3
At 1 April 2020 (Restated[1])	24.7	124.3	149.0
Exchange adjustment	(0.9)	(5.3)	(6.2)
Additions	(0.1)	2.3	2.2
Disposals	–	(2.2)	(2.2)
At 31 March 2021 (Restated[1])	**23.7**	**119.1**	**142.8**
Exchange adjustment	**1.1**	**1.9**	**3.0**
Additions	**0.3**	**4.8**	**5.1**
Disposals	**–**	**(2.3)**	**(2.3)**
Acquisition of subsidiary (Note 28)	**–**	**0.1**	**0.1**
At 31 March 2022	**25.1**	**123.6**	**148.7**
Accumulated depreciation and impairment			
At 1 April 2020	7.1	88.3	95.4
Exchange adjustment	(0.3)	(4.0)	(4.3)
Charge for the year	0.5	5.0	5.5
Disposals	–	(1.9)	(1.9)
At 31 March 2021	**7.3**	**87.4**	**94.7**
Exchange adjustment	**0.2**	**1.3**	**1.5**
Charge for the year	**0.6**	**4.7**	**5.3**
Disposals	**–**	**(2.1)**	**(2.1)**
At 31 March 2022	**8.1**	**91.3**	**99.4**
Net book amount			
At 31 March 2022	**17.0**	**32.3**	**49.3**
At 31 March 2021 (Restated[1])	16.4	31.7	48.1

1. The results for the year ended 31 March 2021 have been restated. Refer to Note 27 and accounting policies for details of the restatements.

Property, plant and equipment pledged as security for liabilities amounted to £32.2m (2021: £31.6m).

Future capital expenditure

At 31 March 2022 capital expenditure contracted for but not provided for in these accounts amounted to £2.4m (2021: £0.2m).

10. Leasing and right-of-use assets

Accounting policy

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

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

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

Right-of-use assets

	(Restated[1]) Land and buildings £m	Plant and equipment £m	(Restated[1]) Total £m
Cost			
At 1 April 2020	10.2	3.4	13.6
Prior period restatement	0.6	–	0.6
At 1 April 2020 (Restated[1])	10.8	3.4	14.2
Exchange adjustment	(0.1)	–	(0.1)
Additions	1.4	0.2	1.6
Disposals	(0.3)	(0.3)	(0.6)
At 31 March 2021 (Restated[1])	**11.8**	**3.3**	**15.1**
Exchange adjustment	**0.2**	**–**	**0.2**
Additions	**1.7**	**0.6**	**2.3**
Disposals	**(1.1)**	**(1.9)**	**(3.0)**
At 31 March 2022	**12.6**	**2.0**	**14.6**
Accumulated depreciation and impairment			
At 1 April 2020	1.2	1.1	2.3
Exchange adjustment	–	(0.1)	(0.1)
Charge for the year	1.7	1.1	2.8
Disposals	(0.3)	(0.3)	(0.6)
At 31 March 2021	**2.6**	**1.8**	**4.4**
Exchange adjustment	**–**	**0.1**	**0.1**
Charge for the year	**1.6**	**1.0**	**2.6**
Disposals	**(0.5)**	**(1.7)**	**(2.2)**
Impairment	**1.7**	**–**	**1.7**
At 31 March 2022	**5.4**	**1.2**	**6.6**
Net book amount			
At 31 March 2022	**7.2**	**0.8**	**8.0**
At 31 March 2021 (Restated[1])	9.2	1.5	10.7

1. The results for the year ended 31 March 2021 have been restated. Refer to Note 27 and below for details of the restatements.

10. Leasing and right-of-use assets continued

During the year management identified that an onerous lease provision of £2.7m, which had been recorded as a reduction to the opening carrying value of the Bredbury right-of-use property on adoption of IFRS 16, had been incorrectly classified. An adjustment has been made to restate the opening cost of the Bredbury right-of-use asset by reclassifying £0.6m of this provision to dilapidations provisions with a £2.1m onerous lease provision remaining netted against the opening cost at 1 April 2021.

The head lease on the Bredbury property expires in May 2030 at a rental cost of £0.8m per annum. A significant proportion of this site has previously been sublet and, as described in Note 25, during the current year the Group signed a sub-lease for the remaining nine years of the head lease (which expires in May 2030), with the existing tenant. This initially resulted in the Group disposing of the Bredbury right-of-use asset and recording a finance lease receivable. However, subsequent to 31 March 2022, the tenant vacated the site and it became evident that the tenant was experiencing financial difficulties. Accordingly, and following forfeiture of the new sub-lease, the Group has re-instated the Bredbury right-of-use asset, less a current year impairment charge of £1.7m. The impairment reflects the uncertainty regarding the future income stream from the site. A range of possible outcomes have been modelled for the continued subletting of the property, ranging from an increase in the right-of-use asset of £0.7m to a further reduction in the right-of-use asset of up to £1.6m (the net book value of the property at 31 March 2022).

Additionally in the current year, the Group has exited a lease arrangement for a previously closed site at a property in Rainham, UK, with the corresponding right-of-use asset disposal recorded in the year.

Lease liabilities

	2022 £m	2021 £m
Maturity analysis – contractual undiscounted cash flows		
Less than one year	**3.0**	2.8
One to two years	**2.5**	1.5
Two to five years	**4.9**	5.5
More than five years	**3.2**	8.9
Total undiscounted lease liabilities at 31 March	**13.6**	18.7
Less: Interest allocated to future periods	**(1.6)**	(3.3)
Lease liabilities included in the Consolidated Balance Sheet	**12.0**	15.4
Current	**2.8**	2.5
Non-current	**9.2**	12.9

Amounts recognised in profit or loss

	2022 £m	2021 £m
Interest on lease liabilities	**(0.5)**	(0.5)
Variable lease payments not included in the measurement of lease liabilities	**–**	–
Non-recurring profit on disposal of right-of-use asset and associated lease liability	**1.1**	–
Income from sub-leasing right-of-use assets	**0.2**	0.6
Expenses relating to short-term leases and leases of low-value assets	**(0.1)**	(0.1)

Amounts recognised in the consolidated statement of cash flows

	2022 £m	2021 £m
Repayment of principal under lease liabilities	**4.2**	3.2
Repayment of interest on lease liabilities	**0.5**	0.5
Cash outflows in relation to short-term leases and leases of low-value assets	**0.1**	0.1
Total cash outflows for leases	**4.8**	3.8

11. Inventories

Accounting policy

Inventories are stated at the lower of their cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost is calculated on a 'first in, first out' basis and includes all direct expenditure and attributable overhead expenditure incurred in bringing goods to their current state. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. In the Group accounts, unrealised profit on sales within the Group is deducted from inventories.

	2022 £m	2021 £m
Raw materials	**6.9**	5.4
Work in progress	**5.5**	4.0
Finished products and production tooling	**36.0**	28.3
	48.4	37.7

Inventories pledged as security for liabilities amounted to £36.9m (2021: £28.1m).

The Group expensed £73.6m (2021: £54.8m) of inventories during the period. In the year to 31 March 2022, £2.3m (2021: £3.1m) was charged for the write-down of inventory and £0.5m (2021: £0.1m) was released from inventory provisions no longer required.

12. Trade and other receivables

Accounting policy

Financial assets are carried at amortised cost less any impairment. The carrying amount of financial assets is reduced by an amount equal to the expected lifetime losses. Subsequent recoveries of amounts previously written off are credited against the allowance account and changes in the carrying amount of the allowance account are recognised in the Income Statement. As the balances do not contain a significant financing element, the simplified approach relating to expected lifetime losses has been applied. In accordance with IFRS 9 a provision matrix is used, grouping trade and other receivables based on their attributes, principally geographical region. Expected credit losses are calculated as the difference between the amount contractually owed to the Group and the cash flows which the Group expect to receive based on past default experience, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.

	2022 £m	2021 £m
Trade receivables[1]	**31.6**	27.1
Less: Loss allowance	**(0.5)**	(0.4)
Trade receivables: net	**31.1**	26.7
Other receivables[1]	**2.8**	2.5
Prepayments	**1.8**	1.1
	35.7	30.3

1. Financial assets carried at amortised cost.

The Group has no significant concentration of credit risk but does have a concentration of translational and transactional foreign exchange risk in both US Dollars and Euros; however, the Group hedges against these risks. See Note 24(B) regarding the Group's forward foreign exchange contracts which are used to hedge future foreign currency sales and purchases. The carrying amount of trade and other receivables approximates their fair value.

Trade receivables are non-interest bearing and are generally on 30–90 days terms. The average credit period on sales of goods is 60 days (2021: 62 days). See Note 24(D) for the Group's credit risk policy.

Other receivables largely relate to VAT and hence given that the counterparties are governments, no provision for loss allowance has been made.

12. Trade and other receivables continued

The following table details the risk profile of trade receivables based on the Group's provision matrix. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further analysed:

	Trade receivables – days past due					
At 31 March 2022	**Not past due**	**<30 days**	**30–60 days**	**60–90 days**	**>90 days**	**Total**
Trade receivables: gross	**27.1**	**3.2**	**0.4**	**0.2**	**0.7**	**31.6**
Expected credit loss rate, %	**0.1%**	**2.0%**	**0.0%**	**16.2%**	**47.6%**	**1.5%**
Estimated gross carrying amount at default, £m	**–**	**0.2**	**–**	**–**	**0.3**	
Lifetime expected credit loss, £m						**0.5**

	Trade receivables – days past due					
At 31 March 2021	Not past due	<30 days	30–60 days	60–90 days	>90 days	Total
Trade receivables: gross	21.9	3.2	0.4	0.5	1.1	27.1
Expected credit loss rate, %	0.2%	0.1%	0.0%	0.2%	28.7%	1.3%
Estimated gross carrying amount at default, £m	0.1	–	–	–	0.3	
Lifetime expected credit loss, £m						0.4

The following table shows the movement in the lifetime expected credit losses; there has been no change in the estimation techniques or significant assumptions made during the current reporting period:

Loss allowance	**2022 £m**	2021 £m
At 1 April	**0.4**	0.5
Net remeasurement of loss allowance	**0.1**	–
Amounts written off as uncollectable	**–**	(0.1)
At 31 March	**0.5**	0.4

13. Cash and cash equivalents

Accounting policy

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.

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

	2022 £m	2021 £m
Cash and cash equivalents	**10.5**	19.9
Less: Overdrafts (Note 14)	**(1.0)**	(2.6)
Net cash and cash equivalents	**9.5**	17.3

14. Borrowings

Accounting policy

Borrowings are initially recognised at the fair value of the proceeds, net of related transaction costs. These transaction costs, and any discount or premium on issue, are subsequently amortised under the effective interest rate method through the income statement as interest over the life of the loan and added to the liability disclosed in the balance sheet. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least one year after the balance sheet date.

	2022 £m	2021 £m
Current borrowings		
Overdrafts (Note 13)	**1.0**	2.6
Capitalised costs[1]	**–**	(0.3)
Current borrowings	**1.0**	2.3
Non-current borrowings		
Bank loans	**22.8**	35.7
Capitalised costs[1]	**–**	(0.2)
Non-current borrowings	**22.8**	35.5
Preference stock	**0.5**	0.5
	23.3	36.0
Total borrowings	**24.3**	38.3

1. During the current year the presentation of capitalised costs has been amended to correctly record capitalised finance costs net of non-current borrowings. The prior year balance sheet has not been represented on the basis of materiality.

All financial liabilities above are carried at amortised cost.

Core banking facilities

On 29 March 2019 the Group renewed its £61.5m Multi-Currency Revolving Facility banking facilities with HSBC UK, Allied Irish Bank (GB), and Citibank. The facility matures in March 2024 and is fully committed and available until maturity.

At the year end, the undrawn core banking facility was £37.8m (2021: £27.7m). The Group also benefits from a UK overdraft and a number of overseas facilities totalling £2.7m (2021: £5.5m) with availability at year end of £2.3m. The Group pays interest at SONIA (or LIBOR prior to 20 December 2021) plus a variable margin in respect of the core banking facility. The average rate of interest paid in the year was SONIA (20 December 2021 onwards) or LIBOR (prior to 20 December 2021) plus 1.60% for Sterling, Euro and US Dollar denominated facilities (2021: LIBOR plus 1.85% for Sterling, Euro and US Dollar denominated facilities).

The core banking facility is subject to two covenants, which are tested semi-annually: net debt to EBITDA (leverage, maximum ratio 2.5 times) and EBITDA to net finance charges (interest cover, minimum ratio 4.0 times).

Secured borrowings

Included in Group borrowings are secured borrowings of £24.1m (2021: £38.3m). Security is provided by fixed and floating charges over assets (including certain property, plant and equipment and inventory) primarily in the UK, USA, Germany and Australia. Certain Group companies have provided cross-guarantees in respect of these borrowings.

Preference stock

At 31 March 2022, there were 580,482 units of preference stock in issue (2021: 580,482).

All payments of dividends on the 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 on the commencement of a winding up) and return of capital in priority to all other stock or shares in 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 and no fixed repayment date.

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

Notes to the consolidated financial statements

15. Trade and other payables

Accounting policy

Trade and other payables, including accruals and other payables qualifying as financial instruments, are accounted for at amortised cost and are categorised as other financial liabilities.

	2022		2021	
	Current £m	**Non-current £m**	Current £m	Non-current £m
Trade payables[1]	**23.4**	**–**	13.2	–
Other tax and social security	**2.2**	**–**	1.9	–
Other payables[1]	**3.6**	**4.7**	1.4	5.4
Accruals	**19.3**	**–**	15.0	–
	48.5	**4.7**	31.5	5.4

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. The non-current other payables is the deferred element of the construction costs for the new Chinese factory in Jintan.

The Group did not operate supplier financing or reverse factoring programmes during the current or prior financial year.

The Directors consider that the carrying amount of trade payables approximates to their fair value.

16. Provisions

Accounting policy

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, e.g. under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

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

	(Restated[1]) Dilapidations £m	Business restructuring £m	(Restated[1]) Total provisions £m
At 1 April 2021	**–**	**1.4**	**1.4**
Prior year restatement	**2.5**	**–**	**2.5**
At 1 April 2021 (Restated[1])	**2.5**	**1.4**	**3.9**
Arising during the year	**0.3**	**0.1**	**0.4**
Utilised in the year	**–**	**(0.1)**	**(0.1)**
Released during the year	**–**	**(0.2)**	**(0.2)**
At 31 March 2022	**2.8**	**1.2**	**4.0**

Allocated as:	**2022 £m**	(Restated[1]) 2021 £m
Current provisions	**0.2**	1.4
Non-current provisions	**3.8**	2.5
	4.0	3.9

1. See accounting policies and Note 27 for details of prior period restatements.

Business Restructuring

At the year ended 31 March 2022, a provision continues to be recognised in relation to site environmental costs in France. Substantially all of the provision is recorded as non-current.

Dilapidations

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

The provision is assessed based on the expected cost at the balance sheet date, using recent cost estimates from suitably qualified property professionals. These estimates are adjusted to reflect the impact of inflation between the date of assessment and the expected timing of the payments, and are then discounted back to present value. A range of inflation and discount rates have been used in order to best reflect the circumstances of the lease to which the dilapidation obligation relates. The inflation rate applied ranges from 2.9% to 4.5% and the discount rate ranges from 1.6% to 5.0%. These rates are most notably impacted by the country of lease and length of lease.

The majority of the dilapidation provision relates to cash outflows which are expected to take place at the end of each respective lease term; none of which are expected to end within the next 12 months. The associated outflows are estimated to arise over a period of up to 22 years from the balance sheet date. As a result, with the exception of £0.2m which is to be spent on specific work in the next 12 months, substantially all of the provision is classed as non-current (£1.4m).

17. Deferred Tax

Accounting policy

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 within the foreseeable future (assessed to be five years). 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 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.

	Assets		Liabilities		Net	
	2022 £m	(Restated[1]) 2021 £m	**2022 £m**	(Restated[1]) 2021 £m	**2022 £m**	(Restated[1]) 2021 £m
Accelerated capital allowances	**–**	–	**(0.9)**	(1.0)	**(0.9)**	(1.0)
Pension plans	**11.1**	12.0	**(0.1)**	–	**11.0**	12.0
Tax losses	**2.5**	2.4	**–**	–	**2.5**	2.4
Intangibles	**0.8**	0.5	**(3.9)**	(3.7)	**(3.1)**	(3.2)
Movements in provisions and accruals	**0.8**	0.6	**(0.1)**	(0.1)	**0.7**	0.5
Other temporary differences	**0.2**	0.4	**(0.4)**	–	**(0.2)**	0.4
Tax assets/(liabilities)	**15.4**	15.9	**(5.4)**	(4.8)	**10.0**	11.1
Net off (liabilities)/assets	**–**	(0.7)	**–**	0.7	**–**	–
Net deferred tax assets	**15.4**	15.2	**(5.4)**	(4.1)	**10.0**	11.1

1. See accounting policies and Note 27 for details of prior period restatements.

The net deferred tax asset recoverable within one year is £1.8m (2021: £3.2m) and recoverable after more than one year is £8.2m (2021: £7.9m).

Notes to the consolidated financial statements

17. Deferred Tax continued

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

2022	(Restated[1]) Opening balance £m	Exchange adjustments £m	Recognised in income statement £m	Recognised directly in other comprehensive income £m	Effect of change in tax rate – income statement £m	Effect of change in tax rate – other comprehensive income £m	Closing balance £m
Accelerated capital allowances	(1.0)	–	0.1	–	–	–	(0.9)
Pension plans	12.0	(0.2)	(0.3)	(3.1)	0.3	2.3	11.0
Tax losses	2.4	0.1	(0.2)	–	0.2	–	2.5
Intangibles	(3.2)	0.1	–	–	–	–	(3.1)
Movements in provisions and accruals	0.5	–	0.2	–	–	–	0.7
Other temporary differences	0.4	(0.2)	(0.5)	0.1	–	–	(0.2)
	11.1	(0.2)	(0.7)	(3.0)	0.5	2.3	10.0

1. See accounting policies and Note 27 for details of prior period restatements.

On 24 May 2021, the Finance Bill 2021 was considered substantively enacted thereby triggering a restatement of UK deferred tax balances from the 19% rate to 25%. This resulted in a deferred tax credit which was partially offset by a charge for the current year movement in the deferred tax balance. A portion of the restatement of the UK deferred tax balance has also been recognised in the statement of comprehensive income.

2021	(Restated[1]) Opening balance £m	Exchange adjustments £m	Recognised in income statement £m	Recognised directly in other comprehensive income £m	(Restated[1]) Closing balance £m
Accelerated capital allowances	(1.3)	0.1	0.2	–	(1.0)
Pension plans	11.3	(0.2)	0.2	0.7	12.0
Tax losses	2.4	(0.3)	0.3	–	2.4
Intangibles	(3.3)	0.4	(0.3)	–	(3.2)
Movements in provisions and accruals	0.6	(0.1)	–	–	0.5
Other temporary differences	–	0.1	0.3	–	0.4
	9.7	–	0.7	0.7	11.1

1. See Accounting policies and Note 27 for details of prior period restatements.

During the year the Group reported an operating profit of £16.2m (2021: £10.7m). 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.

Unrecognised deferred tax assets amount to £30.9m (2021: £23.2m) arising from unrecognised losses of £23.7m (2021: £17.2m) representing gross losses of £91.3m (2021: £67.7m) and other temporary differences of £7.2m (2021: £6.0m). Based on available evidence, it is considered unlikely that these amounts will be recovered within the foreseeable future. With the exception of US capital losses (gross losses of £4.7m; £1.0m taxed), which expire after five years, the losses are not subject to time limits.

18. Retirement Benefit Obligations

Accounting policy

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

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

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 the fair value of plan assets (for funded schemes) at the balance sheet date. If a plan is in surplus, the asset recognised is limited to the value of any amount expected to be recoverable by the Group by way of refunds or reduction in future contributions.

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

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.

Background information

In a defined benefit plan the members are guaranteed a certain level of benefits that depend on a number of factors such as service, salary and inflation. Defined benefit plans can be supported by an asset fund that will be used to pay member benefits or can be unfunded, in which case obligations to members are paid by the sponsoring employer as they fall due. In a defined benefit plan, because the level and duration of the members' benefits are uncertain, the risk of any increase or decrease in the cost of providing those benefits stays with the employer. This contrasts with a defined contribution plan where the employer's only obligation is to pay the amount agreed in the employment contract into a pension plan.

Any change in the total expected cost of providing defined benefits can produce either funding shortfalls or surpluses. In the case of an expected funding shortfall, the Company is usually required to agree a deficit recovery plan which can vary from country to country. This is usually in the form of additional contributions to make good the shortfall over an agreed period of time (sometimes referred to as a funding plan or a minimum funding requirement) and can also include an allowance for future asset returns. In the case of a surplus, mechanisms are available in all of the Renold schemes to return that surplus to, or utilise it for the benefit of, the Group.

18. Retirement benefit obligations continued

UK pension plans

The principal UK fund is the Renold Pension Scheme (RPS). The RPS was formed in June 2013 by the merger of three predecessor plans, all of which were already closed to future accrual and to new members. The RPS is a funded defined benefit plan with assets held in separate administered funds.

The Trustees are chaired by an independent professional trustee firm and have access to a range of professional advisers. The Trustee Board is required to consult the Company in matters such as investment policy and to obtain agreement to any amendments to benefits. The Company can make proposals to the Trustees on a range of issues but cannot insist on their adoption. The majority of Trustees are either independent or member nominated with Company nominated Trustees being in the minority. To mitigate the risk of potential conflicts of interests, no Directors of Renold plc are Trustees of the RPS.

The RPS is underpinned by a 25-year asset-backed partnership structure (the Scottish Limited Partnership, 'SLP'). The partnership holds an intercompany loan from Renold International Holdings Limited, the holding company for most of the Group's overseas trading companies. The capital rights to the assets in the SLP belong to Renold plc except in the event of a corporate insolvency of the pension scheme sponsor (Renold plc). The income rights in the SLP belong to the RPS. The loan generated interest income of £3.4m for the pension fund in the current year, with annual increases linked to RPI plus 1.5% and capped at 5%. The income stream is used to fund deficit repair payments and the first £0.5m of annual administrative expenses (with the Company bearing the excess, if any arises). In the event that the RPS becomes fully funded on a buyout basis, the income stream will instead accrue to Renold plc. The SLP was put in place with the expectation that the period to recover the funding shortfall was 25 years from the time of merger in June 2013. The SLP therefore helps reduce the volatility in short-term cash funding by following an agreed payment plan over a longer period of time. The interest in the SLP held by the RPS is not reported as a plan asset in the Group's consolidated financial statements as it is a non-transferable interest issued by the Group.

This arrangement replaced all other existing funding arrangements for the RPS. The SLP therefore represents the entirety of the committed cash element of the funding plan for the RPS. The funding plan also assumes an allowance for asset outperformance of 1.0% (that is, assets are expected to return an amount of 1.0% more than the discount rate applied to the liabilities). Separately to the SLP but put in place at the same time, the Group has also agreed that if adjusted operating profits reach £16.0m in any year following the year ended 31 March 2017, additional annual contributions of £1.0m will become payable (monthly in arrears) while profits remain above this level. Prior to the SLP, the contributions had been at a higher level. However, the Trustees agreed to lower contributions for longer under the SLP. The £1.0m increase matches the approximate £1.0m reduction agreed when the SLP was established. Finally, as part of the overall agreement, Renold plc is not constrained from paying a dividend, other than by normal legal considerations. Renold has agreed to make additional contributions equal to 25% of the value of any dividend paid in order to accelerate the deficit recovery plan. The deficit will be reduced as the cash contributions under the scheme are made, enhanced or offset by actual performance compared to asset returns and actuarial assumptions.

In the prior year, reflecting the uncertainty in short-term outlook caused by the Covid-19 pandemic, Renold approached the Trustees with a request to defer contributions to the UK scheme for the year ended 31 March 2021. The Trustees supported this proposal and it was agreed that the deferred contributions would be settled over the five-year period which commenced on 1 April 2022. Certain other conditions were required to secure the deferral including an additional contribution to the scheme of 25% of any dividends paid (above the already existing 25%) until such time as the deferred contributions have been made good.

Total cash costs for UK deficit repair payments and UK administrative expenses in the current year were £3.8m (2021: £1.1m). The current year figure includes the £3.4m noted above in connection with the SLP, and a further £0.4m in respect of pension administration costs. The best estimate of contributions to be paid into the UK plan for the year ending 31 March 2023 is £4.1m (£3.5m in connection with the SLP and £0.6m of the deferred contributions from the prior year).

In the prior year, following the High Court judgment, the Group recognised a further £0.3m charge past service cost relating to GMP equalisation. There is no such equivalent charge in the current year.

The latest triennial actuarial valuation of the RPS, with an effective date of 5 April 2019, concluded that contributions to the scheme should continue unchanged and no additional contributions in excess of the previously agreed asset backed funding structure were deemed necessary. The next triennial valuation date will be 5 April 2022.

Overseas pension plans

Germany

In Germany, in addition to participating in the state backed pension scheme, the Group operates an unfunded defined benefit scheme (no other Group company operates such a scheme). 'Unfunded' means that the scheme has no asset backing to pay benefits and instead the Group pays member benefits as they fall due. The scheme closed to new members on 1 April 1992. A German court confirmed that the pension scheme was properly closed to future accrual with effect from 31 March 2014. Following the acquisition of the Tooth Chain business in 2016, the unfunded defined benefit scheme operated by that business transferred to our German subsidiary.

In aggregate, the two (2021: two) German pension schemes have a net liability of £22.4m (2021: £22.9m). The decrease in the net deficit most significantly reflects settlement of liabilities through pension payments .

Total cash pension payments in the year were £1.2m (2021: £1.3m). The best estimate of pension payments for the year ending 31 March 2023 is £1.2m.

United States of America

The Group operates two defined benefit pension schemes in the US Torque Transmission business. The schemes are both closed to new members and one is also closed to future accrual. Funds are being used to accelerate the deficit reduction in the fully closed US scheme with the intention to terminate and secure member benefits as soon as this is cost-effective.

In aggregate, the two (2021: two) defined benefit schemes in the US have combined assets of £12.6m (2021: £12.1m) and liabilities of £13.2m (2021: £13.6m), giving a net deficit of £0.6m (2021: £1.5m). The decrease in the net deficit was driven by the increase in the discount rate used to discount the schemes' liabilities.

Total cash costs for contributions in the year were £0.2m (2021: £0.2m). The best estimate of contributions to be paid into the plan for the year ending 31 March 2023 is £0.2m.

The US Chain business operates a defined contribution scheme.

Other overseas schemes

In aggregate, the other overseas defined benefit schemes have combined assets of £2.8m (2021: £2.8m) and liabilities of £2.8m (2021: £3.3m) giving a net deficit of £nil (2021: £0.5m).

Total cash costs for contributions in the year were £0.1m (2021: £0.1m). The best estimate of contributions to be paid into the plans for the year ending 31 March 2023 is £0.1m.

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

Actuarial disclosures

The pension 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 are presented on a weighted average basis where appropriate. Plan assets are stated at their market values at the respective balance sheet dates.

The weighted average durations are 15 years (2021: 15 years) for the UK pension scheme and 13 years (2021: 13 years) for the German schemes.

They can therefore be regarded as mature schemes.

Risk management

The pensions schemes are exposed to the following categories of risk:

- Asset risk, including investment returns volatility, counterparty credit risk, foreign exchange risks;
- Liability risk, including mortality assumptions, inflation, interest rates; and
- Regulatory risk, including increased contribution rates required to meet regulatory funding targets.

These risks are managed separately for each pension scheme. However, the Group has adopted a common approach of closing defined benefit schemes to cap members' entitlements and supporting trustees in adopting investment strategies which aim to match assets to future obligations, after allowing for the funding position of the scheme.

18. Retirement benefit obligations continued

Significant assumptions

The principal financial assumptions used to calculate plan liabilities as at 31 March 2022 are presented below. The assumptions adopted 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. The present values of the plans' liabilities are derived from cash flow projections over long periods and are thus inherently uncertain.

	UK		Germany		Other Overseas	
	2022	2021	**2022**	2021	**2022**	2021
Rate of increase in pensionable salaries[1]	**–**	–	**–**	–	**2.00%**	2.00%
Rate of increase in pensions in payment and deferred pensions	**2.05%**	1.75%	**1.25%**	1.25%	**–**	–
Discount rate	**2.75%**	2.00%	**1.75%**	1.20%	**3.35%**	2.80%
Inflation assumption[2]	**3.25%**	2.70%	**2.00%**	1.25%	**2.00%**	2.00%

1. No increase applies following the closure of the UK and German defined benefit pension schemes to future accrual.
2. The inflation assumption used for UK schemes is based on CPI (2021: CPI).

The predominant defined benefit obligation for funded plans within the Group resides in the UK (£198.5m of the £214.4m Group obligation for funded plans). In addition to the assumptions shown previously, mortality assumptions have a significant bearing on the calculated obligation. The assumed life expectancy for the RPS members on retirement at age 65 is as follows:

	2022	2021
Males		
Currently aged 45	**21.1**	21.0
Currently aged 65	**20.2**	20.1
Females		
Currently aged 45	**23.9**	23.8
Currently aged 65	**22.7**	22.7

Consistent with the assumption used for the prior year, the post-retirement mortality tables used for the UK plan are the S3PA series tables published by the UK actuarial profession with a 17.5% uplift in mortality reflecting scheme-specific experience and with an additional 25% weighting adjustment for 2020 in recognition of the Covid-19 pandemic. Historically, the RPS experiences mortality in excess of the national average. The mortality rates for the RPS are based on average year of birth for both non-pensioners and pensioners with an allowance for future annual improvements in life expectancy.

In Germany and the United States, the mortality expectations for the scheme are in line with the national averages.

Sensitivity analysis on UK scheme

Sensitivities in respect of the key assumptions used to measure the pension schemes as at 31 March 2022 are set out below. These sensitivities show the hypothetical impact of a change in each of the listed assumptions in isolation, with the exception of the sensitivity to inflation which incorporates the impact of certain correlating assumptions. The assumptions used for the sensitivity analysis have been chosen as they are considered to represent a reasonable approximation of possible changes. In practice, such assumptions rarely change in isolation and the sensitivities are indicative only. It is reasonably possible, for example, that discount rates could move up to 1%.

Assumption	Change in assumption	Impact on plan liabilities
Discount rate	Increase/decrease by 0.5%	Decrease by £12.4m/increase by £13.9m
Rate of inflation	Increase/decrease by 0.5%	Increase by £9.1m/decrease by £8.4m
Rate of mortality	Decrease/increase by one year[1]	Increase by £10.3m/decrease by £10.0m

1. This is broadly equivalent to a change in life expectancy of one year at age 65.

The 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 and since it is not intended to realise the assets in the short term, the value may change significantly before being realised.

The fair values of plan assets were:

	2022			2021		
	UK £m	Overseas £m	Total £m	UK £m	Overseas £m	Total £m
Medically underwritten insurance policies	**38.7**	**–**	**38.7**	41.8	–	41.8
Quoted equities	**33.1**	**8.4**	**41.5**	43.6	8.4	52.0
Hedge funds and diversified growth funds	**43.0**	**–**	**43.0**	9.2	–	9.2
Corporate bonds	**–**	**–**	**–**	21.5	0.1	21.6
Gilts and liability driven investments	**13.3**	**4.1**	**17.4**	17.5	4.3	21.8
Cash	**6.3**	**2.9**	**9.2**	2.7	2.1	4.8
Total market value of assets	**134.4**	**15.4**	**149.8**	136.3	14.9	151.2

The medically underwritten insurance policies are directly linked to a subset of scheme members and provide income to the scheme towards the pension payments for these members. The assumptions used for valuing the insurance policies as a plan asset under IAS 19 are derived allowing for the specific characteristics of the members covered by the policies. The IAS 19 liability in respect of these members is calculated using assumptions appropriate for the scheme as a whole. The discount rate used to value the policies as an asset is the full iBoxx AA corporate bond best rating yield curve. The post-retirement mortality tables used for valuing the policies are the S3 Light tables published by the UK actuarial profession.

Equities are investments in quoted equities only and are the only plan assets with quoted market prices in active markets. Hedge funds and diversified growth funds hold a range of assets which aim to deliver returns above those of bonds but at lower volatility than equities. The assets held materially reflect the underlying liabilities, in that lower risk assets, such as gilts and bonds, are deemed to be a match for pensioner liabilities whereas equities are deemed a better match for the liabilities associated with scheme members not yet in retirement.

Liability Driven Investments (LDI) are a portfolio of assets that are linked to the drivers of movements in pension liabilities, such as inflation and interest rates. These are assets designed to deliver geared movements in the underlying liabilities as they reflect changes to inflation and interest rates.

Pension obligations

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

	2022			2021		
	UK £m	Overseas £m	Total £m	UK £m	Overseas £m	Total £m
Opening obligation	**(213.8)**	**(39.8)**	**(253.6)**	(196.9)	(42.4)	(239.3)
Current service cost	**–**	**(0.1)**	**(0.1)**	–	(0.1)	(0.1)
Past service cost	**–**	**–**	**–**	(0.3)	–	(0.3)
Interest expense	**(4.2)**	**(0.7)**	**(4.9)**	(4.6)	(0.9)	(5.5)
Remeasurement gains/(losses) by changes in:						
– Experience	**–**	**(0.1)**	**(0.1)**	–	0.6	0.6
– Demographic assumptions	**–**	**–**	**–**	3.0	(0.2)	2.8
– Financial assumptions and expenses	**9.6**	**0.6**	**10.2**	(24.9)	(1.3)	(26.2)
Benefits paid	**9.9**	**2.3**	**12.2**	9.9	2.3	12.2
Exchange adjustment	**–**	**(0.6)**	**(0.6)**	–	2.2	2.2
Closing obligation	**(198.5)**	**(38.4)**	**(236.9)**	(213.8)	(39.8)	(253.6)
The total defined benefit obligation can be analysed as follows:						
Funded pension plans	**(198.5)**	**(15.9)**	**(214.4)**	(213.8)	(16.7)	(230.5)
Unfunded pension plans	**–**	**(22.5)**	**(22.5)**	–	(23.1)	(23.1)
	(198.5)	**(38.4)**	**(236.9)**	(213.8)	(39.8)	(253.6)

The UK liabilities above include £38.7m that are fully insured (2021: £41.8m).

18. Retirement benefit obligations continued

Pension assets

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

	2022			2021		
	UK £m	Overseas £m	Total £m	UK £m	Overseas £m	Total £m
Opening assets	136.3	14.9	151.2	128.9	12.8	141.7
Interest income	2.7	0.4	3.1	3.0	0.3	3.3
Remeasurement gains/(losses)	1.9	0.3	2.2	13.7	3.5	17.2
Employer contributions	3.4	0.3	3.7	0.6	0.2	0.8
Benefits paid	(9.9)	(1.2)	(11.1)	(9.9)	(1.0)	(10.9)
Exchange adjustment	–	0.7	0.7	–	(0.9)	(0.9)
Closing assets	134.4	15.4	149.8	136.3	14.9	151.2
Balance sheet reconciliation:						
Plan obligations	(198.5)	(38.4)	(236.9)	(213.8)	(39.8)	(253.6)
Plan assets	134.4	15.4	149.8	136.3	14.9	151.2
Net plan deficit	(64.1)	(23.0)	(87.1)	(77.5)	(24.9)	(102.4)

The net amount of remeasurement gains and losses taken to other comprehensive income is as follows:

	2022			2021		
	UK £m	Overseas £m	Total £m	UK £m	Overseas £m	Total £m
On plan obligations	9.6	0.5	10.1	(21.9)	(0.9)	(22.8)
On plan assets	1.9	0.3	2.2	13.7	3.5	17.2
Net gains/(losses)	11.5	0.8	12.3	(8.2)	2.6	(5.6)

The actual return on plan assets was £5.3m (2021: £20.5m) which equates to 3.5% (2021: 14.4%) of plan assets.

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

	2022 £m	2021 £m
Operating costs		
Pension administration costs	(0.7)	(0.5)
Current service cost	(0.1)	(0.1)
Past service cost	–	(0.3)
	(0.8)	(0.9)

19. Called up share capital

At 31 March 2022, the issued ordinary share capital comprised 225,417,740 ordinary shares of 5p each (2021: 225,417,740).

	Issued and fully paid	
	2022 £m	2021 £m
Ordinary shares of 5p each	11.3	11.3
Preference stock[1] of £1 each	0.5	0.5

1. See Note 14 for details of the preference stock in issue.

20. Share-based payments

Accounting policy

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 calculated using a Black–Scholes pricing model and is recognised as an expense over the vesting period. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options or performance shares granted. At each balance sheet date, the Group revises its estimate 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. Options with market conditions are accounted for 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 market-based conditions are linked to the market price of shares in 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.

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

Executive share option schemes	2022	2021	2021	2021	2021	2021	2021
Grant date	23.07.21	24.07.20	24.07.20	24.07.20	28.08.20	30.09.20	13.11.20
Share price at date of grant	21.2p	10.85p	10.85p	10.85p	8.65p	10.85p	11.85p
Exercise price	0.0p	0.0p	0.0p	0.0p	0.0p	0.0p	0.0p
Number of employees	18	3	4	5	4	16	1
Shares under option	5,872,678	37,841	80,735	235,805	467,686	3,911,063	666,667
Vesting period (years)	3.0	–	0.9	1.9	3.0	3.0	3.0
Expected volatility	65%	0%	90%	71%	63%	64%	65%
Option life (years)	10.0	10.0	10.0	10 .0	10 .0	10.0	10.0
Risk free interest rate	1.85%	0.77%	0.77%	0.77%	0.77%	0.77%	0.77%
Assumed dividends expressed as a dividend yield	Zero	Zero	Zero	Zero	Zero	Zero	Zero
Fair value per option	21.2p	10.85p	10.85p	10.85p	8.65p	10.85p	11.85p

The awards issued on 24 July 2020 and 28 August 2020 relate to a Management Incentive Bonus Plan; upon the achievement of predetermined performance conditions any eligible employees are paid a proportion of their bonus in the form of deferred share options. The deferred share option awards are subject to service conditions only.

The expected volatility is an annualised figure calculated using historical volatility over the expected life of the Awards. 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 is shown below:

	2022		2021	
Executive share option schemes	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding at 1 April	16,708,048	1.8p	13,942,856	2.2p
Granted	5,872,678	0.0p	5,399,797	0.0p
Exercised	–	0.0p	–	0.0p
Expired	(4,045,884)	0.0p	(2,387,698)	0.0p
Forfeited	(480,861)	0.0p	(246,907)	0.0p
Outstanding at 31 March	18,053,981	1.7p	16,708,048	1.8p
Exercisable at 31 March	3,208,047	9.4p	3,127,312	9.6p

The outstanding shares at 31 March 2022 relate to the 2 executive share option schemes granted between 21 January 2013 and 23 July 2021, including the schemes granted in 2022 and 2021 as reported in the table above.

20. Share-based payments continued

Range of exercise prices	2022 Weighted average exercise price	2022 Number of shares	2021 Weighted average exercise price	2021 Number of shares
Nil	**0.0p**	**16,908,943**	0.0p	15,563,010
20p to 30p	**26.2p**	**1,145,038**	26.2p	1,145,038

The weighted average contractual life remaining is 7.3 years (2021: 7.4 years).

Nil options have been exercised in the period (2021: Nil). The total charge for the year relating to employee share-based payment plans, including accrual for related employer liabilities, was £1.2m (2021: £0.5m credit), all of which related to equity settled share-based transactions. At 31 March 2022 a share option reserve of £1.9m (31 March 2021: £0.8m) was included in retained earnings.

The middle market price of ordinary shares at 31 March 2022 was 20.5p and the range of prices during the year was 19.5p to 34.0p.

Details of the share-based payment arrangements for Executive Directors are provided in the Directors' Remuneration Report on pages 80 to 97.

21. 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.

As part of its long term financial planning the Company has reorganised its balance sheet and reserves through the cancellation of the entire amount of its share premium account and capital redemption reserve. The share premium account and capital redemption reserve were non-distributable reserves and accordingly, the purposes for which the Company could use these were extremely restricted. The reduction of capital creates sufficient distributable reserves to provide the Board with greater flexibility with regard to how it manages its capital resources. This provided flexibility in such matters as making payments to the holders of Preference Stock, commencing a share buy-back programme consistent with the authority granted by Shareholders at the last Annual General Meeting, in order to, inter alia, fund employee share schemes, thereby avoiding dilution for existing Shareholders or, should the Board determine it appropriate to do so in the future, make dividend distributions to Shareholders.

The order of the High Court confirming the above capital reorganisation became effective on 27 May 2021, increasing distributable reserves by £45.5m.

Other reserves record 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 2022 amounted to £3.5m (2021: £3.5m).

Included in retained earnings is an amount of £3.5m (net of tax) (2021: £3.5m) 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.

The other reserves are stated after deducting £4.9m (31 March 2021: £0.035m) relating to shares held in the Renold plc Employee Benefit Trust. The Renold Employee Benefit Trust holds Renold plc shares and satisfies awards made under various employee incentive schemes when issuance of new shares is not appropriate.

22. Contingent liabilities and commitments

Performance guarantees given to third parties in respect of Group companies were £nil (2021: £nil).

Various UK Group companies have given guarantees to the merged UK pension scheme to cover the full cost of buying out the liabilities in the event that the sponsoring employers default on the agreed deficit repair plan. As one of the sponsoring employers of the UK scheme is Renold plc, the continuing obligation is effectively unchanged and is to fully fund the members' accrued benefits.

23. Additional cash flow information

Reconciliation of operating profit to net cash flows from operations:

	2022 £m	(Restated[1]) 2021 £m
Cash generated from operations:		
Operating profit from continuing and discontinued operations	16.2	10.7
Depreciation of property, plant and equipment – owned assets	5.3	5.5
Depreciation of property, plant and equipment – right-of-use assets	2.6	2.8
Amortisation of intangible assets	1.6	2.3
(Profit)/loss on disposals of plant and equipment	(0.9)	0.1
Impairment of right-of-use asset	1.7	–
US Government assistance – PPP Covid support	(1.7)	–
Equity share plans	1.1	–
(Increase)/decrease in inventories	(9.5)	6.3
(Increase)/decrease in receivables	(4.5)	4.2
Increase/(decrease) in payables	13.7	(5.0)
Increase in provisions	0.1	0.8
Cash contribution to pension schemes	(4.8)	(2.1)
Pension current service cost (non-cash)	0.1	0.1
Pension past service cost (non-cash)	–	0.3
Cash generated from operations	21.0	26.0

1. The results for the year ended 31 March 2021 have been restated. Refer to Note 27 and accounting policies for details of the restatements.

Reconciliation of net change in cash and cash equivalents to movement in net debt:

	2022 £m	2021 £m
(Decrease)/increase in cash and cash equivalents (Consolidated Statement of Cash Flows)	(8.2)	1.5
Change in net debt resulting from cash flows:		
– Proceeds from borrowings	(4.7)	(2.8)
– Repayment of borrowings	16.0	19.9
US Government assistance – PPP Covid support	1.7	–
Foreign currency translation differences	0.1	(0.2)
Non-cash movement on capitalised finance costs	(0.3)	(0.2)
Change in net debt during the period	4.6	18.2
Net debt at start of year	(18.4)	(36.6)
Net debt at end of year	(13.8)	(18.4)
Net debt comprises:		
Cash and cash equivalents (Note 13)	10.5	19.9
Total borrowings (Note 14)	(24.3)	(38.3)
	(13.8)	(18.4)

The table on the next page details changes in the Group's assets and liabilities arising from financing activities, including both cash and non-cash changes. Assets and liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

23. Additional cash flow information continued

2022	Opening balance £m	Accrued interest £m	Financing cash flows £m	New leases £m	Lease disposal £m	US Government assistance – PPP Covid support £m	Other non-cash changes[1] £m	Closing balance £m
Bank loans (Note 14)	35.7	1.1	(12.2)	–	–	(1.7)	(0.1)	22.8
Capitalised costs (Note 14)	(0.5)	–	(0.1)	–	–	–	0.6	–
Preference stock (Note 14)	0.5	–	–	–	–	–	–	0.5
Lease liabilities (Note 10)	15.4	0.5	(4.7)	2.3	(1.7)	–	0.2	12.0
Total (assets)/liabilities from financing activities	51.1	1.6	(17.0)	2.3	(1.7)	(1.7)	0.7	35.3
Overdrafts (Note 14)	2.6							1.0
Less: Lease liabilities (Note 10)	(15.4)							(12.0)
Total borrowings (Note 14)	38.3							24.3
Add: Cash and cash equivalents (Note 14)	(19.9)							(10.5)
Net debt	18.4							13.8

1. Non-cash changes include the amortisation of capitalised finance costs and foreign exchange translation.

2021	Opening balance £m	Accrued interest £m	Financing cash flows £m	New leases £m	Other non-cash changes[1] £m	Closing balance £m
Bank loans (Note 14)	51.9	1.6	(18.6)	–	0.8	35.7
Capitalised costs (Note 14)	(0.7)	–	–	–	0.2	(0.5)
Preference stock (Note 14)	0.5	–	–	–	–	0.5
Lease liabilities (Note 10)	17.1	0.4	(3.7)	1.6	–	15.4
Total liabilities from financing activities	68.8	2.0	(22.3)	1.6	1.0	51.1
Overdrafts (Note 14)	0.5					2.6
Less: Lease liabilities (Note 10)	(17.1)					(15.4)
Total borrowings (Note 14)	52.2					38.3
Add: Cash and cash equivalents (Note 14)	(15.6)					(19.9)
Net debt	36.6					18.4

1. Non-cash changes include the amortisation of capitalised finance costs and foreign exchange translation.

24. Financial instruments

Accounting policy – derivative financial instruments and hedging activities

The Group is exposed to foreign currency risks arising from sales or purchases by businesses in currencies other than their functional currency. It is Group policy that, when the net foreign exchange exposure to known future sales and purchases is material, this exposure is hedged using forward foreign exchange contracts. The Group also has significant investments in overseas operations, particularly in the United States and Europe. As a result, the sterling value of the Group's balance sheet can be significantly affected by movements in exchange rates. The Group seeks to mitigate the effect of these translational currency exposures by matching the net investment in overseas operations with borrowings denominated in their functional currencies.

The derivative financial instruments (forward foreign exchange contracts and borrowings) are 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:

(I) 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 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.

(II) 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 loss of control of the foreign operation, the cumulative value of any such gains or losses recognised directly in other comprehensive income 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.

The Group's 6% cumulative preference stock of £1 each 'preference stock' has been classified as a liability. Dividends payable are included within net finance costs.

Accounting policy – fair value of financial assets and liabilities

The fair values of financial assets and financial liabilities are the amounts at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. IFRS 13 'Fair value measurement' requires fair value measurements to be classified according to the following hierarchy:

- *Level 1 – quoted prices in active markets for identical assets or liabilities;*
- *Level 2 – valuations in which all inputs are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices); and*
- *Level 3 – valuations in which one or more inputs that are significant to the resulting value are not based on observable market data.*

See Note 24(A) for information on the methods the Group uses to estimate the fair values of its financial instruments.

These notes should be read in conjunction with the narrative disclosures in the Finance Director's Review on pages 28 to 33.

24. Financial instruments continued

(A) Category and fair value of financial instruments

Set out below is a comparison by category of the carrying amounts and fair values of the Group's financial instruments:

	Note	At 31 March 2022 IFRS 13 classification for determining fair value	At amortised cost £m	At fair value through profit or loss £m	Total carrying value £m	Fair value £m
Financial assets						
Cash and cash equivalents	13	Level 1	10.5	–	10.5	10.5
Trade and other financial receivables	12	Level 2	34.4	–	34.4	34.4
Forward foreign currency contracts: cash flow hedge	24(B)	Level 2	–	–	–	–
Total financial assets			44.9	–	44.9	44.9
Financial liabilities						
Trade and other payables	15	Level 2	(33.9)	–	(33.9)	(33.9)
Floating rate bank overdraft	14	Level 2	(1.0)	–	(1.0)	(1.0)
Floating rate long-term borrowings	14	Level 2	(22.8)	–	(22.8)	(22.8)
Preference stock	14	Level 2	(0.5)	–	(0.5)	(0.5)
Lease liabilities	10	Level 2	(12.0)	–	(12.0)	(12.0)
Forward foreign currency contracts: cash flow hedge	24(B)	Level 2	–	(0.5)	(0.5)	(0.5)
Total financial liabilities			(70.2)	(0.5)	(70.7)	(70.7)

	Note	At 31 March 2021 IFRS 13 classification for determining fair value	At amortised cost £m	At fair value through profit or loss £m	Total carrying value £m	Fair value £m
Financial assets						
Cash and cash equivalents	13	Level 1	19.9	–	19.9	19.9
Trade and other financial receivables	12	Level 2	29.6	–	29.6	29.6
Forward foreign currency contracts: cash flow hedge	24(B)	Level 2	–	–	–	–
Total financial assets			49.5	–	49.5	49.5
Financial liabilities						
Trade and other payables	15	Level 2	(21.9)	–	(21.9)	(21.9)
Floating rate bank overdraft	14	Level 2	(2.6)	–	(2.6)	(2.6)
Floating rate long-term borrowings	14	Level 2	(35.7)	–	(35.7)	(35.7)
Preference stock	14	Level 2	(0.5)	–	(0.5)	(0.5)
Lease liabilities	10	Level 2	(15.4)	–	(15.4)	(15.4)
Forward foreign currency contracts: cash flow hedge	24(B)	Level 2	–	(0.1)	(0.1)	(0.1)
Total financial liabilities			(76.1)	(0.1)	(76.2)	(76.2)

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

The fair value of derivatives has been calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

(B) Derivative financial instruments

Forward foreign exchange contracts

The Group uses forward foreign exchange contracts to hedge future foreign currency sales and purchases. At 31 March 2022, contracts with a nominal value of £16.1m (2021: £12.9m) were designated as hedging instruments. The contracts are denominated in the currencies of the Group's principal markets. The US Dollar/Euro contracts cover the intra-group purchases in Euros by our US operations. The US Dollars/Sterling contracts cover intra-group purchases in Sterling by our US operations. The following tables detail the foreign currency forward contracts outstanding at the end of the reporting period. Foreign currency forward contract assets and liabilities are presented in the line 'Derivative financial instruments' (either as asset or as liabilities) within the consolidated balance sheet:

	Average exchange rate		Contractual or notional value		Fair value assets/(liabilities)	
	2022 Rate	2021 Rate	**2022 £m**	2021 £m	**2022 £m**	2021 £m
Forward foreign currency contracts: cash flow hedge						
Sell US Dollar: Buy Sterling	**1.364**	1.362	**3.1**	2.9	**(0.1)**	–
Sell US Dollar: Buy Euro	**1.160**	1.191	**10.1**	6.2	**(0.4)**	(0.1)
Sell Sterling: Buy Euro	**0.855**	0.884	**2.3**	1.6	**–**	–
Sell Aus Dollar: Buy US Dollar	**0.719**	0.781	**0.1**	0.3	**–**	–
Sell Aus Dollar: Buy Euro	**0.670**	0.639	**0.2**	0.5	**–**	–
Sell Aus Dollar: Buy Sterling	**0.560**	0.558	**–**	0.3	**–**	–
Sell Aus Dollar: Buy Chinese Renminbi	**4.621**	5.141	**0.1**	0.8	**–**	–
Sell NZ Dollar: Buy Euro	**0.598**	0.592	**–**	0.1	**–**	–
Sell NZ Dollar: Buy Sterling	**0.508**	0.514	**–**	0.1	**–**	–
Sell NZ Dollar: Buy Aus Dollar	**0.937**	0.923	**0.1**	0.1	**–**	–
			16.1	12.9	**(0.5)**	(0.1)

In accordance with IFRS 7 Financial Instruments: Disclosures, the Group's financial instruments are considered to be classified as level 2 instruments.

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument. The foreign exchange forward contracts have similar critical terms to the hedged items, such as the notional amounts and maturities. Therefore, there is an economic relationship and the hedge ratio is established as 1:1. The main sources of hedge ineffectiveness in these hedging relationships is the effect of the counterparty and the Group's own credit risk on the fair value of the foreign exchange forward contracts, which is not reflected in the fair value of the hedged item attributable to changes in foreign exchange rates and the risk of over-hedging where the hedge relationship requires rebalancing. No other sources of ineffectiveness emerged from these hedging relationships. Any hedge ineffectiveness is recognised immediately in the income statement in the period that it occurs. Of the foreign exchange contracts designated as hedging instruments at the current and prior reporting period end, 100% were for periods of 12 months or less.

The cash flow hedges of the expected future transactions in US Dollars and Euros in the prior year were assessed to be highly effective. In the year, £nil (2021: £nil) was transferred to operating costs in the income statement.

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 2022 was £6.8m (2021: £6.5m), maturing in October 2021.

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument. The borrowings have the same notional amount as the hedged items and therefore, there is an economic relationship with the hedge ratio established as 1:1. No sources of hedge ineffectiveness emerged from this hedging relationship. Any hedge ineffectiveness is recognised immediately in the income statement in the period that it occurs.

For the year ended 31 March 2022 £0.3m of exchange loss (2021: £0.7m gain) on translation of the borrowings into Sterling is included as part of the hedging reserve movement in other comprehensive income as the hedge was deemed to be effective.

24. Financial instruments continued

(C) Maturity of financial liabilities

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

	2022				
	One year or less on demand £m	One to two years £m	Two to five years £m	More than five years £m	Total £m
Trade and other payables[3]	29.2	2.2	2.8	–	34.2
Floating rate bank overdraft	1.0	–	–	–	1.0
Floating rate long-term borrowings[2]	0.4	0.4	23.6	–	24.4
Preference stock[1]	–	–	–	0.5	0.5
Lease liabilities	3.0	2.5	4.9	3.2	13.6
Forward foreign currency contracts: cash flow hedge	16.1	–	–	–	16.1
	49.7	5.1	31.3	3.7	89.8

1. The preference stock bears interest at a fixed rate of 6% (interest has been excluded from the above analysis) and has no fixed repayment date (see Note 14).
2. Contractual cash flows include annual interest payments, calculated using the interest rates applying to the loans at the period end.
3. The non-current other payable relates to the deferred element of the construction costs for the new Chinese factory in Jintan.

	2021				
	One year or less on demand £m	One to two years £m	Two to five years £m	More than five years £m	Total £m
Trade and other payables[3]	16.5	–	–	5.4	21.9
Floating rate bank overdraft	2.6	–	–	–	2.6
Floating rate long-term borrowings[2]	0.7	0.7	37.1	–	38.5
Preference stock[1]	–	–	–	0.5	0.5
Lease liabilities	2.8	1.5	5.5	8.9	18.7
Forward foreign currency contracts: cash flow hedge	12.9	–	–	–	12.9
	35.5	2.2	42.6	14.8	95.1

1. The preference stock bears interest at a fixed rate of 6% (interest has been excluded from the above analysis) and has no fixed repayment date (see Note 14).
2. Contractual cash flows include annual interest payments, calculated using the interest rates applying to the loans at the period end.
3. The non-current other payable relates to the deferred element of the construction costs for the new Chinese factory in Jintan.

(D) Currency and interest rate profile of financial liabilities of the group

	2022			2021		
Overdraft, borrowings and preference stock by currency	Fixed rate £m	Floating rate £m	Total £m	Fixed rate £m	Floating rate £m	Total £m
Sterling						
– Financial liabilities	–	15.7	15.7	–	25.3	25.3
– Preference stock	0.5	–	0.5	0.5	–	0.5
US Dollar	–	7.0	7.0	–	8.3	8.3
Euro	–	–	–	–	4.3	4.3
Other	–	1.1	1.1	–	0.4	0.4
	0.5	23.8	24.3	0.5	38.3	38.8

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 risk.

Interest rate risk

Interest rate risk arises on borrowings and cash balances (and derivative liabilities and assets) which are at floating interest rates. Changes in interest rates could have the effect of either increasing or decreasing the Group's net profit. Under the Group's interest rate management policy, the interest rates on each of the Group's major currency monetary assets and liabilities are managed to achieve the desired mix of fixed and variable rates for each major net currency exposure. Exposure to the risk of changes in market interest rates relates primarily to the Group's Sterling, US Dollar and Euro debt obligations. Measurement of this interest rate risk and its potential impact due to volatility on the Group's reported financial performance is undertaken on a monthly basis and the Board uses this information to determine, from time to time, an appropriate mix of fixed and floating 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 12. 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. The Group has a policy to place cash on deposit and hold derivatives with members of the banking syndicate wherever possible.

Liquidity risk

Liquidity risk is defined as the risk that the Group might not be able to settle or meet its obligations on time or at a reasonable price. Liquidity risk arises as a result of mismatches between cash inflows and outflows from the business. This risk is monitored on a centralised basis through regular cash flow forecasting, a strategic plan, an annual budget agreed by the Board each year and a rolling re-forecast undertaken throughout the financial year. To mitigate the risk, the resulting forecast net bank cash/(debt) is measured against the liquidity headroom policy.

As at 31 March 2022, the Group had a committed but undrawn revolving credit facility of £37.8m. The Group also benefits from a UK overdraft and a number of overseas facilities totalling £2.7m (2021: £5.5m) with availability at year end of £2.3m. Together with net cash of £9.5m, available funds at 31 March 2022 were £49.6m. The Group manages longer-term liquidity through its committed bank facilities and will, if appropriate, raise funds on capital markets. The Group's principal committed bank facility of £61.5m matures in March 2024 (four years to maturity) and had drawings of £23.7m at 31 March 2022. Cash management pooling, netting and concentration techniques are used to minimise borrowings. As at 31 March 2022, the Group had gross cash of £10.5m.

(E) Currency and interest rate profile of financial assets

Cash at bank and in hand by currency	2022 £m	2021 £m
Sterling	**0.6**	6.9
Euro	**4.2**	8.7
US Dollar	**0.5**	1.5
Other	**5.2**	2.8
	10.5	19.9

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

24. Financial instruments continued

(F) Foreign currency risk and sensitivity

As a result of the significant operations in the US, Europe and China, the Group's balance sheet can be affected significantly by movements in the US Dollar/Sterling, Euro/Sterling, and US Dollar/Euro exchange rates. In order to manage these risks the Group enters into currency forward contracts designated as cash flow hedge relationships and foreign currency borrowings designated as net investment hedges.

The financial impact of changes in the mark to market value of the currency forward contracts for reasonably possible changes in the value of Sterling on the Group's result before tax and the Group's equity is set out in the following table. There is no effect on profit before tax because all currency forward contracts are designated as hedging instruments. The impact of translating the net assets of foreign operations into Sterling is excluded from the sensitivity analysis.

Decrease/(increase) in the value of US Dollar compared to other currencies:

	25% Decrease in US$ value		10% Increase in US$ value	
	2022 £m	2021 £m	**2022 £m**	2021 £m
Effect on equity of currency forward contracts	**(2.7)**	(2.2)	**1.9**	1.0
Effect on equity of net investment hedge	**1.4**	1.3	**(0.8)**	(0.7)

(G) 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:

		Effect on profit before tax	
	Increase in basis points	**2022 £m**	2021 £m
Sterling	+150	**(0.2)**	(0.3)
US Dollar	+150	**(0.1)**	(0.1)
Euro	+150	**–**	(0.1)
		(0.3)	(0.5)

(H) 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:

	2022 £m	2021 £m
Expiring within one year or less, or on demand	**1.8**	2.1
Expiring between one and two years	**–**	–
Expiring between two and five years	**38.3**	26.6
	40.1	28.7

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 2023.

(l) 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 the 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 2022 and 31 March 2021.

The capital structure of the Group consists of net debt, as disclosed in Note 14, and equity attributable to the owners of the parent, as disclosed in the Consolidated Statement of Changes in Equity.

The Group monitors capital using two gearing ratios which align with the two primary financial covenants on the Group's core banking facility. The core banking facility has been subject to two covenants, which are tested semi-annually: net debt to EBITDA (leverage) and EBITDA to net finance charges. While liquidity remained sufficient under the bank facility, the economic uncertainty arising from the Covid-19 pandemic resulted in the Group agreeing with its banking partners, in May 2020, to amend the covenant structure over the period to September 2021. The revised structure replaced the net debt to EBITDA and EBITDA to net financing charge tests with minimum rolling 12-month EBITDA and minimum available liquidity tests at quarterly test dates, creating additional flexibility in uncertain operating conditions. See Note 14 for further details of the Group's banking facilities. The Group is not subject to any other externally imposed capital requirements.

	2022 £m	2021 £m
Net debt (Note 23)	**13.8**	18.4
Total capital	**5.8**	(6.1)
Capital and net debt	**19.6**	12.3
Gearing ratio	**70%**	150%
Adjusted EBITDA, £m (Note 26)	**24.7**	21.3
Net debt to adjusted EBITDA	**0.6 times**	0.9 times

25. Post balance sheet events

On 10 November 2021 the Group signed a new sub-lease for the remaining nine years of the Bredbury site lease, with the existing tenant of five years standing. At 31 March 2022 it had become evident that the existing tenant was experiencing financial difficulties, resulting in an amount of rent outstanding at the balance sheet date. Subsequent to the year end, the tenant vacated the site and, accordingly, the recoverability of the lease receivable required further assessment. The Group initially recorded an impairment charge relating the lease receivable then, following forfeiture of the lease, re-instated a right-of-use asset for the leased property in line with professional advice received from the Group's surveyor. Refer to Note 10 for further details of the amounts recorded in relation to the Bredbury right-of-use asset.

There were no other significant post balance sheet events to report.

26. Alternative performance measures

In order to provide users of the accounts with a clear and consistent presentation of the performance of the Group's ongoing trading activity, the Group uses various alternative performance measures (APMs), including the presentation of the income statement in a three column format with 'Adjusted' measures shown separately from statutory items. Amortisation of acquired intangibles, restructuring costs, discontinued operations and material one-off items or remeasurements are included in a separate column as management seek to present a measure of performance which is not impacted by material non-recurring items or items considered non-operational. Performance measures for the Group's ongoing trading activity are described as 'Adjusted' and are used to measure and monitor performance as management believe these measures enable users of the financial statements to better assess the trading performance of the business. In addition, the Group reports sales and profit measures at constant exchange rates. Constant exchange rate metrics exclude the impact of foreign exchange translation, by retranslating the comparative to current year exchange rates.

The APMs used by the Group include:

APM	Reference	Explanation of APM
adjusted operating profit	A	Adjusted measures are used by the Group as a measure of underlying business performance, adding back items that do not relate to underlying performance
adjusted profit before taxation	B	
adjusted EPS	C	
return on sales	D	
operating profit gearing	D	
revenue at constant exchange rates	E	Constant exchange rate metrics adjust for constant foreign exchange translation and are used by the Group to better understand year-on-year changes in performance
adjusted operating profit at constant exchange rates	F	
return on sales at constant exchange rates	G	
EBITDA	H	EBITDA is a widely utilised measure of profitability, adjusting to remove non-cash depreciation and amortisation charges
adjusted EBITDA	H	
operating cash flow	H	
net debt	I	Net debt, leverage and gearing are used to assess the level of borrowings within the Group and are widely used in capital markets analysis
leverage ratio	J	
gearing ratio	K	
legacy pension cash costs	L	The cost of legacy pensions is used by the Group as a measure of the cash cost of servicing legacy pension schemes
average working capital ratio	M	Working capital as a ratio of rolling 12 month revenue is used to measure cash performance and balance sheet strength

APMs are defined and reconciled to the IFRS statutory measure as follows:

(A) Adjusted operating profit

	Year ended 31 March 2022			
	Chain £m	Torque Transmission £m	Head office costs and eliminations £m	Consolidated £m
Operating profit	20.5	4.1	(8.4)	16.2
Add back/(deduct):				
Amortisation of acquired intangible assets	0.1	–	–	0.1
US PPP Loan forgiveness	(1.7)	–	–	(1.7)
New lease arrangements on sublet properties	–	–	0.7	0.7
Adjusted operating profit	18.9	4.1	(7.7)	15.3

	Year ended 31 March 2021 (Restated[1])			
	Chain £m	Torque Transmission £m	Head office costs and eliminations £m	Consolidated £m
Operating profit	12.9	5.0	(7.2)	10.7
Add back/(deduct):				
Amortisation of acquired intangible assets	0.7	–	–	0.7
Adjusted operating profit	13.6	5.0	(7.2)	11.4

1. The results for the year ended 31 March 2021 have been restated. Refer to Note 27 and accounting policies for details of the restatements.

(B) Adjusted profit before taxation

	2022 £m	(Restated[1]) 2021 £m
Profit before taxation	12.4	6.1
Add back/(deduct):		
Amortisation of acquired intangible assets	0.1	0.7
US PPP Loan forgiveness	(1.7)	–
New lease arrangements on sublet properties	0.7	–
Adjusted profit before taxation	11.5	6.8

1. The results for the year ended 31 March 2021 have been restated. Refer to Note 27 and accounting policies for details of the restatements.

(C) Adjusted earnings per share

Adjusted EPS is reconciled to statutory EPS in Note 5.

26. Alternative performance measures continued

(D) Return on sales and adjusted operating profit gearing

	Year ended 31 March 2022			
	Chain £m	Torque Transmission £m	Head office costs and eliminations £m	Consolidated £m
Adjusted operating profit	**18.9**	**4.1**	**(7.7)**	**15.3**
Total revenue (including inter-segment sales)	**159.2**	**40.4**	**(4.4)**	**195.2**
Return on sales %	**11.9%**	**10.1%**	**–**	**7.8%**

	Year ended 31 March 2021 (Restated[1])			
	Chain £m	Torque Transmission £m	Head office costs and eliminations £m	Consolidated £m
Adjusted operating profit	13.6	5.0	(7.2)	11.4
Total revenue (including inter-segment sales)	130.0	39.1	(3.8)	165.3
Return on sales %	10.5%	12.8%	–	6.9%

1. The results for the year ended 31 March 2021 have been restated. Refer to Note 27 and accounting policies for details of the restatements.

	Year ended 31 March 2022			
	Chain £m	Torque Transmission £m	Head office costs and eliminations £m	Consolidated £m
Adjusted operating profit – 2022	**18.9**	**4.1**	**(7.7)**	**15.3**
Adjusted operating profit – 2021	**13.6**	**5.0**	**(7.2)**	**11.4**
Year-on-year change in adjusted operating profit (a)	**5.3**	**(0.9)**	**(0.5)**	**3.9**
Total revenue (including inter-segment sales) – 2022	**159.2**	**40.4**	**(4.4)**	**195.2**
Total revenue (including inter-segment sales) – 2021	**130.0**	**39.1**	**(3.8)**	**165.3**
Year-on-year change in total revenue (b)	**29.2**	**1.3**	**(0.6)**	**29.9**
Adjusted operating profit gearing % ((a)/(b))	**18%**	**-69%**	**n/a**	**13%**

	Year ended 31 March 2021 (Restated[1])			
	Chain £m	Torque Transmission £m	Head office costs and eliminations £m	Consolidated £m
Adjusted operating profit – 2021	13.6	5.0	(7.2)	11.4
Adjusted operating profit – 2020	13.8	5.3	(5.7)	13.4
Year-on-year change in adjusted operating profit (a)	(0.2)	(0.3)	(1.5)	(2.0)
Total revenue (including inter-segment sales) – 2021	130.0	39.1	(3.8)	165.3
Total revenue (including inter-segment sales) – 2020	149.0	46.1	(5.7)	189.4
Year-on-year change in total revenue (b)	(19.0)	(7.0)	1.9	(24.1)
Adjusted operating profit gearing % ((a)/(b))	1%	4%	n/a	8%

1. The results for the year ended 31 March 2021 have been restated. Refer to Note 27 and accounting policies for details of the restatements.

(E), (F) & (G) Revenue, adjusted operating profit and return on sales at constant exchange rates

	Year ended 31 March 2021 (Restated[1])			
	Chain £m	Torque Transmission £m	Head office costs and eliminations £m	Consolidated £m
External customer – transferred at a point in time	128.9	35.5	–	164.4
External customer – transferred over time	–	0.9	–	0.9
Inter-segment	1.1	2.7	(3.8)	–
Foreign exchange retranslation	(3.8)	(0.7)	–	(4.5)
Revenue at constant exchange rates	126.2	38.4	(3.8)	160.8
Adjusted operating profit	13.6	5.0	(7.2)	11.4
Foreign exchange retranslation	(0.4)	(0.1)	–	(0.5)
Adjusted operating profit at constant exchange rates	13.2	4.9	(7.2)	10.9
Return on sales at constant exchange rates %	10.5%	12.8%	–	6.8%

1. The results for the year ended 31 March 2021 have been restated. Refer to Note 27 and accounting policies for details of the restatements.

(H) EBITDA, adjusted EBITDA (earnings before interest, taxation, depreciation and amortisation) and operating cash flow

	2022 £m	(Restated[1]) 2021 £m
Statutory operating profit from continuing operations	**16.2**	10.7
Depreciation and amortisation	**9.5**	10.6
EBITDA[2]	**25.7**	21.3
Deduct:		
US PPP Loan forgiveness	**(1.7)**	–
New lease arrangements on sublet properties	**0.7**	–
Adjusted EBITDA[2]	**24.7**	21.3
Inventories (see Note 23)	**(9.5)**	6.3
Trade and other receivables (see Note 23)	**(4.5)**	4.2
Trade and other payables (see Note 23)	**13.7**	(5.0)
Provisions (see Note 23)	**0.1**	0.8
Add back: Restructuring cash spend	**–**	0.2
Movement in working capital	**(0.2)**	6.5
Purchase of property, plant and equipment (Consolidated Statement of Cash Flows)	**(4.1)**	(2.3)
Purchase of intangible assets (Consolidated Statement of Cash Flows)	**(1.2)**	(0.8)
Proceeds from property disposals	**0.2**	0.2
Net capital expenditure	**(5.1)**	(2.9)
Operating cash flow	**19.4**	24.9

1. The results for the year ended 31 March 2021 have been restated. Refer to Note 27 and accounting policies for details of the restatements.
2. The calculation of EBITDA, adjusted EBITDA and operating cash flow deliberately excludes an add back for the non-cash share-based payment charge of £1.1m for the year (2021: £nil). This is done in order to ensure consistency with the metrics used to assess performance against the annual bonus plan targets.

(I) Net debt

Net debt is reconciled to the statutory balance sheet in Note 23.

(J) Leverage ratio

	2022 £m	(Restated[1]) 2021 £m
Net debt (see Note 23)	**13.8**	18.4
Adjusted EBITDA (Restated)	**24.7**	21.3
Leverage ratio	**0.6 times**	0.9 times

1. The results for the year ended 31 March 2021 have been restated. Refer to Note 27 and accounting policies for details of the restatements.

26. Alternative performance measures continued

(K) Gearing ratio

	2022		2021	
	£m	£m	£m	£m
Net debt (see Note 23)		13.8		18.4
Equity attributable to equity holders of the parent	5.8		(14.7)	
Net debt (see Note 23)	13.8		18.4	
Total capital plus net debt		19.6		3.7
Gearing ratio %		70%		497%

(L) Legacy pension cash costs

	2022 £m	2021 £m
Cash contributions to pension schemes	3.7	0.8
Pension payments in respect of unfunded schemes	1.1	1.3
Scheme administration costs	0.7	0.5
	5.5	2.6

(M) Average working capital ratio

	2022 £m	2021 £m	2020 £m
Inventories	48.4	37.7	46.1
Trade and other receivables	35.7	30.3	35.8
Trade and other payables	(48.5)	(31.5)	(37.6)
Total working capital	35.6	36.5	44.3
Average working capital[1] (a)	36.1	40.4	
Revenue (b)	195.2	165.3	
Average working capital ratio ((a)/(b))	18%	24%	

1. Calculated as a simple average of the opening and closing balance sheet working capital.

27. Prior period adjustments

The Group has changed its accounting policy related to the capitalisation of certain software costs, this change follows the IFRIC Interpretation Committee's agenda decision published in April 2021, which clarifies the accounting treatment of the costs of configuring or customising software under software as a service arrangements. Previously capitalised SaaS costs have now been written off at the point they were originally incurred, and the related subsequent amortisation of these costs in the prior year has now been reversed and added back to profit. See Accounting policies on page 123 for further details.

In addition, prior period adjustments have been recorded relating to the following:

- Dilapidations provision – The prior period adjustment records an increased dilapidations provision for certain leased properties across the Group. The adjustment arose following changes to sublease arrangements on previously closed sites which prompted a global review of dilapidations across the Group's property portfolio. The adjustment includes the reclassification of £0.6m of dilapidations provision that had been incorrectly netted against the opening right-of-use asset cost on adoption of IFRS 16 (see Note 10 for further details of the reclassification). Dilapidation provisions have been increased; with property, plant and equipment increased to the extent the group has incurred capital cost to modify lease properties alongside a corresponding obligation to remove the modification and restore the property on surrender of the lease. The adjustment to the income statement reflects the extent to which dilapidations increased in the prior financial year.
- Deferred taxation – The prior period adjustment reduces the value of the deferred tax asset (DTA) recognised in respect of UK pensions (reduction of £6.4m at 31 March 2021) and increases the value of deferred tax recognised in respect of UK losses (increase of £0.6m at 31 March 2021). The adjustment to the pensions DTA arose in respect of a deemed contribution of £40m that was made to the UK pension scheme in 2014. The contribution formed part of the Group's 25-year asset-backed partnership structure (the Scottish Limited Partnership, 'SLP') as described further in Note 18. At the inception of the partnership structure the £40m contribution was recorded as an allowable deduction in the tax computations of the Group's UK subsidiaries. This upfront tax deduction reduces the future tax deductions that are available over the remainder of the 25-year agreement. The gross pension DTA has historically been assumed to equal the IAS 19 deficit for the UK scheme, multiplied by the future expected tax rate, however, due to the upfront deduction taken at the inception of the scheme the UK pension DTA has been reduced to cap the implied future available deductions at each balance sheet date.

The reduction in the UK pensions DTA has resulted in the recognition of a DTA for UK losses. Previously no forecast UK taxable profits were available for loss recognition due to the assumption that the annual deductions expected on the pension contributions would be significantly higher than those now calculated as part of this review. Consequently, due to the lower level of allowable pension deductions expected each year in the forecast period used to assess taxable profits available for loss recognition, headroom now remains and accordingly a DTA for losses has been recognised at 31 March 2021.

The impact, on a line item basis for those affected, on the Consolidated Statement of Comprehensive Income for the year ended 31 March 2021 and the Consolidated Balance Sheet as at 31 March 2020 and 31 March 2021 is as follows:

	Year ended 31 March 2021				
Consolidated Statement of Comprehensive Income	As previously reported £m	Dilapidations provision £m	Deferred taxation £m	Change in accounting policy[1] £m	2021 (restated) £m
Revenue	165.3	–	–	–	165.3
Operating costs	(154.8)	(0.1)	–	0.3	(154.6)
Operating profit	10.5	(0.1)	–	0.3	10.7
Profit before tax	5.9	(0.1)	–	0.3	6.1
Taxation	(2.1)	–	0.6	–	(1.5)
Profit/(loss) for the financial year	3.8	(0.1)	0.6	0.3	4.6
Tax on remeasurement gains/losses on retirement benefit obligations	1.0	–	(0.3)	–	0.7
Other comprehensive income/(expense) for the year, net of tax	(9.5)	–	(0.3)	–	(9.8)
Total comprehensive income/(expense) for the year, net of tax	(5.7)	(0.1)	0.3	0.3	(5.2)
Earnings/(loss) per share					
Basic earnings/(loss) per share	1.7p	–	0.2p	0.1p	2.0p
Diluted earnings/(loss) per share	1.6p	–	0.2p	0.2p	2.0p

1. For further details on the change in accounting policy restatement refer to Accounting policies.

	2021					2020				
Consolidated Balance sheet as at 31 March	As previously reported £m	Dilapidations provision £m	Deferred taxation £m	Change in accounting policy[1] £m	2021 (restated) £m	As previously reported £m	Dilapidations provision £m	Deferred taxation £m	Change in accounting policy[1] £m	2020 (restated) £m
Assets										
Non-current assets										
Property, plant and equipment	47.8	0.3	–	–	48.1	53.3	0.3	–	–	53.6
Right-of-use-assets	10.1	0.6	–	–	10.7	11.3	0.6	–	–	11.9
Other intangible assets	27.8	–	–	(1.2)	26.6	32.0	–	–	(1.5)	30.5
Deferred tax assets	21.0	–	(5.8)	–	15.2	20.4	–	(6.1)	–	14.3
	106.7	0.9	(5.8)	(1.2)	100.6	117.0	0.9	(6.1)	(1.5)	110.3
Total assets	194.8	0.9	(5.8)	(1.2)	188.7	216.0	0.9	(6.1)	(1.5)	209.3
Liabilities										
Non-current liabilities										
Provisions	–	(2.5)	–	–	(2.5)	–	(2.4)	–	–	(2.4)
Other non-current liabilities	(160.8)	–	–	–	(160.8)	(173.5)	–	–	–	(173.5)
	(160.8)	(2.5)	–	–	(163.3)	(173.5)	(2.4)	–	–	(175.9)
Total liabilities	(200.9)	(2.5)	–	–	(203.4)	(216.4)	(2.4)	–	–	(218.8)
Net liabilities	(6.1)	(1.6)	(5.8)	(1.2)	(14.7)	(0.4)	(1.5)	(6.1)	(1.5)	(9.5)
Equity										
Other equity items	63.5	–	–	–	63.5	68.4	–	–	–	68.4
Retained earnings	(69.6)	(1.6)	(5.8)	(1.2)	(78.2)	(68.8)	(1.5)	(6.1)	(1.5)	(77.9)
Total shareholders' equity	(6.1)	(1.6)	(5.8)	(1.2)	(14.7)	(0.4)	(1.5)	(6.1)	(1.5)	(9.5)

1. For further details on the change in accounting policy restatement refer to Accounting policies.

Notes to the consolidated financial statements

28. Business combinations

On the 8 April 2021 Renold completed the acquisition of the conveyor chain business of Brooks Ltd in Manchester, UK, for a total consideration of £0.7m, including £0.4m of deferred consideration. The business has been integrated into the Renold UK Service centre in Manchester.

The amounts recognised in respect of identifiable assets and liabilities relating to the acquisition are as follows:

	Recognised values on acquisition £m
Fair value of net assets acquired	
Intangible assets[1]	0.4
Property plant and equipment	0.1
Inventory	0.2
Net identifiable assets and liabilities	0.7
Goodwill	–
Total consideration	0.7
Consideration	
Cash paid	0.3
Deferred consideration	0.4
Total consideration	0.7

1. Under IFRS 3 'Business Combinations' customer relationships attained as part of the acquisition have been identified as assets separate from goodwill with a value of £0.4m.

Deferred consideration of £0.2m was paid during the year with £0.2m remaining unpaid at 31 March 2022. Total acquisition cash consideration paid during the year was £0.5m.

The carrying value of property, plant and equipment and inventory approximates their fair value. Acquisition-related costs (reported in operating profit) amounted to £0.1m.

The acquired business contributed £1.0m revenue and £0.3m to the Group's operating profit for the period between the date of acquisition and the balance sheet date.

Group five year financial review

	2022 £m	(Restated[4]) 2021 £m	(Restated[4]) 2020 £m	2019 £m	2018 £m
Group revenue	**195.2**	165.3	189.4	199.6	191.6
Adjusted operating profit	**15.3**	11.4	13.4	14.8	12.8
Operating profit	**16.2**	10.7	10.1	15.4	5.1
Profit before tax	**12.4**	6.1	4.9	10.4	0.9
Taxation	**(2.2)**	(1.5)	(1.5)	(3.5)	(3.6)
Profit/(loss) for the year from continuing operations[3]	**10.2**	4.6	3.4	6.9	(2.7)
Net assets employed					
Tangible and intangible fixed assets	**54.4**	53.0	60.1	62.1	55.6
Right-of-use assets	**8.0**	10.7	11.9	–	–
Lease liabilities	**(12.0)**	(15.4)	(17.1)	–	–
Working capital and other net assets	**30.4**	31.2	40.2	33.9	36.8
Operating assets	**80.8**	79.5	95.1	96.0	92.4
Goodwill	**22.7**	21.7	24.0	23.1	21.6
Net debt	**(13.8)**	(18.4)	(36.6)	(30.3)	(24.3)
Deferred and current taxation	**7.2**	8.8	8.7	15.5	15.2
Provisions	**(4.0)**	(3.9)	(3.1)	(3.3)	(7.9)
Net assets excluding pension obligations	**92.9**	87.7	88.1	101.0	97.0
Pension obligations	**(87.1)**	(102.4)	(97.6)	(101.9)	(97.4)
Total net assets/(liabilities)	**5.8**	(14.7)	(9.5)	(0.9)	(0.4)
Other data and ratios					
Return on capital employed (%)[1]	**14.6**	10.4	11.2	12.6	11.3
Return on sales (%)[2]	**7.8**	6.9	7.1	7.3	6.7
Capital expenditure (£m)	**6.3**	3.0	9.1	15.2	9.5
Adjusted earnings per share (p) from continuing operations	**4.3**	2.3	2.9	3.1	2.9
Basic earnings/(loss) per share (p) from continuing operations	**4.7**	2.0	1.5	3.0	(1.2)
Employees at year end	**1,817**	1,739	1,826	2,059	2,044

1. Being adjusted operating profit divided by average operating assets and goodwill.
2. Based on adjusted operating profit divided by revenue.
3. The results for the years ended 31 March 2019 and 31 March 2020 exclude the results of discontinued operations. Discontinued operations arise from the disposal of the South African Torque Transmission business unit during the year ended 31 March 2020.
4. The results for the year ended 31 March 2021 and the balance sheets at 31 March 2021 and 31 March 2020 have been restated. Refer to Note 27 and accounting policies for details of the restatements.

Company balance sheet

as at 31 March 2022

	Note	2022 £m	(Restated[1]) 2021 £m
Assets			
Non-current assets			
Intangible assets	2	**3.5**	3.8
Property, plant and equipment	3	**0.3**	0.3
Right-of-use assets	9	**0.7**	0.8
Investments in subsidiary undertakings	4	**62.0**	62.0
Receivables	6	**75.1**	84.0
Deferred tax assets	5	**1.2**	1.4
		142.8	152.3
Current assets			
Receivables	6	**2.9**	4.7
Cash and cash equivalents		**–**	4.6
		2.9	9.3
Total assets		**145.7**	161.6
Liabilities			
Current liabilities			
Trade and other payables	7	**(3.9)**	(9.1)
Lease liabilities	9	**(0.3)**	(0.2)
Borrowings	10	**(0.1)**	(0.4)
Derivative financial instruments	8	**–**	(0.1)
		(4.3)	(9.8)
Net current liabilities		**(1.4)**	(0.5)
Non-current liabilities			
Trade and other payables	7	**(69.9)**	(62.5)
Lease liabilities	9	**(0.5)**	(0.6)
Borrowings	10	**(14.5)**	(21.3)
Provisions	11	**(0.2)**	(0.2)
Preference stock	10	**(0.5)**	(0.5)
Retirement benefit obligations	12	**(4.9)**	(7.5)
		(90.5)	(92.6)
Total liabilities		**(94.8)**	(102.4)
Net assets		**50.9**	59.2
Equity			
Share capital	13	**11.3**	11.3
Share premium account		**–**	30.1
Capital redemption reserve		**–**	15.4
Other reserves		**(5.0)**	(0.1)
Retained earnings		**44.6**	2.5
Total equity		**50.9**	59.2

1. The results for the year ended 31 March 2021 and at 1 April 2020 have been restated to reflect prior year adjustments. Further details are set out in Note 17.

The loss of Renold plc (registered number 249688) for the year ended 31 March 2022 was £6.9m (2021 (restated[1]): profit of £2.8m).

Approved by the Board on 13 July 2022 and signed on its behalf by:

ROBERT PURCELL
CHIEF EXECUTIVE

JIM HAUGHEY
FINANCE DIRECTOR

Company statement of changes in equity

for the year ended 31 March 2022

	Share capital (Note 13) £m	Share premium account £m	Capital redemption reserve £m	Retained earnings £m	Other reserves £m	Total £m
At 31 March 2020 – as reported	11.3	30.1	15.4	11.5	–	68.3
Effect of prior year adjustments	–	–	–	(13.8)	–	(13.8)
At 1 April 2020 (restated)[1]	11.3	30.1	15.4	(2.3)	–	54.5
Profit for the year (restated)[1]	–	–	–	2.8	–	2.8
Other comprehensive income (restated)[1]	–	–	–	2.0	(0.1)	1.9
Total comprehensive income for the year	–	–	–	4.8	(0.1)	4.7
At 31 March 2021 (restated)[1]	**11.3**	**30.1**	**15.4**	**2.5**	**(0.1)**	**59.2**
Loss for the year	–	–	–	(6.9)	–	(6.9)
Other comprehensive income	–	–	–	2.4	–	2.4
Total comprehensive income for the year	–	–	–	(4.5)	–	(4.5)
Own shares purchased	–	–	–	–	(4.9)	(4.9)
Capital reorganisation (Note 15)	–	(30.1)	(15.4)	45.5	–	–
Share-based payments	–	–	–	1.1	–	1.1
At 31 March 2022	**11.3**	**–**	**–**	**44.6**	**(5.0)**	**50.9**

1. The results for the year ended 31 March 2021 and at 1 April 2020 have been restated to reflect prior year adjustments. Further details are set out in Note 17.

Details of share-based payment transactions are set out in Note 20 of the consolidated financial statements.

Included in retained earnings is £1.9m (31 March 2021: £0.8m) relating to a share option reserve.

The other reserves are stated after deducting £4.9m (31 March 2021: £0.035m) relating to shares held in the Renold plc Employee Benefit Trust. The Renold Employee Benefit Trust holds Renold plc shares and satisfies awards made under various employee incentive schemes when issuance of new shares is not appropriate.

At 31 March 2022 18,422,509 (31 March 2021: 199,790) ordinary shares of 5p each were held by the Renold Employee Benefit Trust and, following recommendations by the employer, are provisionally allocated to satisfy awards under employee incentive schemes. The market value of these shares at 31 March 2022 was £3.7m (31 March 2021: £0.035m).

The prior year adjustments processed during the year (see Note 17) resulted in the distributable reserves of the Company being in a deficit position of £2.3m at 31 March 2020. Accordingly there was a minor irregularity concerning the technical compliance of the Companies Act 2006 in respect of historical preference dividends paid. The reserves deficit at 31 March 2020 has since been rectified by receipt of dividends from subsidiary companies and the £45m capital reorganisation completed during the current year (see Note 15). The Board will pass the appropriate resolutions at the next Annual General Meeting.

Company 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.

Basis of accounting

The Parent Company financial statements of Renold plc meet the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100). The financial statements have therefore been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101).

In these financial statements, the Company has applied the exemptions available under FRS 101 in relation to share-based payments, financial instruments, capital management, presentation of a cash flow statement, presentation of comparative information in respect of certain assets, standards not yet effective, impairment of assets and related party transactions.

The financial statements have been prepared on the historical cost basis and on the going concern basis. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services. The principal accounting policies adopted and significant accounting judgement, estimates and assumptions are the same as those set out in the Notes to the consolidated financial statements.

As permitted by section 408 of the Companies Act 2006, the Company has not presented its own statement of comprehensive income (including the profit and loss account).

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

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

Key sources of estimation uncertainty

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying value of the Company's assets or liabilities in the future.

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

Retirement benefit obligations

The valuation of the Company's defined benefit plans are determined by using actuarial valuations. These involve making assumptions about discount rates, mortality rates, future salary increases and future pension increases (future salary and pension increases are linked to inflation rate assumptions). Due to the long-term nature of these plans such estimates are subject to significant uncertainty. Net interest is calculated by applying the discount rate to the net defined benefit liability. Further details are given in Note 12.

Notes to the Company financial statements

1. (Loss)/profit for the year

Renold plc reported a loss for the year ended 31 March 2022 of £6.9m (2021 (Restated[1]): profit of £2.8m).

The Auditor's remuneration for audit and other services is disclosed in Note 2(B) to the consolidated financial statements.

The average monthly number of employees (excluding Executive Directors) during the financial year amounted to 32 (2021: 34), of which all are categorised as Head Office employees.

1. The results for the year ended 31 March 2021 and at 1 April 2020 have been restated to reflect prior year adjustments. Further details are set out in Note 17.

2. Intangible assets – software

Accounting policy

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 seven years. Costs associated with maintaining computer software programs are recognised as an expense as incurred.

	Total £m
Cost	
At 1 April 2020	15.7
Additions	0.5
At 31 March 2021	**16.2**
Additions at cost	**0.9**
At 31 March 2022	**17.1**
Depreciation	
At 1 April 2020	11.3
Charge for the year	1.1
At 31 March 2021	**12.4**
Charge for the year	**1.2**
At 31 March 2022	**13.6**
Net book amount	
at 31 March 2022	**3.5**
at 31 March 2021	3.8

3. Property, plant and equipment

Accounting policy

Tangible assets are stated at cost, being purchase cost plus any incidental costs of acquisition, less accumulated depreciation and impairment.

Depreciation is calculated on a straight-line basis so as to charge the depreciable amount of the respective assets to the income statement over their expected useful lives. No depreciation has been charged on freehold land. The useful lives of assets are as follows:

	Years
Freehold buildings	*50*
General plant and equipment	*15*
Fixtures	*15*
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 amounts and are included in operating profit.

Notes to the Company financial statements

3. Property, plant and equipment continued

	Property £m	(Restated[1]) Equipment £m	(Restated[1]) Total £m
Cost			
At 1 April 2020	0.2	0.3	0.5
Prior period restatement	–	0.1	0.1
At 1 April 2020 (Restated[1])	0.2	0.4	0.6
Additions	–	0.1	0.1
At 31 March 2021 (Restated[1])	**0.2**	**0.5**	**0.7**
Additions	–	–	–
At 31 March 2022	**0.2**	**0.5**	**0.7**
Depreciation			
At 1 April 2020	0.1	0.2	0.3
Charge for the year	–	0.1	0.1
At 31 March 2021	**0.1**	**0.3**	**0.4**
Charge for the year	–	–	–
At 31 March 2022	**0.1**	**0.3**	**0.4**
Net book amount			
at 31 March 2022	**0.1**	**0.2**	**0.3**
at 31 March 2021	0.1	0.2	0.3

1. The results for the year ended 31 March 2021 and at 1 April 2020 have been restated to reflect prior year adjustments. Further details are set out in Note 17.

Future capital expenditure

At 31 March 2022, contracted capital expenditure not provided for in these financial statements for which contracts have been placed amounted to £nil (2021: £nil).

4. Investments in subsidiary undertakings

Accounting policy

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 flows of the underlying entities are reviewed to determine whether the investment value is recoverable.

The results and financial position of Renold Scottish Limited Partnership (SLP) have been consolidated in the consolidated financial statements of Renold plc. Renold plc is a parent undertaking of the general partner in the SLP (see Note 18 to the Company financial statements). Accordingly, advantage has been taken of the exemption conferred by paragraph 7 of the Partnerships (Accounts) Regulations 2008 from the requirements for preparation, delivery and publication of the partnerships accounts.

Subsidiary undertakings	Shares £m
Cost and carrying value – At beginning and end of year	**62.0**

The subsidiary undertakings of the Company at 31 March 2022 are set out in Note 18.

5. Deferred tax assets

	(Restated[1]) Opening balance £m	Recognised in income statement £m	Recognised directly in other comprehensive income £m	(Restated[1]) Closing balance £m
2022 – Pension plans	**1.4**	**0.1**	**(0.3)**	**1.2**
2021 – Pension plans	1.8	0.1	(0.5)	1.4

1. The results for the year ended 31 March 2021 and at 1 April 2020 have been restated to reflect prior year adjustments. Further details are set out in Note 17.

Unrecognised deferred tax assets amount to £1.4m (2021: £1.3m) arising from accelerated capital allowances.

6. Receivables

Accounting policy

Receivables are initially recognised at fair value. Financial assets that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Financial assets are measured at amortised cost using the effective interest method, less any impairment.

Per IFRS 9, a simplified lifetime expected credit loss model is used to assess receivables for impairment. An assessment regarding the expected credit loss of these amounts has been made and the Company has identified that no allowance for expected credit losses is required.

Amounts owed by subsidiary undertakings falling due after more than one year are classified as such according to the loan agreements in place.

	2022		(Restated[2]) 2021	
	Current £m	**Non-current £m**	Current £m	Non-current £m
Amounts owed by subsidiary undertakings[1]	**1.7**	**75.1**	3.5	84.0
Other debtors	**0.2**	**–**	0.2	–
Prepayments	**1.0**	**–**	1.0	–
	2.9	**75.1**	4.7	84.0

1. Current amounts owed by subsidiary undertakings are repayable on demand, bear no interest and are held at amortised cost. Non-current amounts owed by subsidiary undertakings attract varying rates of interest, are unsecured and are repayable in more than one year. An assessment regarding the expected credit loss of these amounts has been made and the Company has identified that no allowance for expected credit losses is required based on their nature as either quasi-equity or repayable on demand loans not exceeding the investee's liquid assets.
2. The results for the year ended 31 March 2021 and at 1 April 2020 have been restated to reflect prior year adjustments. Further details are set out in Note 17.

7. Trade and other payables

	2022 £m	2021 £m
Current		
Trade creditors	**0.8**	0.7
Other taxation and social security	**0.2**	0.2
Accruals	**2.3**	1.4
Amounts owed to subsidiary undertakings	**0.6**	6.8
	3.9	9.1

	2022 £m	2021 £m
Non-current		
Loan from subsidiary undertakings	**69.9**	62.5

Loans from subsidiary undertakings includes a 25-year loan of £62.5m which was established with Renold International Holdings Limited in 2014. Interest on this loan increases in line with RPI plus 1.5%, capped at 5%, and is payable for the period of the loan.

8. Derivative financial instruments

	2022 £m	2021 £m
Forward foreign currency contracts – cash flow hedge	**–**	(0.1)

At 31 March 2022, the Company had entered into forward contracts with a notional value of £2.3m (31 March 2021: £1.6m) to sell Sterling and buy Euros. The contracts were placed to cover purchases in Euros by the Group's operations.

Notes to the Company financial statements

9. Leasing and right-of-use assets

Accounting policy

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

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

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

Right-of-use assets

	Land and buildings £m	Plant and equipment £m	Total £m
Cost			
At 1 April 2020	0.9	0.1	1.0
Additions	0.1	0.1	0.2
Disposals	–	(0.1)	(0.1)
At 31 March 2021	**1.0**	**0.1**	**1.1**
Additions	**–**	**0.1**	**0.1**
At 31 March 2022	**1.0**	**0.2**	**1.2**
Accumulated depreciation and impairment			
At 1 April 2020	0.1	0.1	0.2
Charge for the year	0.2	–	0.2
Disposals	–	(0.1)	(0.1)
At 31 March 2021	**0.3**	**–**	**0.3**
Charge for the year	**0.2**	**–**	**0.2**
At 31 March 2022	**0.5**	**–**	**0.5**
Net book amount			
At 31 March 2022	**0.5**	**0.2**	**0.7**
At 31 March 2021	0.7	0.1	0.8

Lease liabilities

	2022 £m	2021 £m
Maturity analysis – contractual undiscounted cash flows		
Less than one year	0.3	0.2
One to two years	0.2	0.2
Two to five years	0.3	0.5
More than five years	–	–
Total undiscounted lease liabilities at 31 March	0.8	0.9
Less: Interest allocated to future periods	–	(0.1)
Lease liabilities included in the Consolidated Balance Sheet	0.8	0.8
Current	0.3	0.2
Non-current	0.5	0.6

10. Borrowings

	2022 £m	2021 £m
Amounts falling due within one year:		
Overdrafts	0.1	0.7
Capitalised costs[1]	–	(0.3)
Current borrowings	0.1	0.4
Amounts falling due after more than one year:		
Bank loans repayable in two to five years	14.5	21.5
Capitalised costs[1]	–	(0.2)
Non-current borrowings	14.5	21.3
Preference stock	0.5	0.5
	15.0	21.8
Total borrowings	15.1	22.2

1. During the current year the presentation of capitalised costs has been amended to correctly record capitalised finance costs net of non-current borrowings. The prior year balance sheet has not been represented on the basis of materiality.

11. Provisions

Accounting policy

Provisions are recognised when the Company: (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 Company expects a provision to be reimbursed, e.g. under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

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

	(Restated[1]) Non-current dilapidations provision £m
At 1 April 2021	–
Prior year restatement	0.2
At 1 April 2021 (Restated[1]) and at 31 March 2022	0.2

1. The results for the year ended 31 March 2021 and at 1 April 2020 have been restated to reflect prior year adjustments. Further details are set out in Note 17.

Dilapidations

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

11. Provisions continued

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

The provision relates to cash outflows which are expected to take place at the end of the lease term in 2030 and as a result all of the provision is classed as non-current.

12. Retirement benefit schemes

Defined contribution schemes

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

The total cost charged to income of £0.1m (2021: £0.1m) represents contributions payable to these schemes by the Company at rates specified in the rules of the plans. No contributions are outstanding at the year end.

Defined benefit schemes

Employees of the Company include members of the principal UK defined benefit schemes. The basis used to determine the deficit in the schemes is disclosed in Note 18 to the consolidated financial statements.

	2022 £m	2021 £m
IAS 19 retirement benefit obligation	**(16.0)**	(19.4)
Renold Scottish Limited Partnership retirement benefit plan asset[1]	**11.1**	11.9
Retirement benefit obligations	**(4.9)**	(7.5)

1. In 2014, a deemed contribution of £10m was made to the pension scheme, which in turn invested the £10m in the Renold Scottish Limited Partnership (the "SLP"). This has been recognised as a plan asset and unwinds, by way of a reduction in the asset and with a corresponding remeasurement increase in the IAS 19 retirement benefit obligation, in line with the committed cash contributions made by the SLP to the scheme (over the 25 year period ending in 2038). At each balance sheet date the value of the SLP plan asset is calculated as the discounted value of the expected future cash contributions payable by the SLP under the scheme. Remeasurement gains or losses are recorded in other comprehensive income.

There is a contractual agreement between the Company and its UK subsidiary, Renold Power Transmission Limited, to reflect the IAS 19 defined benefit pension scheme obligation in a 25:75 split respectively. Further details of the UK defined benefit scheme are disclosed in Note 18 of the consolidated financial statements.

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

	IAS 19 liabilities £m	IAS 19 plan assets £m	**Total IAS 19 defined benefit obligation £m**	SLP retirement benefit plan asset £m	**(Restated[1]) Total defined benefit pension scheme £m**
At 31 March 2020	(49.2)	32.2	(17.0)	7.0	(10.0)
Interest income/(expense)	(1.1)	0.7	(0.4)	0.3	(0.1)
Remeasurement gains/(losses)	(5.5)	3.4	(2.1)	4.6	2.5
Benefits paid	2.5	(2.5)	–	–	–
Employer contributions	–	0.1	0.1	–	0.1
At 31 March 2021	**(53.3)**	**33.9**	**(19.4)**	**11.9**	**(7.5)**
Interest income/(expense)	**(1.0)**	**0.7**	**(0.3)**	**0.2**	**(0.1)**
Remeasurement gains/(losses)	**2.4**	**1.3**	**3.7**	**(1.0)**	**2.7**
Benefits paid	**2.5**	**(2.5)**	**–**	**–**	**–**
At 31 March 2022	**(49.4)**	**33.4**	**(16.0)**	**11.1**	**(4.9)**

1. The results for the year ended 31 March 2021 and at 1 April 2020 have been restated to reflect prior year adjustments. Further details are set out in Note 17.

13. Called up share capital

	Issued and fully paid 2022 £m	2021 £m
Ordinary shares of 5p each	**11.3**	11.3

At 31 March 2022, the issued ordinary share capital comprised 225,417,740 ordinary shares of 5p each (2021: 225,417,740).

	Issued and fully paid 2022 £m	2021 £m
Preference stock of £1 each[1]	**0.5**	0.5

1. Included in borrowings – see Note 10.

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

14. Related party transactions

Other than payments made to Directors, which are set out in the Board Report on Remuneration on pages 80 to 97 and in Note 2(C) of the consolidated financial statements, there are no other related party transactions to disclose. The Company has taken the exemption available under FRS 101 not to disclose transactions with wholly-owned subsidiary companies.

15. Capital reorganisation

As part of its long term financial planning the Company has reorganised its balance sheet and reserves through the cancellation of the entire amount of its share premium account and capital redemption reserve. The share premium account and capital redemption reserve were non-distributable reserves and accordingly, the purposes for which the Company could use these were extremely restricted. The reduction of capital creates sufficient distributable reserves to provide the Board with greater flexibility with regard to how it manages its capital resources. This provided flexibility in such matters as making payments to the holders of Preference Stock, commencing a share buy-back programme consistent with the authority granted by Shareholders at the last Annual General Meeting, in order to, inter alia, fund employee share schemes, thereby avoiding dilution for existing Shareholders or, should the Board determine it appropriate to do so in the future, make dividend distributions to Shareholders.

The order of the High Court confirming the above capital reorganisation became effective on 27 May 2021, increasing distributable reserves by £45.5m.

16. Post balance sheet events

There were no significant post balance sheet events to report

17. Restatement due to prior year adjustments

During the year, management identified that the accounting entries in relation to the Company's SLP retirement benefit plan asset had been incorrectly recorded in the Company's financial statements in the periods since adoption of FRS 101. The accounting errors arose between the Company and its UK subsidiary company (Renold Power Transmission Limited) due to the incorrect recharge of £10.8m of pension payments to the UK subsidiary. Furthermore, the valuation of the SLP retirement benefit plan asset, £8.0m, was found to be incorrect. The asset qualifies as a plan asset and is now being carried at fair value. As such, the asset has been recorded against the defined benefit obligation (previously reported as a separate line item within Non-current Assets on the face of the balance sheet).

In addition, prior period adjustments have been recorded relating to the following:

- Deferred taxation – Consistent with the reduction of the pension deficit the corresponding deferred tax asset has been reduced by £2.3m at 31 March 2021.
- Dilapidations provision – The prior period adjustment records an increased dilapidations provision for the Company's leased property. The adjustment arose following changes to sublease arrangements on previously closed sites which prompted a global review of dilapidations across the Group's property portfolio.

The impact, on a line item basis, on the Statement of Comprehensive Income and Balance Sheet for the year ended 31 March 2021 is as follows:

Statement of Comprehensive Income for the year ended 31 March 2021	As previously reported £m	Prior year adjustments £m	Restated £m
Operating expenses	1.9	0.5	2.4
Interest payable and similar expenses	0.1	0.3	0.4
Profit before taxation	2.0	0.8	2.8
Other comprehensive (expense)/income for the year, net of tax	(1.8)	4.6	2.8
Total comprehensive income for the year, net of tax	0.2	5.4	5.6

Notes to the Company financial statements

17. Restatement due to prior year adjustments continued

Balance sheet at 31 March 2021	As previously reported £m	Prior year adjustments £m	Restated £m
Assets			
Non-current assets			
Receivables	102.8	(18.8)	84.0
Property, plant and equipment	0.2	0.1	0.3
Deferred tax assets	3.7	(2.3)	1.4
Other non-current assets	66.6	–	66.6
	173.3	(21.0)	152.3
Total assets	182.6	(21.0)	161.6
Liabilities			
Non-current liabilities			
Retirement benefit obligations	(19.4)	11.9	(7.5)
Provisions	–	(0.2)	(0.2)
Other non-current liabilities	(84.9)	–	(84.9)
	(104.3)	11.7	(92.6)
Total liabilities	(114.1)	11.7	(102.4)
Net assets	68.5	(9.3)	59.2
Equity			
Retained earnings at 1 April 2020	11.5	(13.8)	(2.3)
Retained earnings – total comprehensive income for the year ended 31 March 2021	0.3	4.5	4.8
Retained earnings	11.8	(9.3)	2.5
Other equity items	56.7	–	56.7
Total equity	68.5	(9.3)	59.2

The prior year adjustments processed during the year resulted in the distributable reserves of the Company being in a deficit position of £2.3m at 31 March 2020. Accordingly there was a minor irregularity concerning the technical compliance of the Companies Act 2006 in respect of historical preference dividends paid. The reserves deficit at 31 March 2020 has since been rectified by receipt of dividends from subsidiary companies and the £45m capital reorganisation completed during the current year (see Note 15). The Board will pass the appropriate resolutions at the next Annual General Meeting.

18. Subsidiary undertakings

In accordance with Section 409 of the Companies Act 2006, a full list of subsidiary undertakings, the country of incorporation and the effective percentage of equity owned, as at 31 March 2022 is disclosed below. Unless otherwise stated, the share capital disclosed comprises ordinary or common shares which are held by subsidiaries of the Renold Group. The UK subsidiaries are incorporated in England and Wales and the registered address of all offices is Trident 2, Trident Business Park, Styal Road, Wythenshawe, Manchester, M22 5XB unless stated.

United Kingdom		
Renold Power Transmission Limited[1]		
Renold International Holdings Limited[1]		
Renold Europe Limited[1]		
Renold Holdings Limited[1]		
Renold Continental Limited		
Anchor Chain and Power Transmission Co Limited	dormant	
Hans Renold Limited[1]	dormant	
John Holroyd & Company Limited[1]	dormant	
Jones & Shipman Limited[1]	dormant	
Renold Pensions Limited[1]	dormant	
Renold Group General Partner Limited[1]	pension entity	3-5 Melville Street, Edinburgh, Scotland, EH3 7PE
Renold Scottish Limited Partnership	pension entity	3-5 Melville Street, Edinburgh, Scotland, EH3 7PE

Europe (other than the United Kingdom)

Austria	Renold GmbH	Kärntner Ring 12, A-1010 Wien
Denmark	Renold A/S	Kaerup Alle 2, 1. Benlose, 4100, Ringstad
France	Renold France[1]	100 rue du Courbillon, 59175, Vendeville
Germany	Renold GmbH	Juliusmühle, 37574, Einbeck
	Renold Holding GmbH[1]	Juliusmühle, 37574, Einbeck
	Renold Automotive Systems	Juliusmühle, 37574, Einbeck
Poland	Renold Polska sp. z o.o.	ul. Mlyńska 11, 40-098 Katowice, Poland
	Renold Poland sp. z o.o.	
Spain	Renold Hi-Tec Couplings SA	C/ Antoni Gaudi 21, Bajos 2o, Gavá, Barcelona
Sweden	Renold Transmission AB (Sweden)	
Switzerland	Renold (Switzerland) GmbH	Ringstrasse 16, CH-8600, Dübendorf 1

North America

Canada	Renold Canada Limited[1]	622 rue De Hull, Montreal, Quebec, H8R 1VG
USA	Renold Inc	100 Bourne Street, Suite 2, Westfield, NY 14787
	Jeffrey Chain LP	2307 Maden Drive, Morristown, TN 37813
	Renold Holdings Inc	2307 Maden Drive, Morristown, TN 37813
	Jeffrey Chain Acquisition Co Inc	2307 Maden Drive, Morristown, TN 37813
	Jeffrey Chain Corp	2307 Maden Drive, Morristown, TN 37813

Other countries

Australia	Renold Australia Proprietary Limited[1]	508–520 Wellington Road, Mulgrave, Victoria 3170
China	Renold Transmission (Shanghai) Company Limited	Section A, Floor 3 of Composite Building, No. 18 North Fute Road, China (Shanghai) Pilot Free–Trade Zone, Shanghai
	Renold Technologies (Shanghai) Company Limited	Building 3, No. 385 Zheng Zhong Xin Road, Beicai Town, Pudong, Shanghai
	Renold (Hangzhou) Co Limited	No.82 Dongfang Road, Yiqiao Town, Xiaoshan District, Hangzhou Municipality, Zhejiang Province
	Renold (China) Transmission Products Co Ltd	No. 168 Huacheng Road, Jintan District, Changzhou
India	Renold Chain India Private Limited	S.F No: 568/1A, 569/1&2, D. Gudalur (P.O), Guziliamparai (T.K), Dindigul (D.T), Tamil Nadu – 624 620
Malaysia	Renold (Malaysia) Sdn Bhd	No. 2, Jalan Anggerik Mokara 31/44, Kota Kemuning, Seksyen 31, 40460 Shah Alam, Selangor, Malaysia
New Zealand	Renold New Zealand Limited[1]	594 Rosebank Road, Avondale, Auckland
	Renold Retirement Trustee Limited	Melville Jessup Weaver, Level 5, 40 Mercer St, Wellington, 6142
Thailand	Renold (Thailand) Limited	399 Interchange Building, Unit 10, 24th Floor, Sukhumvit 21 Road, Klongtoey Nua Sub-District, Wattana District, Bangkok

1. Direct subsidiary of Renold plc.

All of our companies are wholly owned 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.

Our overseas companies are incorporated in the countries in which they operate except where otherwise stated.

Corporate information

Registered office

Trident 2, Trident Business Park
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Registered number: 249688
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Email: enquiry@renold.com
Website: www.renold.com

Auditor

Deloitte LLP

Nominated adviser and joint broker

Peel Hunt LLP

Joint Broker

FinnCap Limited

Financial PR consultants

IFC Advisory Limited

Registrars

Link Asset Services
34 Beckenham Road
Beckenham
Kent
BR3 4TU

Telephone: If calling from the UK: 0371 664 0300 (lines are open 9.00am to 5.30pm, Monday to Friday)

If calling from overseas: +44 371 664 0300

Email: www.signalshares.com/help-centre/

Website: www.signalshares.com

If you receive two or more copies of this report please write to Link Asset Services, 34 Beckenham Road, Beckenham, Kent, BR3 4TU and ask for your accounts to be amalgamated.

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RENOLD

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