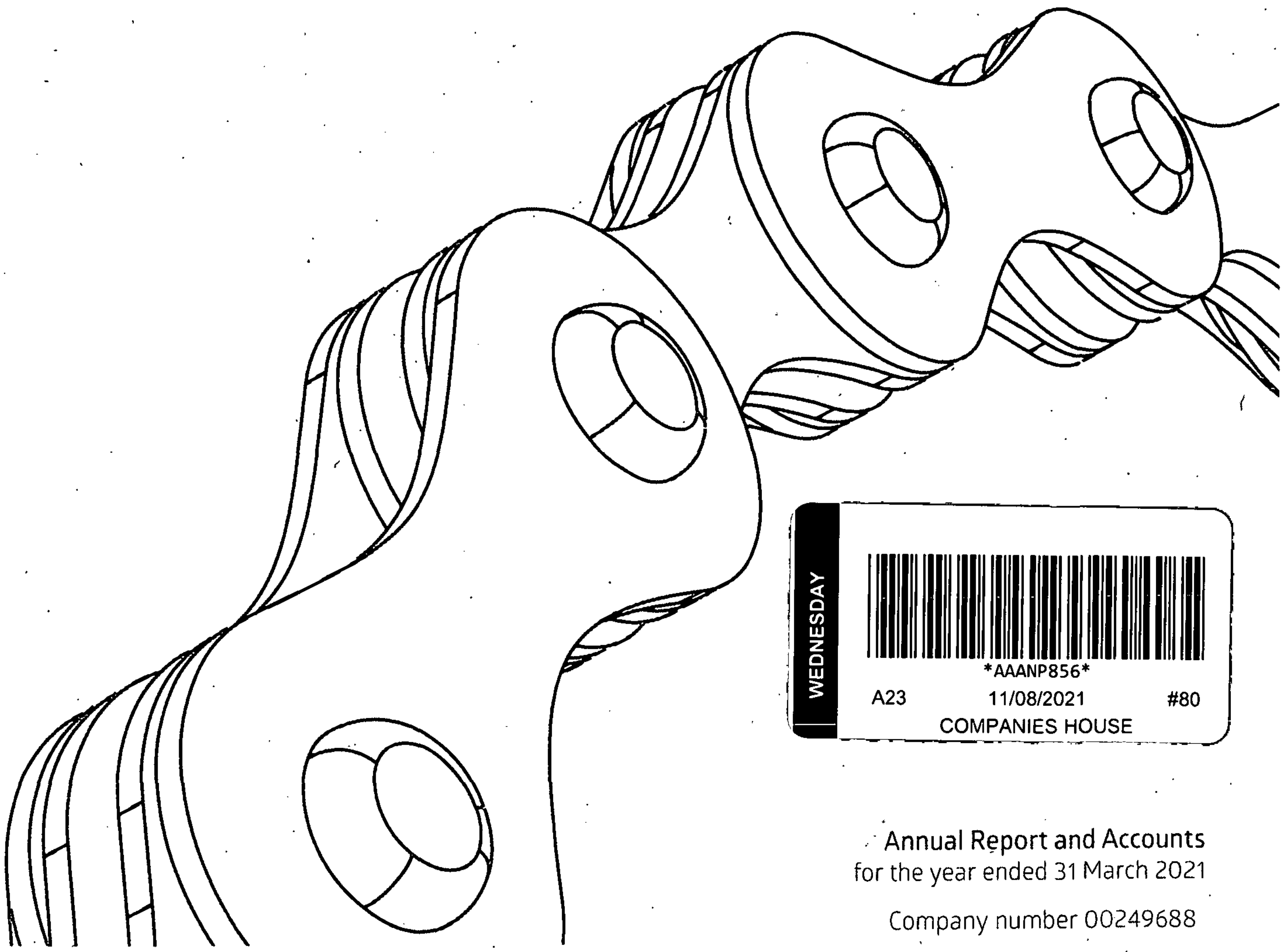
RENOLD

Renold plc

A Strong Platform



Annual Report and Accounts
for the year ended 31 March 2021

Company number 00249688

Introduction

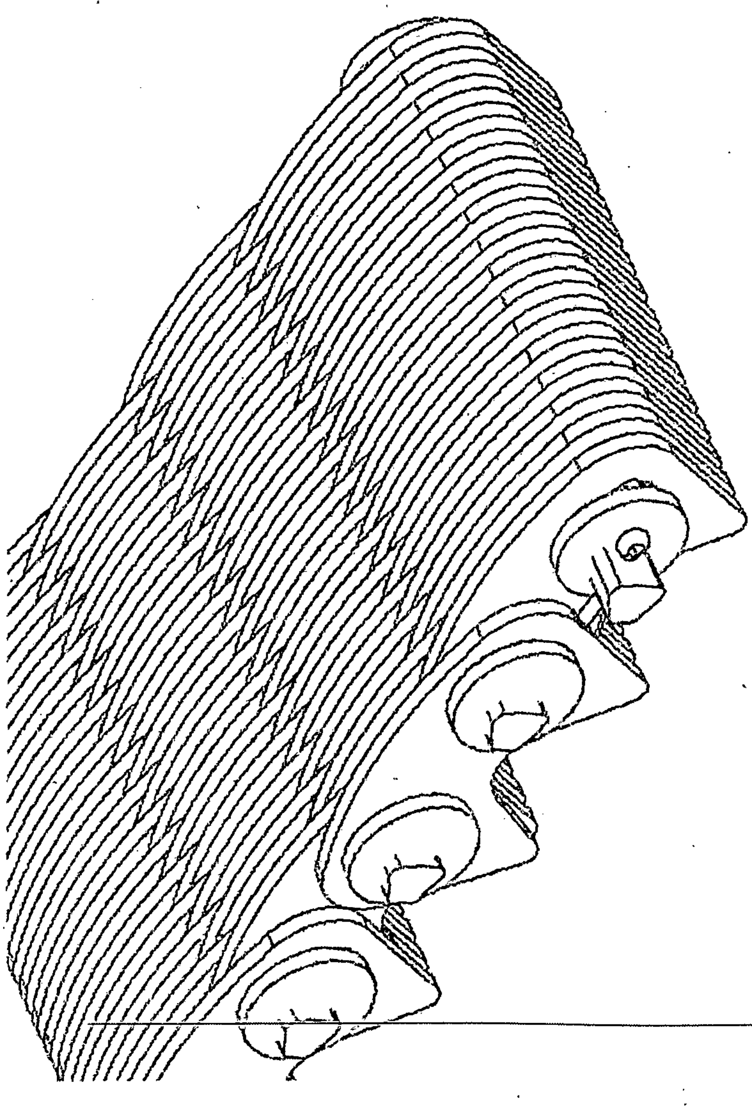
Renold plc is an international Group delivering high precision engineered power transmission products to our customers worldwide.

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.

Our key areas of focus

The Strategic Plan provides the framework to deliver improvements in the underlying business capability, sustainability and profitability. Good progress has been made with significant changes to the global footprint of our manufacturing sites being delivered. Further opportunity exists to improve operational and corporate effectiveness providing the pathway to further margin improvement.

In the short term, the Covid-19 pandemic has created a rapidly changing economic and operational environment. We have reacted quickly to protect our employees, to provide customers with continuity of supply where possible and have taken action to mitigate the impact of events on the Group. We remain committed to delivering the strategic programme over the longer term, but in the short term are focused on those actions required to continue to deliver high-quality, high specification products to our worldwide customer base within rapidly changing conditions caused by the global pandemic.



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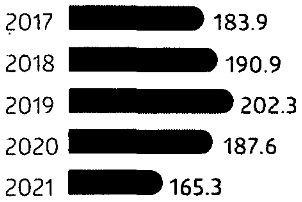
Highlights

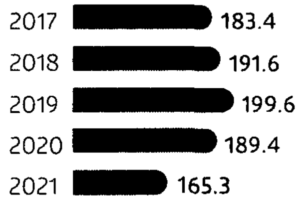
REVENUE AT CONSTANT EXCHANGE RATES[1] (£m) £165.3m

(2020: £187.6m)



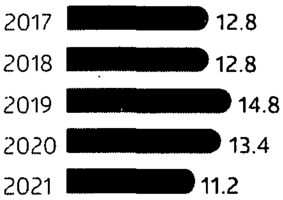
REVENUE (£m) £165.3m

(2020: £189.4m)



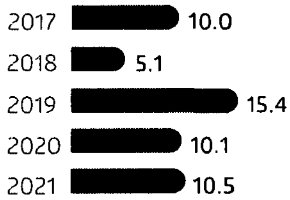
ADJUSTED OPERATING PROFIT[2] (£m) £11.2m

(2020: £13.4m)



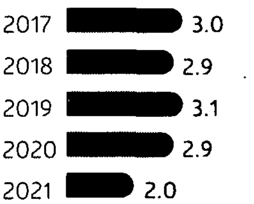
OPERATING PROFIT (£m) £10.5m

(2020: £10.1m)



ADJUSTED EARNINGS PER SHARE[2] (PENCE) 2.0p

(2020: 2.9p)



EARNINGS PER SHARE (PENCE) 1.7p

(2020: 1.5p)

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 27 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 27 to the financial statements

Operational Highlights

- An effective strategy and responsible management has delivered an increasingly flexible Group, able to capitalise on economic recovery
- Covid-19 situation mixed; Europe, Americas and China recovering strongly, whilst India and SE Asia impacted by new variant
- Swift decision making and cost discipline mitigated sales reduction, despite significant material cost pressures and supply chain disruption
- New Chinese factory continuing to progress well
- Leverage remains low, increased cash generation facilitates bolt-on acquisitions and strategic capital investment
- Major restructuring complete; acquisitions now a realistic strategic opportunity
- On the 8 April 2021 Renold completed the bolt-on acquisition of the conveyor chain business of Brooks Ltd

"The Group has performed well in the face of the unprecedented economic and social turmoil created by the Covid-19 pandemic. I would like to thank all our employees around the world for their diligence and commitment in supporting the delivery of resilient results in the face of unprecedented adversity."

MARK HARPER
CHAIRMAN

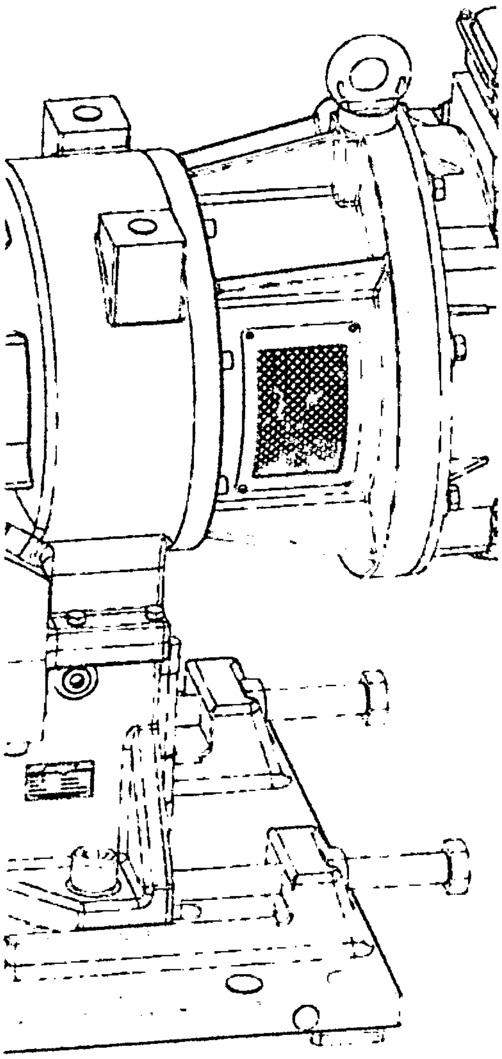
Read our Chairman's Statement on pages 8 to 11

"Throughout the year, the business performance has been on an improving trend and I am pleased to report that our order books have continued to grow in the early part of the new financial year. Whilst there remains considerable Covid-19-related challenges in some parts of the world, with supply chain issues and rising costs, we are well placed to deal with these and our performance over the last 12 months gives me confidence that we will return to growth in the new financial year."

ROBERT PURCELL
CHIEF EXECUTIVE

Read our Chief Executive's Review on pages 22 to 25

A Strong Platform



Our responsible management...

During this past year, we managed the Group in a careful and responsible manner. This ensured that we were well placed to respond to the impact of the Covid-19 pandemic due to our flexibility. Not only that, but we are also in a strong position to be able to deal with future impacts too.

We reacted quickly to the sharp decline in order intake arising from the pandemic. Our swift decision making and cost discipline mitigated sales reduction. As a result, we delivered a robust operating margin and substantial reduction in net debt. The order intake is now stable, with a steady improvement.

We also have the flexibility to progress with other strategic initiatives due to our improved cash generation and the completion of our spending on major restructuring.

Read more about our responsible management in the Chairman's Statement on pages 8 to 11 and the Chief Executive's Review on pages 22 to 25

combined with our improved productivity...

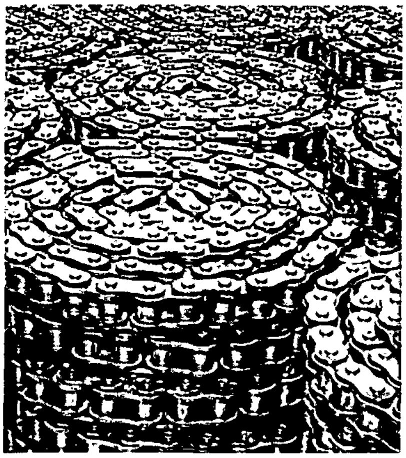
Our new systems and processes are improving productivity, and an enhanced level of investment is delivering improved manufacturing capability. Our new Chinese factory is performing well, and is delivering significant productivity gains.

Read more about our performance on pages 30 to 31

our operational efficiency...

The strategic investment in our improved heat treatment facilities in the US, the benefits associated with the rollout of the Group's new ERP system and the ongoing focus on lowering the cost base are improving operational effectiveness.

Read more about the Finance Director's Review on pages 32 to 39



and the integral need for our products...

Our market-leading products are used in many demanding, high-tech, cutting-edge end applications.

This ranges from chain for Olympic bicycles to automated warehousing systems, assembling the latest models of vehicles to machinery for next generation companies, chocolate manufacturing equipment to escalators. If something needs to be lifted, moved, rotated or conveyed, you'll find us there.

Read more about our products on pages 6 to 7

provides a strong platform for us to capture long-term opportunities for growth.

Our strong platform is underpinned by our key strengths:

- Valued and recognised brand and engineering expertise
- Broad base of customers and end-user markets
- High specification products that deliver environmental and operational benefits for customers
- Global market position and unique geographical manufacturing capability
- Our products are relatively low cost but critical to our customers' success

Read more about our investment case on pages 20 to 21

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 1,716 people around the world in the last year, with 56% of our staff engaged in direct production activities.

Chain

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.

£13.3m

ADJUSTED OPERATING PROFIT

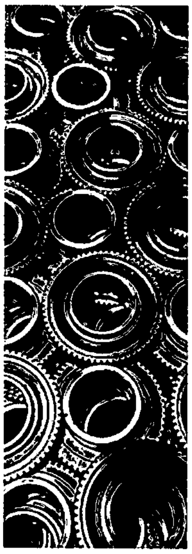
10.2%

RETURN ON SALES[1]

1,405

EMPLOYEES

Read more about our Chain division on page 30



Torque Transmission

We are a global manufacturer and developer of industrial coupling and gearbox solutions, from fluid couplings to rubber-in-compression and rubber-in-shear couplings, and a complete range of worm gears, helical and bevel helical worm drives. We also manufacture custom gear spindles and gear couplings for the primary metals industry.

We have manufacturing sites in the USA and the UK.

£5.0m

ADJUSTED OPERATING PROFIT

12.8%

RETURN ON SALES[1]

277

EMPLOYEES

Read more about our Torque Transmission division on page 31

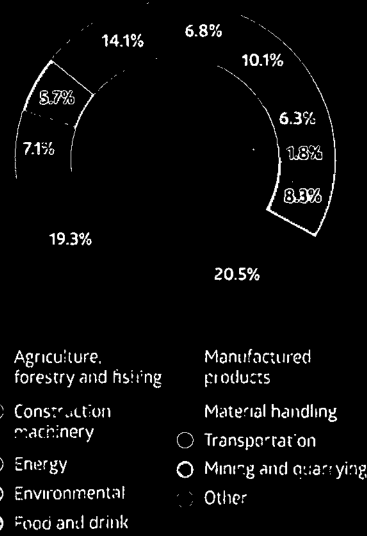
End-user markets

Power transmission products are used within an extremely broad spread of applications. With a very diverse and numerically large customer base, Renold's reliance on any single customer is relatively low. Our biggest global customer represents 5% of sales. Of our five largest customers, two are themselves distributors of a wide range of industrial power transmission equipment and thus, even this limited concentration of our sales is effectively sub-segmented into a huge range of end-customers and applications.

Similarly, the business enjoys little reliance on any one particular industry with sales spread across most general industrial markets, such as construction machinery, material handling, transportation, mining and quarrying, food processing, energy production, agriculture, leisure and many more.

The chart below demonstrates the spread of revenue across a wide range of end-customer markets. However, the data only includes 54% of Renold's revenue as the remaining 46% is supplied by Renold to distributor customers. These distributors will in turn supply products to their end-customers who are likely to further diversify the end-customer base into which Renold's products are supplied.

Revenue by sector



1. Adjusted operating profit and return on sales are alternative performance measures used by the Group to assess performance. Note 27 reconciles these measures to statutory measures.

Map key:
Manufacturing and sales company
Sales location

Americas

Renold Chain and Renold Torque Transmission have been participants in the North American markets for many years.

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

Renold Torque Transmission manufacturers gear spindles and sells gear and coupling products manufactured elsewhere in the Group.

40%

OF GLOBAL SALES

Europe

Renold Chain and Renold Tooth Chain operate from our two European manufacturing locations in Germany. Along with our European Distribution Centre, our UK-based service centre and our national sales centres, these facilities supply 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.

38%

OF GLOBAL SALES

Asia Pacific

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

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

12%

OF GLOBAL SALES

High Growth Economies

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

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

10%

OF GLOBAL SALES

Global presence, local markets

Renold continues to benefit 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, 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.

Our Products and their End Applications

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

Chain

We operate at the leading edge of 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 more specialised solutions such as Hydro-Service, with its superior corrosion-resistant coating, and the Syno range which sets a new benchmark for chains requiring little or no lubrication.

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 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 displays 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 industrial industries 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, full in-house heat treatment with the addition of high performance, quality and lubrication.

- Long service life
- 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

Read more about the performance of our Chain division on page 30

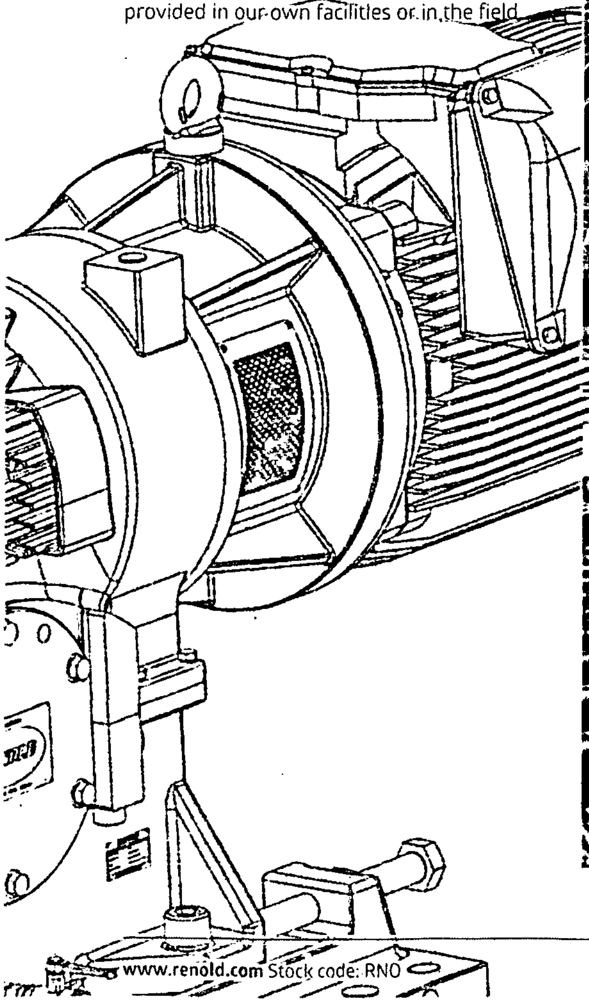
Read more about the performance of our Torque Transmission division on page 31

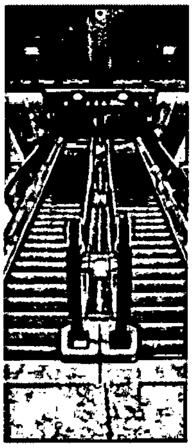
Torque transmission

We are experts in providing bespoke couplings and gear solutions across industries 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 from our own teams of engineers. These services can be provided in our own facilities or in the field.





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 customers 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 an essential 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

Chairman's Statement

> *"Supply chain disruption and 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 financial freedom to exploit future organic and acquisition-related growth opportunities."*

MARK HARPER
CHAIRMAN

This will be my final Annual Report as Chairman of Renold as, at the end of this year's Annual General Meeting, I intend to step down from the Board and hand over the reins to my successor, David Landless. Accordingly, it is probably a good time to reflect on some of the strategic progress and changes that have been made over the last nine years whilst I have been Chairman.

The business back then was faced with many challenges including an inflexible cost base, where both the costs and the breakeven point were too high, the lack of a service ethos and a significantly underinvested manufacturing base. Despite possessing a portfolio of market leading products, these fundamental weaknesses led to a lack of both profitability and cash generation. Over the period of my tenure as Chairman, the Board has committed total expenditure of £31.5m in restructuring costs and £58.6m in capital expenditure which has contributed to addressing these weaknesses.

Due to the diligence of the executive team, our employees around the world, and the Board, the business is in a much better place than when I arrived as clearly illustrated by this year's results; delivered in an economic and social environment, unparalleled in living memory, due to the Covid-19 pandemic. The Group is now capable of generating higher profits at much lower volumes, has strong cash generation, a comfortable level of liquidity, and again as this year demonstrates, has a much more flexible workforce who are service orientated. Over my tenure difficult decisions had to be made, especially concerning the closure of production facilities in the UK, the opening of a new factory in China and a complete shift in the Group's IT strategy. Now that the period of substantial restructuring has come to a close, the Group will be able to commit higher levels of resources to develop at a faster rate, both organically and via strategically sound acquisitions.

It is pleasing to see the strategic progress that has been made over the past years, deliver a business which has the resilience to weather these storms, and any future economic shocks. This is true, both in terms of financial performance but also true for the flexibility and adaptability of our people across the world, who have continued to deliver an outstanding result for the Group in this unprecedented and difficult global environment.

Reaction to the Covid-19 pandemic

In the Chief Executive's Review, Robert outlines the impact of the Covid-19 pandemic on Renold and the actions we have delivered to ensure the safety of our employees and continuity of supply to customers plus the cost and cash measures implemented to protect the financial strength of the Group.

With our manufacturing facilities in China, we gained early exposure to the operational changes required to ensure the safety of our employees in a Covid-19 environment. As Covid-19 spread across the world, particularly to Europe and America, we were well-placed to share best-practice and quickly implemented safe working environments in our other locations. Consequently, the temporary closure of a number of facilities, in particular in India, which has once again been closed in the new financial year due to the impact of the new variant, caused limited disruption to trading in the year. The welfare and safety of our employees have remained of paramount importance throughout the current crisis.

One of the key strengths of Renold is the significant geographic, customer and sector diversification, together with a broad spread of end-use applications for our products. Throughout the various geographic lockdowns across the world, we have sought, where appropriate and safe to do so, to keep our manufacturing operations open in support of various industries that are essential to the functioning of the global economy. Whether the end application is in agriculture, food processing, energy or a myriad of other essential industries (including internet-based and technology industries' use of automated warehousing), Renold plays its part in ensuring our customers can continue to operate.

The Covid-19-related changes that we have implemented can only be successful with the support of our employees across the world. Their willingness to adapt and adopt new working practices, including where these incur personal hardships, has highlighted their commitment and loyalty to Renold. Whether that is changing shift patterns, reducing working hours or accepting temporary pay reductions, all of our employees have stepped forward to support us in addressing the current challenges.

Our markets and trading performance

At the half year we reported a pandemic related 17% reduction in revenue compared to the equivalent prior year period, highlighting the tougher market conditions, particularly in the European and US chain markets. As expected, these conditions continued but were less extreme in the second half of the year, where revenue was 8.1% lower compared to the prior year. The speed of recovery of revenue in the second half was constrained by the global supply chain difficulties emerging from the pandemic, and, to a lesser extent, the short-term impact of Brexit related import delays.

Over the year as a whole, Group revenue from continuing operations declined by 12.7% and adjusted operating profit reduced by 16.4%, reflecting the weakened market conditions. Encouragingly, Group order intake in Q4 was 10.0% ahead of the equivalent prior year period, and the order book at 31 March 2021 of £53.6m was 3.6% ahead of the prior year figure (9.2% at constant exchange rates).

The Chain division's revenue from continuing operations declined by 12.8% (12.0% at constant exchange rates) as the Covid-19 pandemic-related demand reduction impacted the division. Adjusted return on sales increased in the year to 10.2% (2020: 9.3%) reflecting the impact of significant productivity gains achieved in the New Chinese Chain factory, which offset the negative margin impact of lower sales seen in other geographic regions.

The volatile market conditions impacted most acutely on the *Torque Transmission* (TT) division which experienced a revenue decline of 15.2% (14.3% at constant exchange rates) over the full year. In the second half of the year, a reduction in activity was expected and planned due to variation in demand for a significant long-term defence supply contract. Unsurprisingly, this revenue decline reduced profitability, but a strong improvement in returns from the Gears unit, and increased government support in terms of US PPP loan forgiveness, bolstered adjusted return on sales for the division to 12.8% (2020: 11.5%). TT is generally considered to be a later cycle business than the Chain division, which together with the lengthier order book means that we should see a continued strengthening of the division's performance as the new financial year progresses.

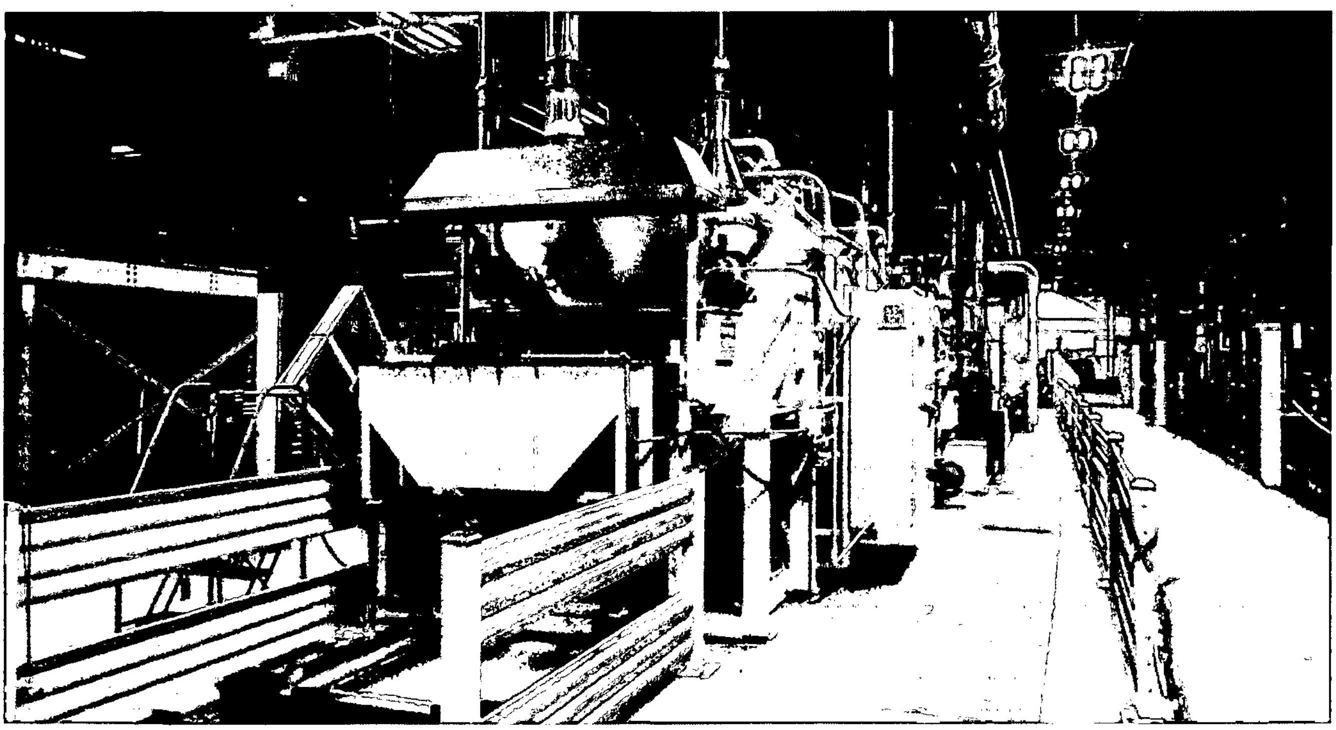
During the year, cash generation outperformed initial expectations, as a strong focus on cash management resulted in a c.50% reduction of net debt to £18.4m (31 March 2020: £36.6m).

Strategic developments

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

The recently completed Chinese factory continued to make significant progress in terms of increased efficiency and productivity. This is clearly illustrated by a c.24% reduction in head count, from when the plant was originally opened back in March 2019, which has resulted in a step change in profitability of the Chinese business year-on-year.

A review of manufacturing capabilities is currently underway, which has identified opportunities for the upgrade of existing manufacturing processes in India and China to create higher specification, higher quality products. This review of supply chain optimisation will facilitate the incorporation of standardised manufacturing capabilities across all product lines and sizes which, in turn, will enable us to benefit from significant efficiencies and economies of scale. Furthermore, geographic diversification will allow flexibility between manufacturing locations, especially in light of customer supply chain diversification, and a changing tariff environment.



Chairman's Statement

The completion of the major restructuring initiatives, together with the low level of financial leverage, puts the Group in an ideal position to capitalise on meaningful bolt-on acquisitions that augment our existing operations. This will allow us to accelerate the growth in revenue, including for our existing products into adjacent sectors, allow entry into new under-represented sectors and geographies and, most importantly, allow us to benefit from significant production synergies from acquired businesses.

On the 8 April 2021, the Group acquired the conveyor chain business of Brooks Limited, headquartered in Manchester, UK. This small bolt-on acquisition will augment our existing UK business.

Finally, I am pleased to announce that the Group is embracing a sustainability strategy, 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.

The Board

Consistent with the cost actions being delivered across the Group, the Board elected to take a temporary reduction in fees/salary of 20% for Non-Executive Directors and 25% for Executive Directors during the year. These pay reductions lasted for a period of four months and commenced on 1 April 2020.

I would like to welcome Jim Haughey to the Board as Group Finance Director. Jim joined us in October 2020 and brings with him extensive experience in the engineering sector, having been Group Finance Director at Mpac Group plc, and holding senior finance roles at Bodycote plc, FKI plc and Bridon Group. I would also like to take this opportunity to thank Ian Scapens, who left the Board in June 2020 for the contributions made during his tenure.

In addition, I would like to welcome Andrew Magson to the Board as a Non-Executive Director. Andrew has career-long experience working in international industrial and manufacturing businesses and was previously Group Finance Director of The Alumasc Group plc, and prior to that he held senior finance roles at BPB plc.

As previously reported, at the conclusion of this year's Annual General Meeting I will step down from the Board, retire as Chairman of the Company and as Chairman of the Nominations Committee, and David Landless will take over these responsibilities. Accordingly, David Landless will retire as Audit Committee Chairman and Senior Independent Director, with Andrew Magson taking on the responsibilities as Audit Committee Chairman and Tim Cooper, the Chair of the Remuneration Committee, taking on the responsibilities of Senior Independent Director.

We continually monitor the composition of the Board with the objective of maintaining, and broadening the range of expertise, experience and diversity. The Board continues to ensure that effective succession plans are in place.

Pensions

The latest triennial actuarial valuation of the UK pension scheme, with an effective date of 5 April 2019, was agreed in March 2020, and reported to The Pensions Regulator in June 2020, with no change to the contribution arrangements. This valuation assessed the deficit at 5 April 2019 to be £9.1m, with the shortfall to be recovered from expected asset outperformance.

The Group's net retirement benefit obligations as determined by IAS 19R increased in the year to £102.4m (31 March 2020: £97.6m) due primarily to a reduction in bond yields offset by the recovery in asset prices during the year. 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 19R deficit for the UK pension fund of £77.5m. The difference represents the valuation of the capital asset reserve (CAR), currently £50.8m, being a guaranteed set of future discounted cash contributions to the scheme for a fixed period of 25 years commencing in 2013. Cashflows under the CAR provide for long-term, predictable and sustainable funding to the UK scheme.

The Group remains committed to progressively de-risking this position over time through a combination of agreed contributions to the schemes, the benefit of investment returns over time and other actions as they become viable.

At the start of the financial year, and due to the uncertainty in short-term outlook caused by the Covid-19 pandemic, Renold approached the Trustees of the Pension scheme with a request to defer £2.8m of contributions to the UK scheme for a 12 month period to 31 March 2021. The Trustees supported this proposal and it was agreed that the deferred contributions will be repaid over a five-year period commencing on 1 April 2022.

Dividend

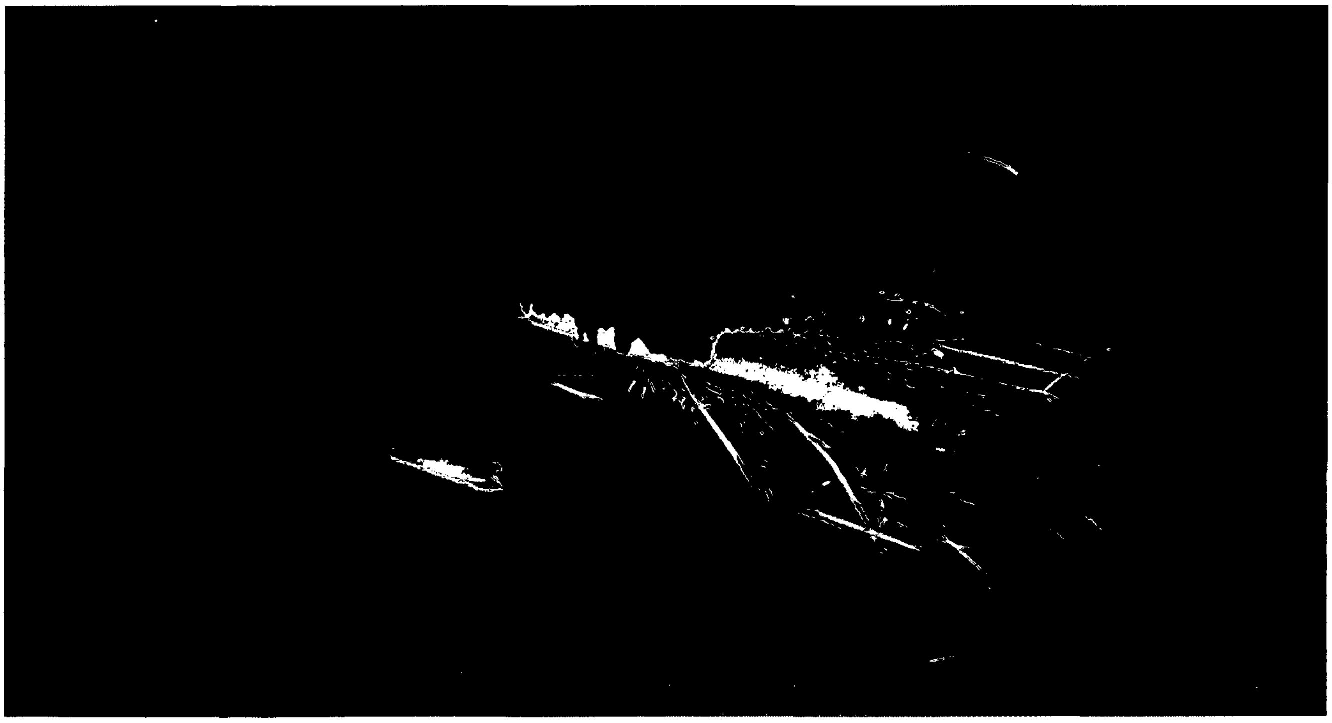
The Board fully recognises the importance of dividends to shareholders. However, given the volatile operating environment created by the Covid-19 pandemic and with the corresponding impact on market demand, the Board has decided not to recommend the payment of a dividend on ordinary shares for the year ended 31 March 2021. This approach will remain under active review for future periods.

Summary

The Group has performed well in the face of the unprecedented economic and social turmoil created by the Covid-19 pandemic. Both divisions have performed with great credit in light of the demand reductions. Rapid management action to contain costs, governmental support and the benefits of previous restructuring, combined to substantially mitigate the impact of the revenue decline. Supply chain disruption and 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 financial 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 resilient results in the face of unprecedented adversity.

MARK HARPER
CHAIRMAN

16 July 2021



Case study

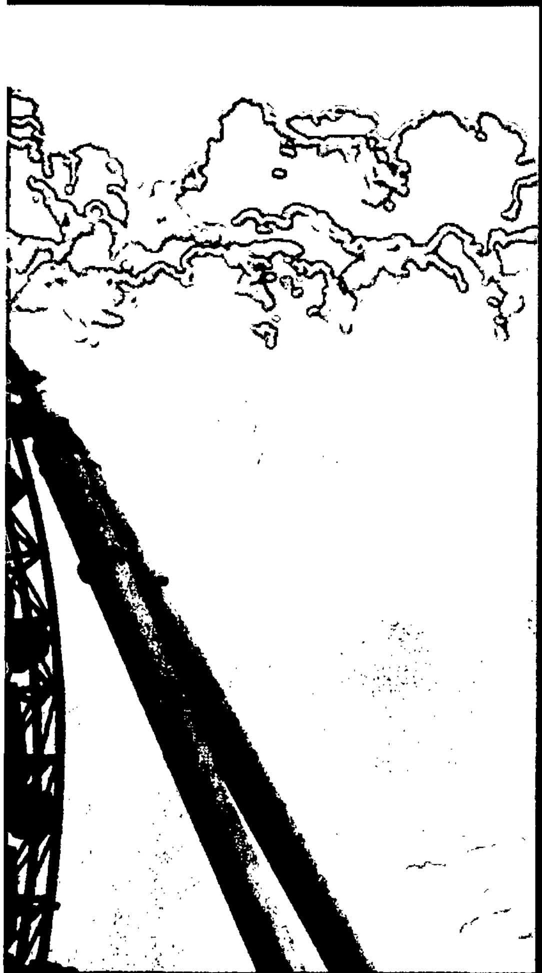
Chain: High Performance Roller Coaster Chain

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 world. Our chains are designed to accommodate peak shock loads, frictional loads and dead 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

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Market Review

Renold chain and torque transmission products are used in a broad range of applications across the world. These products are generally used in industrial applications or capital goods through either original specification at the point of manufacture, or as replacement maintenance parts. Across the markets we serve, there are numerous trends at a local or product level. Below, we pick out some broader market trends and outline our response to changing market dynamics.

MARKET TREND

LOGISTICS AND DISTRIBUTION

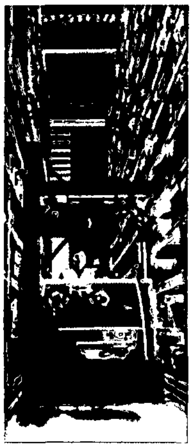
With increasing levels of global trade, greater use of internet shopping and faster reactions to changing trends and fashion, the demand for fast, efficient and cost-effective distribution and logistics capability is a critical success factor for many businesses.

This is leading to significant investment in automation and the capability to manage greater volumes with fewer employees directly handling goods.

OUR RESPONSE

Renold is a leading global supplier of fork-lift truck chain and chain for warehouse automation.

Through targeting OEMs and operators, Renold is expanding its presence in supporting all aspects of the logistics and distribution sector, including greater demand for fork-lift trucks, specialist chain used for container handling equipment in ports, and supplying the large volumes of chain used in automated distribution centres.



MARKET TREND

TRADE BARRIERS AND TARIFFS

Industrial chain and torque transmission products serve a global customer base. As a result, there are high levels of products that flow across national borders.

A changing economic environment has seen an increase in trade barriers and tariffs, particularly between the US and China.

OUR RESPONSE

The Renold strategy, particularly in the Chain division, has been to ensure that we retain and establish manufacturing capabilities in all major global markets in which we operate.

With the introduction of tariffs on goods flowing between the US and China, we have been able to utilise the flexibility retained within our manufacturing base to move certain elements of production out of China into our Indian site. The flexibility our manufacturing base offers is valued by our customers who are increasingly aware of international supply chain challenges.

MARKET TREND

REDUCED MAINTENANCE LEADING TO INCREASED PRODUCTIVITY

As with all processes, maintenance disrupts process flows and results in periods of reduced productivity.

Our customers are increasingly seeking out products with longer operational lives, reduced maintenance requirements and lower whole-life costs.

OUR RESPONSE

Renold has always provided the benchmark for high specification products.

We continue to seek out solutions to customer challenges, whether that be:

- Class-leading chain life, reducing maintenance time for replacement;
- Lubrication free chain, reducing maintenance requirements and possible environmental issues; or
- RBI couplings, providing a maintenance free alternative to gear couplings.

Routes to market

In order to successfully provide the service level that end customers require, Renold goes to market through direct channels and through third party distribution. We supply three broad categories of direct customers:

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

This combined approach provides options to our end-user customers to identify and select Renold products in a way that most optimally aligns to their business model.

Read more about Chain and Torque Transmission performance on pages 30 to 31

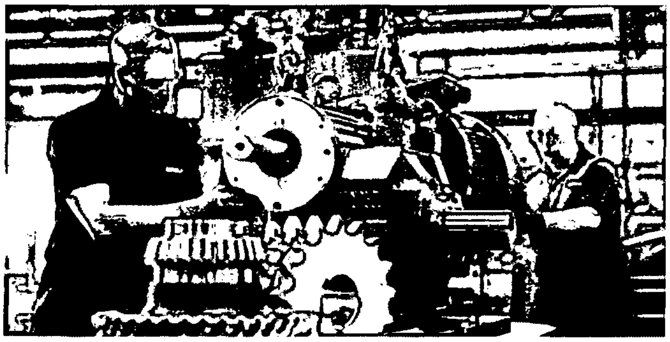
END-USERS

While not always a well-defined category, end-user demand is generally to support one-off special demand, larger and more complex service and MRO (maintenance, repair and overhaul) applications where customers gain value from dealing directly with the manufacturer.

In the year ended 31 March 2021, 13% (2020: 18%) of revenue was through the end-user channel.

13%

OF REVENUE



OEMS

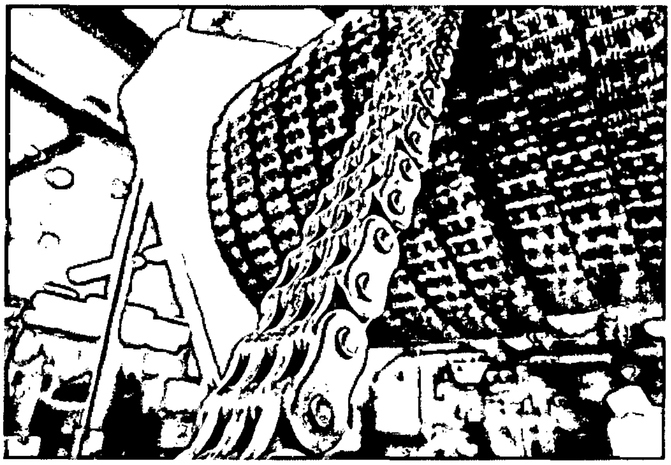
Customers in this segment typically value the technical expertise that Renold can bring in providing solutions to increasingly demanding applications as their own products are developed. An example of this are our gearbox solutions provided by the Torque Transmission division to lower volume manufacturers of original equipment where alternative standardised products would fail.

In instances where, due to size or specification requirements, standard products are not suitable, Renold is able to design a solution which becomes integral to the customers' equipment design.

In the year ended 31 March 2021, 39% (2020: 38%) of revenue was through the OEM channel.

39%

OF REVENUE



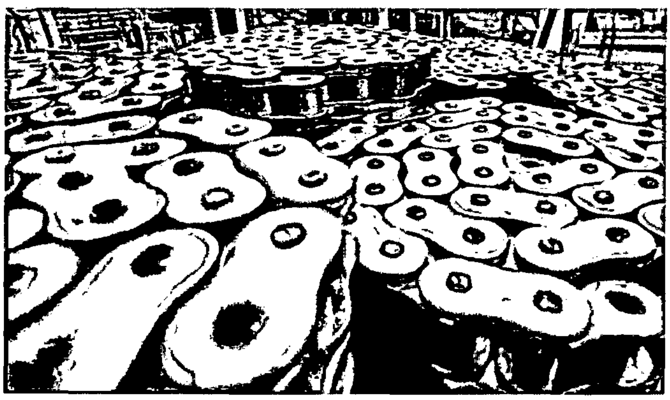
DISTRIBUTION

The sophistication and reach of distributor networks varies greatly around the world. In India, for example, distributors are generally small, single-site operations, or small local networks. They provide a local inventory holding for standard products. At the opposite end of the scale are the large national US distribution networks who are able to provide a wide range of standard products and a number of specialist solutions through their supply chain partners.

In the year ended 31 March 2021, 46% (2020: 44%) of revenue was through the distributor channel.

46%

OF REVENUE



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

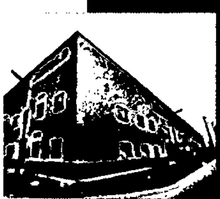
PEOPLE

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, PROBLEMS, 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

SKILLS AND FACILITIES

THE ABILITY TO CONCEIVE AND DELIVER THESE SOLUTIONS

- Bringing our unparalleled engineering capability to design customer solutions
- Deploying over 100 years of manufacturing know-how to create superior products
- Manufacturing capability in most major regions

LOGISTICS

THE RIGHT PRODUCT IN THE RIGHT PLACE AT THE RIGHT TIME

- 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 UNIQUE AFTER-SALES SERVICE

- Rapid response offering on standard configured chain and standard transmission chain
- Getting closer to customers in more locations

Our business model creates value for our customers ...

END USERS

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

13%

OEMS

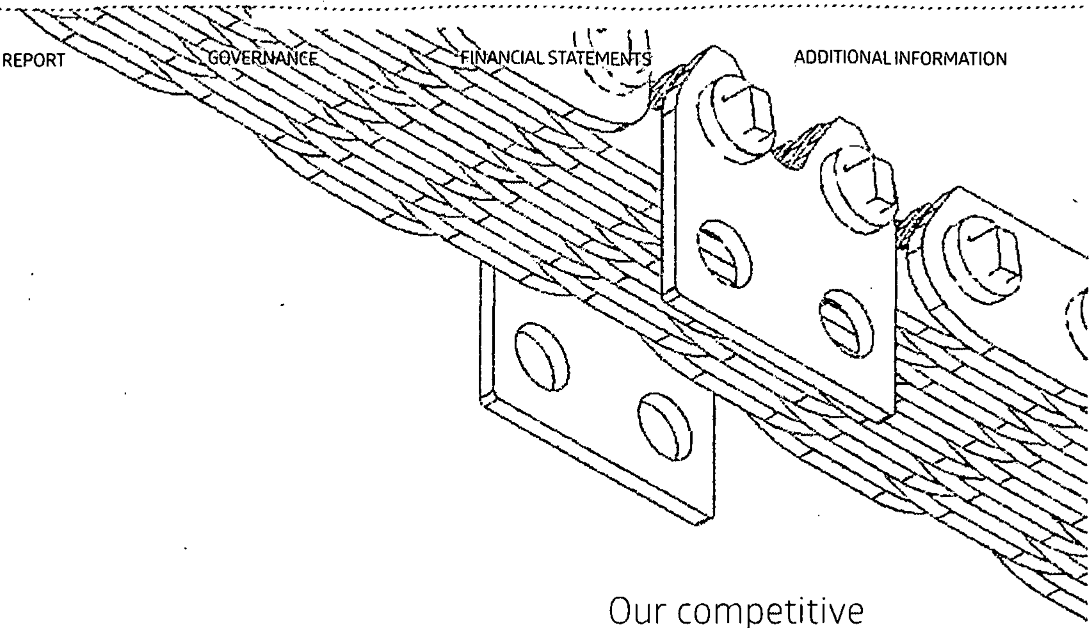
- Range of facilities and capabilities
- Bespoke solutions
- Meeting their own and customer needs
- The Renold brand and engineering capability provides assurance

39%

DISTRIBUTION

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

46%



... and for our other stakeholders

OUR EMPLOYEES
- Development of talent
- *The ability to work for a* business whose values align with those of the employee

OUR SHAREHOLDERS
- We have a detailed strategy for growth

OUR PARTNERS
- A long-term relationship
- A collaborative process

OUR COMMUNITY
- Support local education projects for young people
- Construction of educational facilities in India

OUR ENVIRONMENT
- Meet legislative requirements
- Underlying reduction in energy usage

Our competitive advantages

01

SKILLED EMPLOYEES
- Over 1,700 skilled employees
- Training and development

02

ENGINEERING CAPABILITIES
- Premium performance segments
- Complex requirements

03

BROAD PRODUCT RANGE
- Chain and Torque Transmission products
- Broad spread of applications

04

GEOGRAPHICAL REACH
- Operate in 17 countries
- Global manufacturing footprint and sales and distribution network

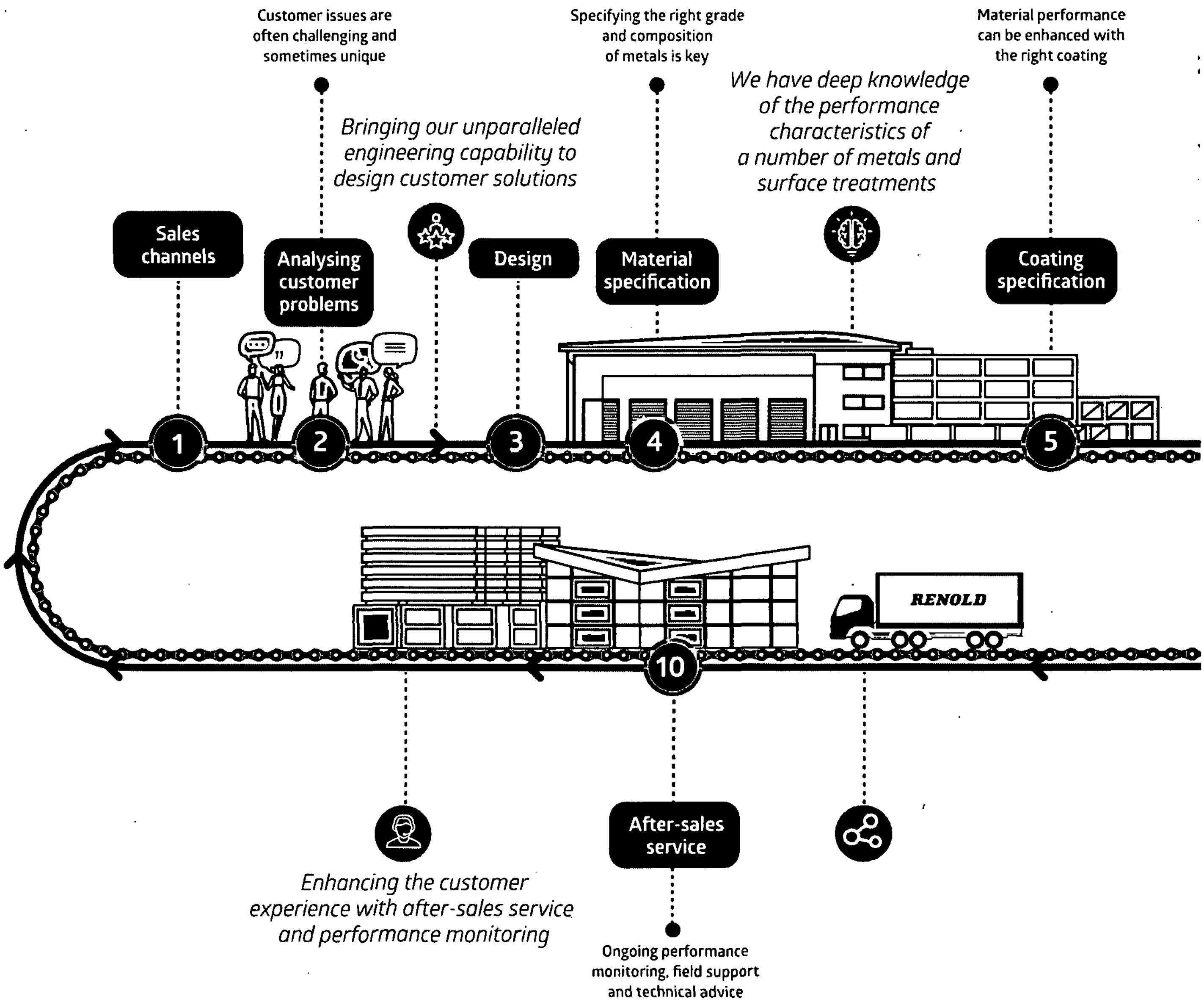
Read more about our Customer Journey on pages 18 to 19

Read more about our Sustainability on pages 48 to 59

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

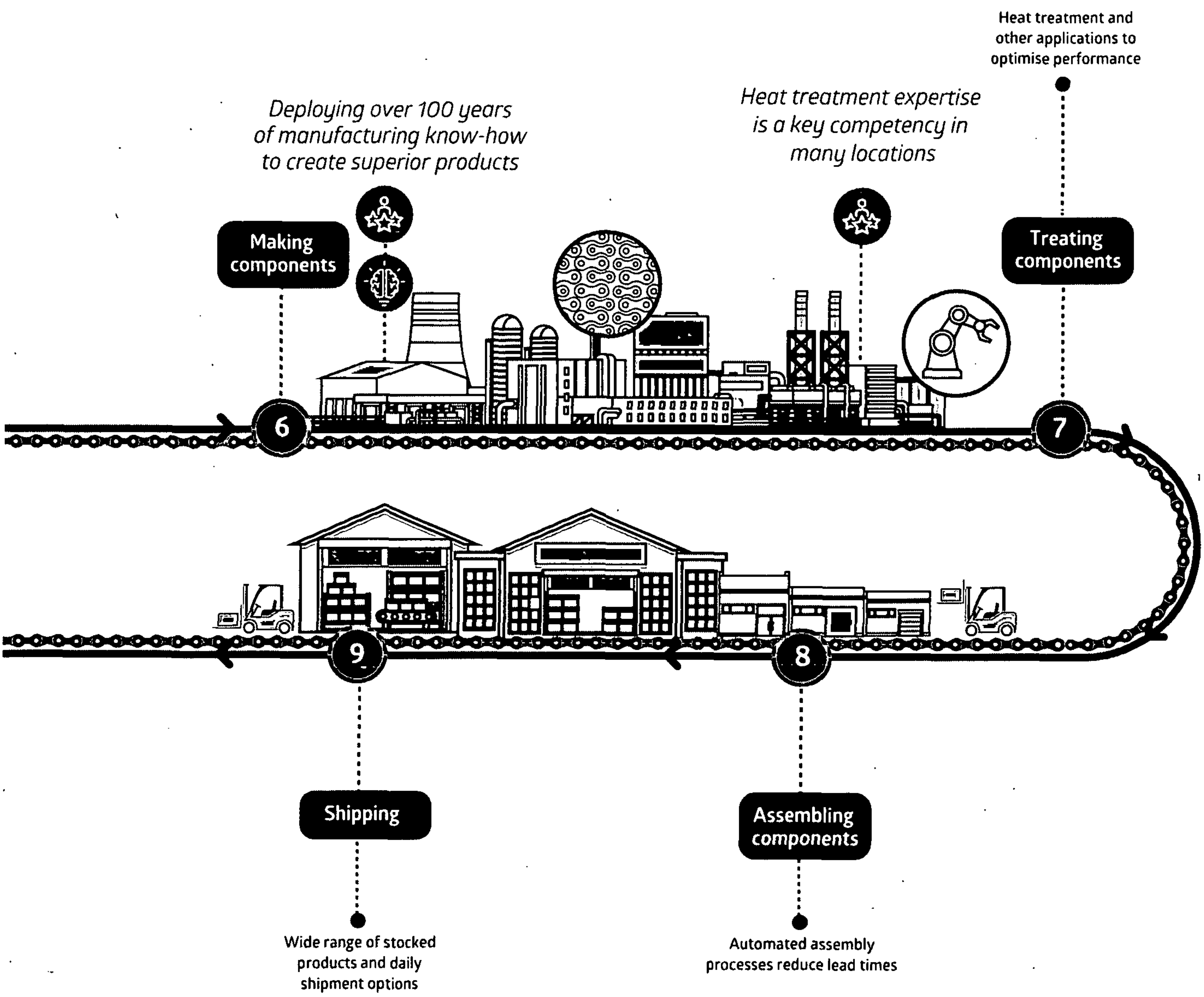
Knowledge

Skills & Facilities

Service

Logistics

Read more about these key icons in the value-generation cycle section of our *Business Model* on page 16



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.

Market and product positioning

VALUED AND RECOGNISED BRAND AND ENGINEERING EXPERTISE

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 OEM's and customers frequently ask for our products by name.

BROAD BASE OF CUSTOMERS AND END-USER MARKETS

Renold products are used in an extremely broad base of final applications, market sectors, for both MRO and capital projects, resulting in a huge spread of customers and industries served. There is no customer or sector dependency. Our product range is second to none.

HIGH SPECIFICATION PRODUCTS THAT DELIVER OPERATIONAL AND ENVIRONMENTAL BENEFITS FOR CUSTOMERS

Our products are engineered and manufactured to class-leading specifications delivering major benefits to customers:

- Longer life - reduced material and energy requirements and improved efficiency
- Lower or no lubrication requirements - reduced contamination opportunity, lower cost to run
- Greater efficiency - reduced energy requirements
- Ability to operate in difficult or harsh environments

GLOBAL MARKET POSITION AND UNIQUE GEOGRAPHICAL MANUFACTURING CAPABILITY

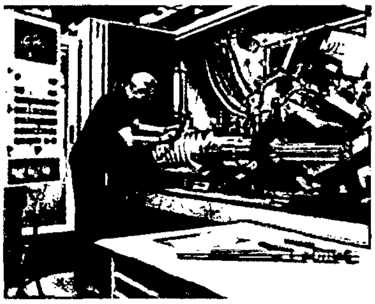
Renold is a global market-leading supplier of industrial chain and torque transmission products produced across the world utilising a unique manufacturing footprint. We are the second largest industrial chain company in the world with less than 10% market share in a highly fragmented market.

RELATIVELY LOW COST BUT CRITICAL PRODUCTS

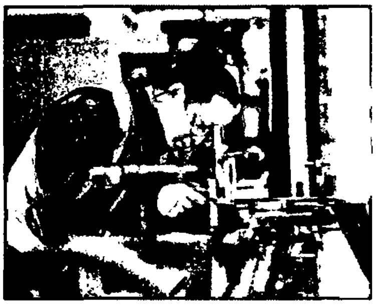
Renold products are often a relatively low cost when compared to the cost of the overall assembly or system of which they are part; but they are critical to the performance of the entire system. The consistent, reliable performance of our class-leading products for over a century has demonstrated to customers the value proposition we offer both in MRO and OEM markets.

Phases of our Strategy

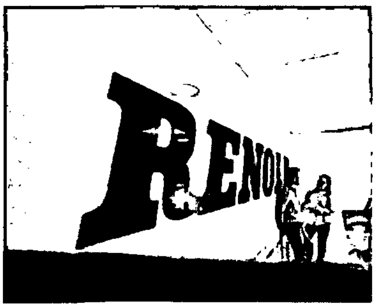
PHASE 1
BUSINESS IMPROVEMENT



PHASE 2
ORGANIC GROWTH



PHASE 3
ACQUISITIONS



Strategic progress delivered

- Significant change delivered
  - Restructured operating sites, solving legacy issues and delivering margin improvement
  - Introducing systems and processes to improve productivity and operational effectiveness including new single Group ERP and engineering systems
  - Investment in improved manufacturing capability, increasing flexibility and reducing headcount
- Major infrastructure changes largely complete and have delivered major benefits

Future opportunities

- Major restructuring costs and projects finished
- Foundations built for accelerating operational improvements and efficiencies through new machinery and processes
- Standardisation in engineering, components and manufacturing processes to give lower costs and better service
- Standardisation allows growing geographic freedom on manufacturing location giving more resilience and lower costs

Future benefit: Significant margin improvement and cost reduction to occur with cost to change already incurred leading to greater free cash

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- Improvements in customer service, benefiting from infrastructure investment and change, have been substantial
- Investing in marketing and product management
- The Renold brand is being further developed and enhanced to include sustainability and further evolution of the product range
- Increasingly competitive cost base established

- Renold is a major brand in its markets which is able to increasingly leverage its market position
- Growing market sub-sectors and niche markets, where Renold does not currently compete, leaves room for substantial expansion

Future benefit: Faster growth, higher margins, differentiated offering built on strong brand and established value adding products

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- Small but meaningful acquisitions delivered
  - Acquired specialist tooth chain manufacturer, adding product specialisation and greater customer reach
  - Purchased minority joint venture shares in India (November 2020) and China creating 100% ownership and control over strategic direction in key growth markets
  - Small bolt-on acquisition to augment UK Facility, completed April 2021

- Acquisitions accelerate growth and create the opportunity to deliver even greater returns from capital investments
- Provide accelerated growth in markets that have 'sticky' products
- Acceleration of entry into new sectors or geographies

Future benefit: Infrastructure built onto which acquisitions add immediate value

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 Company and our customers."

ROBERT PURCELL

CHIEF EXECUTIVE

The year ended 31 March 2021 proved to be a challenging one, with the impact of the Covid-19 pandemic seeing Group revenue reduce by some £24.1m (12.7%) year-on-year. However, the strategic efforts undertaken over many years to make the cost base of the Company more flexible, together with various short term cost actions, and government support initiatives, has resulted in a resilient adjusted operating profit performance of £11.2m, a £2.2m (16.4%) reduction on the prior year level. The operating profit gearing[1] on the reduced sales being a creditable 9%. Statutory operating profit of £10.5m (2020: £10.1m) was £0.4m ahead of the prior year, reflecting the significant reduction in restructuring costs, with all major restructuring projects complete.

More challenging market conditions, particularly in our key European and US markets, adversely impacted demand. However, the more streamlined and flexible operating model developed through many years of strategic change has proved robust and has been reflected in the overall resilience of the operating margin.

Group order intake in the year fell to £170.0m, down 7.4% compared to the prior year. At constant exchange rates the reduction was 6.5%. Encouragingly, Group order intake recovered strongly and consistently through the second half with the final quarter 10.0% ahead of the equivalent prior year period. The order book at 31 March 2021 of £53.6m was 3.6% ahead of the prior year figure (9.2% ahead at constant exchange rates).

During the year, cash generation outperformed initial expectations, as a strong focus on cash management resulted in a c.50% reduction of net debt to £18.4m (31 March 2020: £36.6m).

This year, Renold advanced its roadmap for a more sustainable future, preparing to build the foundations upon which a sustainability strategy can be developed. Moving forward Renold will make Sustainability a guiding principle. We will strive to act responsibly, balancing the expectations of all our stakeholders whilst reducing our impact on the environment and increasing our contribution to the communities we operate within. Over the coming months and years, we plan to formulate specific plans and deliver outcomes which will ensure that Renold plays its part in creating a sustainable future for all.

Activity within the Chain division recovered more quickly as the year progressed with the second half of the year showing a rebound in revenue, with growth of £3.4m (5.4%) recorded over the levels seen in the first half. The disciplined action on costs led to a creditable £1.9m sequential increase in adjusted operating profit, from H1 to H2, with operating profit gearing[1] on the increased sales of 56%. Overall, year-on-year operating margins within the Chain division increased 90 basis points to 10.2%, aided by a significant increase in productivity and resultant profitability within the Chinese Chain business.

The TT division is generally a longer lead time, later cycle business. The relatively larger order book on hand at the start of the year supported revenue in the first half, while slower order intake during the first half of the year led to revenue levels in the second half of the year being some £2.1m lower than the first half. Adjusted operating profit remained flat from H1 to H2, due in part to a £0.8m reduction in underlying trading operating profit, being offset by an increase in the level of US government PPP support utilised by the business. The closing order book in the TT division finished the year £1.3m (7.2%) below the prior year level at constant exchange rates. On a positive note, order intake in the final quarter was ahead of the levels seen in Q2 and Q3, indicating that the recovery in this later cycle, business has commenced.

Looking forward the Group is well positioned to capitalise on the recovery from the Covid-19 pandemic.

[1] Operating profit gearing is defined as the year-on-year change in adjusted operating profit, divided by the year-on-year change in revenue

Covid-19 – Impact on operations and Renold's response

The first impact of the Covid-19 pandemic occurred at the end of the last financial year, affecting the Group's Chinese operations. The government enforced lockdown resulted in approximately four weeks of additional shut down following the Chinese New Year. Activity in China recovered fairly quickly so that business returned to more normal levels as the current financial year commenced.

Disrupted Chinese supply chains have continued to be an issue at various times during the current financial year, due in part to the availability of shipping containers, which has disrupted supply of product both to external customers and also to Group companies in Australasia, Europe and the US.

As the Covid-19 pandemic spread around the world, governments took different approaches resulting in inconsistent impacts in different parts of the world. New Zealand, Malaysia and India were subject to a complete lockdown, including the requirement for complete closure of factories, especially earlier on in the year.

Across Europe, our manufacturing sites remained open but with increased levels of absence due to the follow-on impacts of school closures and strict self-isolation procedures being observed.

Our US sites followed local requirements, which again were inconsistent between states. Our Chain factory in Tennessee remained open, while our Torque Transmission manufacturing site in New York state closed temporarily. Both facilities were ultimately designated essential businesses and subsequently remained open for the duration of the financial year.

As the year closed, the emergence of a new strain of the virus in India has caused a significant increase in cases, leading to another temporary enforced closure of our production facilities in the new financial year. Supply chain disruption, shortage of materials, and significant material price inflation have been a constant challenge to our Indian factory management over more recent months.

Throughout this year, our highest priority has been the safety and welfare of our employees. Each location has established a Covid-19 operational planning team with best practice and learning being shared across the different geographic teams.

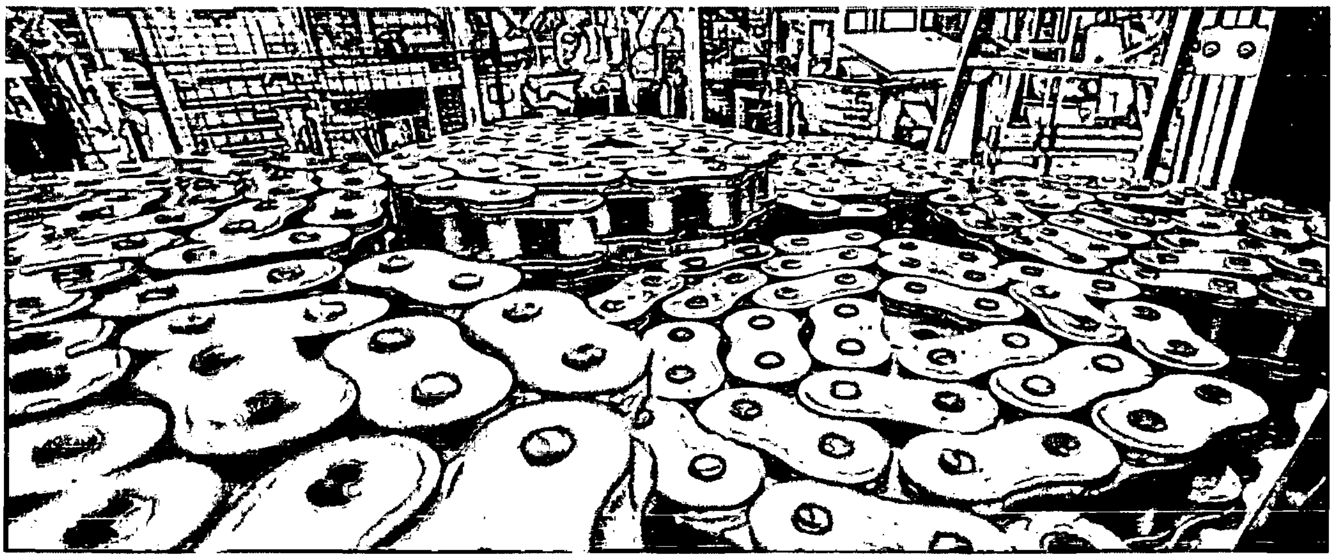
The solutions implemented differ by location, but include working from home for employees not required in our factories, changes to shift patterns to reduce the number of individuals on site at any point in time, changes to operational processes to ensure social distancing is enforced and strict approaches to self-isolation for individuals who are at risk of having been exposed to anybody showing symptoms or having been diagnosed as having the virus.

In anticipation of falling demand, at the start of the year, a number of actions were implemented to reduce costs and preserve cash flow, these actions were gradually eased as the year progressed. These included:

- suspending all discretionary spend and restricting non-committed capital expenditure;
- flexing working hours or operational headcount to match labour to demand;
- rephasing or renegotiating payments on leased properties, direct and indirect tax payments and recovery of over-estimated corporate taxes where paid on account;
- agreeing, with the scheme Trustee, a deferral of contributions to the UK pension fund for 12 months;
- implementing temporary pay reductions for indirect employees, including a 25% reduction for the Executive Directors and 20% for the Non-Executive Directors;
- re-negotiation of the Group borrowing facilities, and relaxation of the Group's borrowing covenants; and
- utilising Government support packages, in order to reduce potential redundancies, and maintain the significant industry knowledge and high skill base that our employees offer.

As a result of the above actions, combined with the resilient trading performance of the business the Group's net debt position of £18.4m at the year end, (31 March 2020: £36.6m) was considerably improved and we retain significant headroom of £27.7m under the Group's £61.5m revised committed banking facilities. Throughout the year, the Group operated comfortably within both the original and revised banking covenants and delivered a significantly stronger result than modelled in the plausible downside scenarios as prepared for the 2020 Annual Report and Accounts.

All sites around the Group are currently open but, at the end of the year, a surge of cases within India and continued high levels of infection within parts of Europe, mean that the risk of further lockdowns and temporary site closures cannot be eliminated. Disruption to supply chains is causing shortages of materials and significant inflationary pressure on the price of those materials which are available. The Group has implemented a series of price increases throughout the business aimed at fully recovering inflationary cost increases.



Chief Executive's Review

Strategic Plan – Update on progress

Renold is committed to initiatives towards a sustainable future, building the foundations upon which a long-term sustainability strategy can be developed.

Moving forward Renold will make Sustainability a guiding principle. We will strive to act responsibly balancing the expectations of all our stakeholders whilst reducing our impact on the environment and increasing our contribution to the communities we operate within. Over the coming months and years, we plan to formulate specific plans and deliver outcomes which will ensure that Renold plays its part in creating a sustainable future for all.

We have appointed a Sustainability program leader, who, working with the Board, has commenced the formulation of a sustainability strategy. The strategy will embrace the Group's future actions in terms of:

- Environment. Reducing the use of energy, carbon emissions, waste, consumption and use of hazardous materials, travel and transportation, and the optimisation of supply chains
- Workforce. Addressing engagement and wellbeing, workplace culture, talent attraction, succession planning, together with existing work concerning health and safety, diversity and equality, training learning and development.
- Communities. Encouraging greater links with the communities in which we operate, charitable activities, CSR policy and practice, and supporting employee involvement.
- Governance. Continuing to develop transparent and compliant reporting, risk management, certification, policies and procedures, and embedding our values behaviours and ethics.
- Customers. Supporting our customers in achieving their own sustainability goals through the development and supply of high specification, durable, environmentally responsible products which use less lubrication, reduce customers' energy usage and need replacement less frequently, and therefore minimise the impact on the environment.
- Economics. Enabling a predictable and sustainable financial performance from the Group, benefiting from our sustainability focus and balancing this with the need to deliver stakeholder expectations and financial prudence.

As previously outlined, the relocation of the Chinese factory was a major project, upgrading the infrastructure and capability of our business there. Having opened the new Jintan factory and completed the transfer from the old factory by 31 March 2019, operational productivity took some time to return to historical levels during the year ended 31 March 2020. This was as expected following the recruitment and training of an almost completely new workforce. During the 2021 financial year significant productivity improvements have been realised, including a further 6% reduction in headcount, following the 20% reduction achieved during the prior year. Adjusted operating profit for the Jintan factory in the year improved significantly, despite the Chinese business overall seeing a pandemic related £2.8m reduction in revenue. Whilst the factory move has attracted most of the attention within this project, the facility also benefitted from installation of our new ERP system. Our new capabilities to run the site and business are substantially better than before and the insight and analysis available underpins our belief that the Chinese business can continue to improve further.

Following the decision taken last year to acquire 100% ownership of 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 both 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 alternate supply base as customers' supply chains flex, driven by an awakening of concern about tariffs and the concentration of supply from a single region.

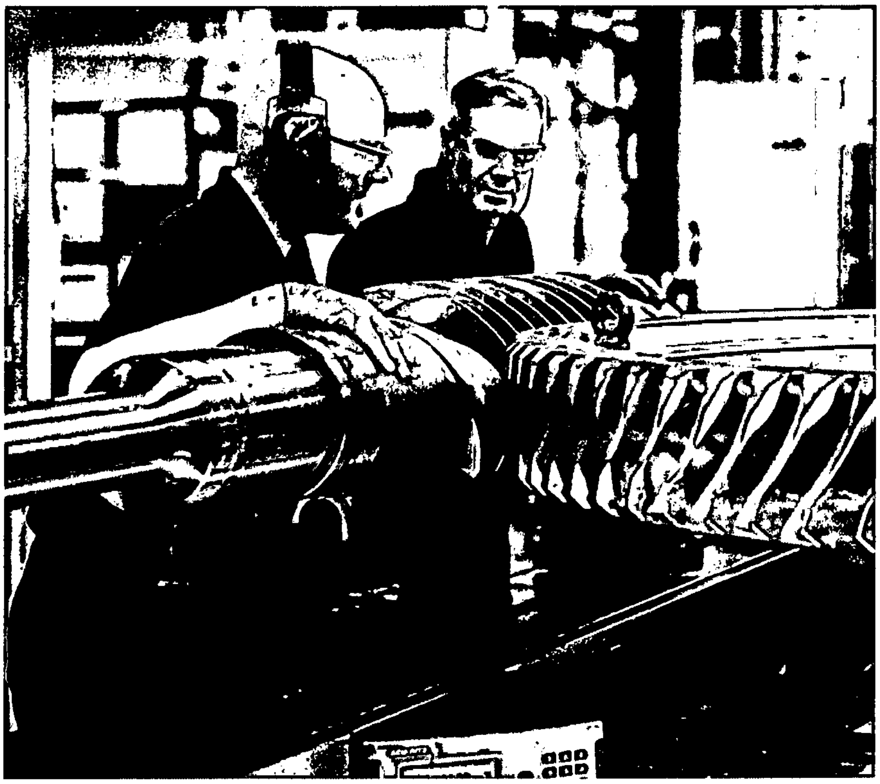
These projects highlight an intentional trend within our capital allocation decisions for the Group. With the large infrastructure projects complete, capital allocation decisions are now less frequently limited purely by a site's domestic requirements but are focused on customer service and optimising 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 being seen as an integrated international supplier and less as 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. As a result, we have begun developing a pipeline of acquisition opportunities which we believe have the ability to meet our strict financial and operational criteria. In line with this approach, the Group completed the acquisition of the conveyor chain business of Brooks Limited, in Manchester, UK on 8 April 2021. The business operates within the conveyor chain market and is expected to generate additional sales for the Group of c.£1.0m and add c.£0.2m to Group operating profit for the year ending 31 March 2022. The business is currently being integrated into the Renold UK Service Centre. Whilst this acquisition is only small it will hopefully be the first of a number of bolt-on acquisitions for the Group which will allow us to expand our product offering and 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 to their own business performance.

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 (pre-Covid) by growing sales per employee;
- improvements in levels of customer service being delivered through the Group's, 'Step 2 Service', programme; and
- greater flexibility in the cost base as we start to reduce the direct link between revenue and direct labour.

While revenue needs to recover to fully realise the financial benefits of these improvements, the significant investment in infrastructure and cost to change is largely at an end. As markets recover, 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 near-term, market demand will 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 the Covid-19 pandemic resulting in continuing short-term uncertainty, it is necessary to look at the underlying fundamentals of the Group and the markets we serve to understand why Renold continues to develop as a business. Many of these intrinsic values have remained consistent over time but are continually being enhanced and increased. They include:

- **Valued and recognised brand with considerable engineering expertise**
  The Renold brand has been built up over our 150-year history and is trusted by customers to deliver exceptional products.
- **Global market position and unique geographical manufacturing capability**
  The global market position of Renold has existed for many years but following significant strategic restructuring in the Chain division, the geographic manufacturing footprint is 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 systems into which they are incorporated. Our products are often a small proportion of the cost of the entire system, but are critical to its operation.
- **Broad base of customers and end-user markets**
  Renold products are used in an extremely diverse range of end applications and geographies resulting in a huge spread of customers and markets served. Markets and applications will change and vary in the current dynamically changing environment but with its wide spread of products, geographies , applications and customers, Renold is well positioned to cope.
- **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 than competitors' products leading to lower power usage, longer life providing lower lifetime usage of materials and energy in their manufacture, 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 Company and our customers.

Throughout the year, the business performance has been on an improving trend and I am pleased to report that our order books have continued to grow in the early part of the new financial year. Whilst there remains considerable Covid-19-related challenges in some parts of the world, with supply chain issues and rising costs, we are well placed to deal with these and our performance over the last 12 months gives me confidence that we will return to growth in the new financial year.

ROBERT PURCELL
CHIEF EXECUTIVE

16 July 2021

Strategic Progress

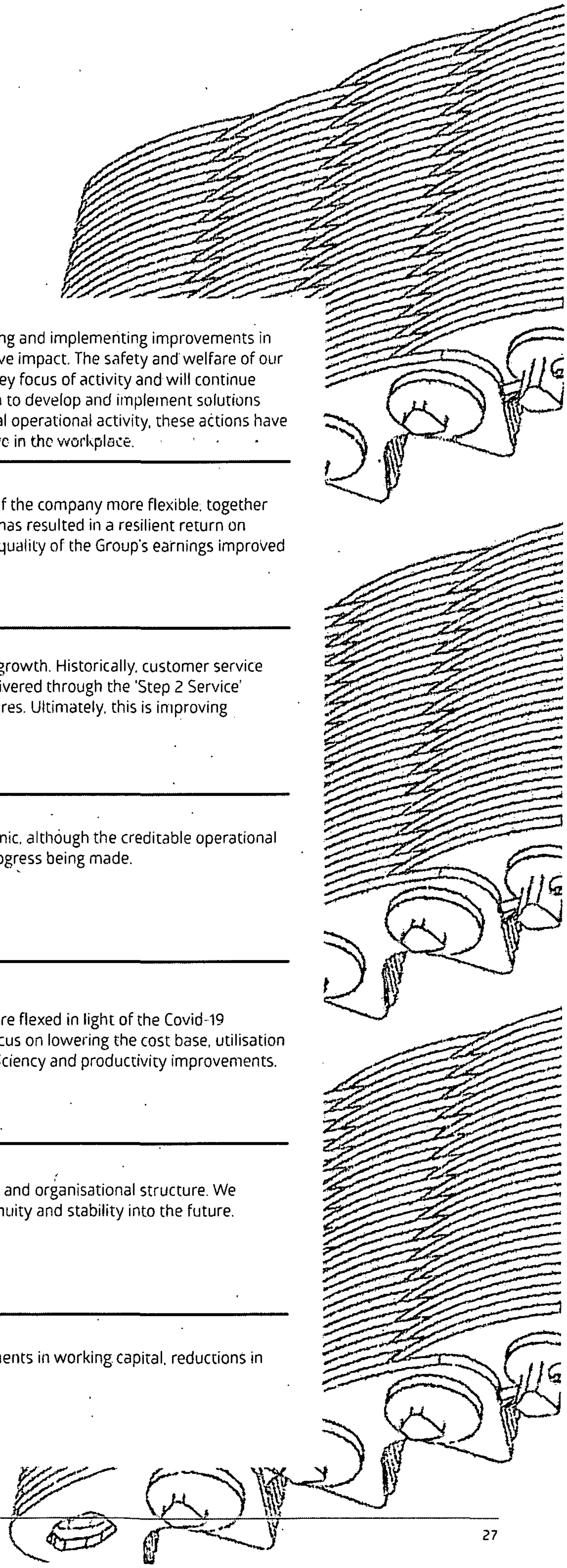
Progress with strategic objectives

Strategic objective	Change	KPI measures
A SIGNIFICANTLY IMPROVING OUR HEALTH AND SAFETY PERFORMANCE		• Lost time accident frequency rate • Reportable injury rate • Lost time days • Safety improvements
B GENERATING MARGIN-ENHANCING GROWTH FROM OUR SUPERIOR PRODUCT CAPABILITY		• Sales per employee • Return on sales • Total overheads • Adjusted EPS
C ENHANCING CUSTOMER SERVICE		
D OPTIMISING BUSINESS PROCESSES		• Sales per employee • Return on sales
E LOWERING OUR BREAKEVEN POINT		• Total overheads
F DEVELOPING OUR PEOPLE		
G STRENGTHENING AND DE-RISKING OUR BALANCE SHEET		• Cost of servicing legacy pensions • Average working capital ratio • Leverage ratio • Net debt

TREND DIRECTION

increasing unchanged decreasing

Progress in 2021



Health and Safety is our top priority and we remain committed to delivering and implementing improvements in this area. Our metrics indicate that these interventions are having a positive impact. The safety and welfare of our employees during the Covid-19 pandemic has, since March 2020, been a key focus of activity and will continue going forward. Each location formed a Covid-19 operational planning team to develop and implement solutions specific to their business and location. Although often disruptive to optimal operational activity, these actions have served to mitigate the impact of the virus on our employees whilst they are in the workplace.

The strategic efforts undertaken over many years to make the cost base of the company more flexible, together with various short-term cost cutting, and government support initiatives, has resulted in a resilient return on sales performance. Despite the reduction in adjusted operating profit the quality of the Group's earnings improved during the year, driven by the significant reduction in restructuring costs.

Customer service improvements remain key to supporting future organic growth. Historically, customer service has been a weak point of the Renold offering. Good progress has been delivered through the 'Step 2 Service' programme which is resolving some deeply embedded attitudes and cultures. Ultimately, this is improving customer service and will, in future, support organic growth.

Productivity declined slightly in the year as a result of the Covid-19 pandemic, although the creditable operational gearing of just 9% on the reduced activity demonstrates the significant progress being made.

Overheads reduced in the year, particularly payroll overheads, as costs were flexed in light of the Covid-19 pandemic. The reduction in overheads also reflects the Group's ongoing focus on lowering the cost base, utilisation of government support programmes and other short-term operational efficiency and productivity improvements.

The Group has continued to review and strengthen the management team and organisational structure. We continue to invest in our future teams and apprentices to ensure the continuity and stability into the future.

Cash generation in the year was very strong aided by significant improvements in working capital, reductions in capital expenditure and deferral of UK pension scheme contributions.

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 Generating margin-enhancing growth from our superior product capability
- C Enhancing customer service
- D Optimising business processes
- E Lowering our breakeven point
- F Developing our people
- G Strengthening and de-risking our balance sheet

CHANGE KEY

- KPI result is an improvement on the prior year
- KPI result is unchanged from the prior year
- KPI result is a deterioration on the prior year

Read more about our strategy on pages 14 to 27

Health & safety measures A

WHY IT'S IMPORTANT TO RENOLD

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.

LOST TIME ACCIDENT FREQUENCY RATES

DEFINITION:
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.

PERFORMANCE:

2017	7.1
2018	5.8
2019	15.2
2020	9.4
2021	6.18

COMMENTARY:
Lost time accidents rates reduced during the year.

CHANGE

REPORTABLE INJURY RATES

DEFINITION:
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.

PERFORMANCE:

2017	777
2018	455
2019	1,909
2020	1,014
2021	598

COMMENTARY:
Reportable injury rate (greater than 3 days lost time) reduced during the year.

CHANGE

LOST TIME DAYS

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

PERFORMANCE:

2017	190
2018	248
2019	1,126
2020	340
2021	168

COMMENTARY:
Lost time days decreased in the year.

CHANGE

SAFETY IMPROVEMENTS

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

PERFORMANCE:

2017	1,466
2018	1,304
2019	1,350
2020	1,254
2021	1,321

COMMENTARY:
Safety improvements increased in the year. safety improvements continue to be identified and implemented.

CHANGE

Profit measures B D E

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 (%)

DEFINITION:
Adjusted operating profit divided by revenue.

PERFORMANCE:

2017	7.0%
2018	6.7%
2019	7.4%
2020	7.1%
2021	6.8%

COMMENTARY:
Resilient return on sales despite 12.7% reduction in revenue.

CHANGE

ADJUSTED EARNINGS PER SHARE (P)

DEFINITION:
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.

PERFORMANCE:

2017	3.0
2018	2.9
2019	3.1
2020	2.9
2021	2.0

COMMENTARY:
The reduction in Adjusted EPS reflects lower adjusted operating profit in the year

CHANGE

Efficiency measures B D E F

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)

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

PERFORMANCE:

2017	85.1
2018	94.1
2019	97.5
2020	99.7
2021	96.3

COMMENTARY:
Productivity (measured simplistically as sales per employee) declined slightly in the year as a result of the Covid-19 pandemic.

CHANGE

TOTAL OVERHEADS (£M)

DEFINITION:
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.

PERFORMANCE:

2017	74.8
2018	75.4
2019	76.4
2020	72.6
2021	64.9

COMMENTARY:
Reductions, particularly to payroll overheads reduced the total overhead cost for the year

CHANGE

Capital and cash measures 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)

DEFINITION:
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.

PERFORMANCE:

2017	6.0
2018	5.5
2019	5.5
2020	5.2
2021	2.6

COMMENTARY:
The cost of servicing legacy pensions reduced in the year as £2.8m of pension payments to the UK scheme were deferred in light of the short-term uncertainty created by the Covid-19 pandemic.

CHANGE

AVERAGE WORKING CAPITAL RATIO (%)

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

PERFORMANCE:

2017	22%
2018	22%
2019	23%
2020	23%
2021	22%

COMMENTARY:
The Group delivered an improvement in the average working capital ratio, primarily through reductions in inventory.

CHANGE

LEVERAGE RATIO

DEFINITION:
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).

PERFORMANCE:

2017	0.8x
2018	1.1x
2019	1.3x
2020	1.7x
2021	0.9x

COMMENTARY:
Net debt decreased despite the reduction in EBITDA, demonstrating strong cash generation in the year.

CHANGE

NET DEBT (£M)

DEFINITION:
Total borrowing less cash balances.

PERFORMANCE:

2017	17.4
2018	24.3
2019	30.3
2020	36.6
2021	18.4

COMMENTARY:
Cash generation in the year was very strong aided by significant improvements in working capital, reductions in capital expenditure and deferral of UK pension scheme contributions.

CHANGE

Our Performance

Chain performance review

The impact of the Covid-19 pandemic resulted in revenue at constant exchange rates 12.0% below the prior year. Despite the drop in revenues, adjusted operating margins increased by 90 basis points during the year to 10.2% (2020: 9.3%). The operational gearing[1] on the reduced activity was a creditable 3%, as the impact of significant operational efficiency gains, especially in the Group's Chinese operations, were realised which, together with cost cutting measures and government support packages, mitigated the volume related shortfalls. Statutory operating profit was £12.6m (2020: £11.0m), £1.6m higher than the prior year, following the completion of all major restructuring programs and the significant reduction in restructuring costs.

	2021 £m	2020 (re-presented[2]) £m
External revenue	**128.9**	147.9
Inter-segment revenue	**1.1**	1.1
Total revenue	**130.0**	149.0
Foreign exchange	**-**	(1.3)
Revenue at constant exchange rates	**130.0**	147.7
Adjusted operating profit	**13.3**	13.8
Foreign exchange	**-**	(0.2)
Adjusted operating profit at constant exchange rates	**13.3**	13.6
Statutory operating profit	**12.6**	11.0

2 The results for the year ended 31 March 2020 have been re-presented following the reclassification of one business unit from the Chain Division to the TT division.

Across the Chain division order intake for the year dropped 8.7% to £136.6m (2020: £148.3m), or 7.9% at constant exchange rates, as the impact of the Covid-19 pandemic spread through the global economy. The most significant reduction in order intake was experienced within the first quarter of the year, where constant exchange rate order intake was some 34.6% below the 2020 comparative. Since that point, order intake has recovered sequentially quarter on quarter, with quarter four order intake being some 16.9% ahead of the equivalent prior year period, with the closing order book at £39.2m some 19.4% ahead of last year at constant exchange rates.

Revenue was similarly reduced due to the pandemic and at constant exchange rates reduced by 12.0%, to £130.0m (2020: £147.7m). On a statutory basis, revenue decreased 12.8%. The first quarter of the year was supported by the opening order book but quarter two revenue was 19.4% below the prior year comparator at constant exchange rates. Since the half year, the strengthening order intake has generated sequential increases in revenue, despite short-term constraints in global supply chains subduing activity in the final quarter of the year.

Chain Europe, which represents our largest Chain business, saw the steepest decline in constant exchange rate revenues of 16.6%. Revenue strengthened significantly in the final quarter, but continued to trail the prior year average by 7.8%, as the recovery in activity was curtailed by short term logistics problems, resulting from the global shortage of containers and the impact of the third lockdown in mainland Europe which caused a temporary shortfall in book and ship orders.

In the Americas, the market decline experienced in the first three quarters of the year was more pronounced with the shortfall, especially in large OEM orders, resulting in a decline in constant exchange rate revenue of 13.9%. Activity in the final quarter recovered sharply, being 22.2% ahead of the average over the first three quarters, as both the results of the US presidential election and the strong roll out of the US vaccine program saw confidence in the US economy grow significantly.

In Australasia, activity was mixed, but broadly positive across the region. Revenue at constant exchange rates grew by 4.6% year-on-year. Australia itself had a good year with revenue at constant exchange rates 12.8% higher than the prior year, due in part to customers changing buying patterns to source more domestically produced goods as a result of continued supply chain disruption of imported materials. Malaysia, Thailand, and New Zealand encountered reductions in activity in excess of 10%. The highlight of the region was Indonesia where activity bucked the global trend and grew 38%, albeit from a low base.

Domestic revenues in India also suffered in the year with constant exchange rate revenue 15.3% lower driven by a government enforced shutdown and subdued activity in the first half of the year. This was followed by a significant recovery in demand being curtailed by short term material supply issues as domestic steel production was reduced or didn't recover sufficiently quickly. The more recent spread of the new Covid-19 variant saw a further temporary cessation of production in May 2021.

Chinese revenues, which were the first to be impacted by the global pandemic in the final quarter of 2020, remained subdued throughout the year. Significant productivity improvements occurred as the previous year's c.20% reduction in head count was followed by a further 6% reduction in the current year, which along with many additional operational projects improved the profitability of the business substantially.

Despite the drop in revenues, the adjusted operating profit margin for Chain increased by 90 basis points during the year to 10.2% (2020: 9.3%), which places the Group in a strong position to capitalise as the global economy recovers.

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

Torque Transmission performance review

Torque Transmission also experienced challenging market conditions due to the Covid-19 pandemic. This, combined with the expected fall in revenue from a major Couplings defence project, resulted in constant exchange rate revenues declining by 14.3%. On a statutory basis, revenue decreased 15.2%. The adjusted operating profit margin from continuing operations increased by 130 basis points during the year to 12.8% (2020: 11.5%) with the impact of the declining revenue being more than offset by efficiency gains, cost reductions and a one off £0.8m receipt of US government support. Statutory operating profit was £5.0m (2020: £4.9m).

	2021 £m	2020 (re-presented[1]) £m
External revenue from continuing operations	**36.4**	41.5
Inter-segment revenue	**2.7**	4.6
Total revenue from continuing operations	**39.1**	46.1
Foreign exchange	**-**	(0.5)
Revenue from continuing operations at constant exchange rates	**39.1**	45.6
Adjusted operating profit	**5.0**	5.3
Foreign exchange	**-**	(0.1)
Adjusted operating profit from continuing operations at constant exchange rates	**5.0**	5.2
Statutory operating profit from continuing operations	**5.0**	4.9

[1] The results for the year ended 31 March 2020 have been re-presented following the reclassification of one business unit from the Chain Division to the TT division.

In a similar pattern to the Chain division, order intake for the year dropped 4.6% to £37.4m (2020: £39.2m), 3.4% at constant exchange rates, again as the impact of the Covid-19 pandemic became widespread through the global economy. Due to the longer lead times within the Torque Transmission division, the most significant reduction in order intake was experienced within the second quarter of the year when order intake at constant exchange rates was some 18.7% below the 2020 comparative. Since that point order intake has recovered such that, by quarter four, order intake was marginally ahead of the prior year average. The Torque Transmission division has a longer sales cycle than Chain and therefore the full recovery from Covid-19 is likely to take place in the coming months.

The Torque Transmission division experienced more challenging market conditions as the year progressed. The longer sales cycle and order book initially sheltered the division from some of the impact of Covid-19 in the first quarter. Most of the individual business units saw a decline in revenue as a result of the pandemic. Demand in many geographic markets declined during the year, although this was partially offset by growth of 25% in China. The Chinese growth was in part due to the pandemic hitting China in the latter part of the previous year, so the economy was further along the path to recovery, but also due to the demand from our largest customer for air preheaters continuing to grow. Within the Couplings business, the challenging market conditions combined with the revenue phasing of the large multi-year defence contract resulted in an overall revenue decline.

The Gears business continued to make good progress both in terms of margin improvements and cost reductions. Despite the difficult market conditions, the Gears unit delivered an increased operating profit margin at constant exchange rates. Order intake in the Gears business unit was £1.8m (26.5%) higher than sales for the year primarily as a result of a large order to supply escalator gear units for the Budapest metro upgrade which will predominantly be delivered in the next financial year. Demand from the OEM sector, particularly for larger projects within the US and UK our key geographic markets, reduced during the second quarter and took until the final quarter to fully recover.

Although order intake and revenues were subdued within the Couplings business, demand has started to return particularly as a result of improved customer service levels. Targeted marketing campaigns have so far proved successful with an increased interest from customers in the RBI product which offers users a number of advantages over other products available in the market. The business expects to be awarded an additional large major contract as a follow on to the current defence projects that are currently being manufactured. Terms are likely to be agreed during the next financial year and an announcement will be made if appropriate.

With the exception of our manufacturing site in New York state, which closed temporarily, all Torque Transmission factories have remained open throughout the pandemic with individual sites being quick to implement safe working practices. Working patterns were initially changed to keep teams segregated and ensure continuity of production at all times.

As a result of the largest two manufacturing sites being based in the UK, the division as a whole experienced some initial disruption from Brexit both in terms of inbound and outbound transport. The initial disruption appears to have largely subsided and to date the division has not suffered any adverse financial impact from Brexit.

Despite order intake and revenues being adversely impacted by the pandemic, the division as a whole has seen a pick-up in activity during the last quarter of the financial year. The Torque Transmission division has a longer sales cycle than Chain and therefore, the full recovery from Covid-19 is likely to be delivered over the coming months.

Finance Director's Review

> *"Renold delivered a resilient performance during the year, even though the Group's markets were significantly impacted by the Covid-19 pandemic. Despite the reduction in revenue, the business produced an adjusted operating margin of 6.8% (2020: 7.1%) and achieved a substantial reduction in net debt of £18.2m to £18.4m (31 March 2020: 36.6m)."*

JIM HAUGHEY
FINANCE DIRECTOR

Orders and revenue

Reconciliation to reported results	2021 Order intake £m	2021 Revenue £m	2021 Operating profit £m	2020 Order intake £m	2020 Revenue £m	2020 Operating profit £m
Continuing operations	**170.0**	**165.3**	**10.5**	183.6	189.4	10.1
Restructuring costs	**–**	**–**	**–**	–	–	2.4
Amortisation of acquired intangible assets	**–**	**–**	**0.7**	–	–	0.9
Adjusted	**170.0**	**165.3**	**11.2**	183.6	189.4	13.4
Impact of foreign exchange	**–**	**–**	**–**	(1.8)	(1.8)	(0.3)
Adjusted revenue at constant exchange rates	**170.0**	**165.3**	**11.2**	181.8	187.6	13.1

Across the Group, order intake for the year dropped 7.4% to £170.0m (2020: £183.6m), or 6.5% at constant exchange rates, as the impact of the Covid-19 pandemic was reflected through the wider economy.

Group revenue from continuing operations reduced by £24.1m (12.7%) to £165.3m. Revenue at constant exchange rates decreased similarly by £22.3m (11.9%). Activity throughout the first three quarters of the year was remarkably consistent, as the production plants trimmed production and operating expenditure in line with the lower order intake levels. Activity in quarter four started to recover, increasing by c.10% in response to the increased order book, with activity held back in the short term by constraints on global supply chains emerging from the pandemic.

On a divisional basis, the Chain division saw revenue from continuing operations and at constant exchange rates decrease by 12.0% while Torque Transmission decreased by 14.3%.

Operating profit

The Group generated an adjusted operating profit from continuing operations for the year of £11.2m (2020: £13.4m). Reported operating profit from continuing operations after adjusting items was £10.5m (2020: £10.1m).

Despite a 12.7% reduction in revenue from continuing operations, adjusted operating margins fell by only 30 basis points during the year to 6.8% (2020: 7.1%). The operating profit gearing[1] on the reduced activity was a creditable 9%, as the impact of the Group's ongoing focus on lowering the cost base, and £4.0m utilisation of government support programs, together with short term operational efficiency and productivity improvements were realised.

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

Adjusting items

Adjusting items for the year ended 31 March 2021 comprise acquisition related intangible asset amortisation costs of £0.7m (2020: £0.9m). No restructuring or adjusting charges were incurred in the year ended 31 March 2021, representing an improvement in the underlying quality of earnings of the Group.

In the prior year, restructuring costs of £2.4m were incurred primarily as part of the Strategic Plan, including redundancy costs associated with headcount reductions and various other smaller costs associated with restructuring.

In the prior year, costs of £1.5m, disclosed as a loss from discontinued operations, related to the disposal of the South African Torque Transmission business unit.

Foreign exchange rates

Foreign exchange rates have remained volatile during the year, with an overall strengthening of Sterling against a number of currencies through the year. The most significant movement for Renold has been the 11% depreciation of the US Dollar against Sterling between March 2020 and March 2021. The Sterling to Euro rate has experienced similar volatility, with Sterling ending the year 4% stronger at 31 March 2021 when compared to 31 March 2020.

Phasing of movements over the current and prior year mean the weighted average exchange rate used to translate the Euro and US Dollar trading results is less volatile. The impact on the weighted average exchange rate used to translate US Dollar reflected only a 3% depreciation of the US Dollar based on a weighted average rate of 1.31 for the year ended 31 March 2021 (2020: 1.27). The Euro strengthened by 2% based on a rate of 1.12 for the year ended 31 March 2021 (2020: 1.14).

FX Rates (% of Group sales)	31 Mar 20 FX rate	31 Mar 21 FX rate	31 Mar 21 Var %	2020 Average FX rate	2021 Average FX rate	2021 Var %
£GBP/Euro (28%)	1.13	**1.17**	**4%**	1.14	**1.12**	**-2%**
£GBP/US$ (35%)	1.24	**1.38**	**11%**	1.27	**1.31**	**3%**
£GBP/C$ (5%)	1.77	**1.73**	**-2%**	1.69	**1.73**	**2%**
£GBP/A$ (7%)	2.03	**1.81**	**-11%**	1.87	**1.82**	**-3%**

If the year-end exchange rates had applied throughout the year, there would be an estimated decrease of £5.5m to revenue and £0.5m to operating profit.

Financing costs

Total net interest costs in the year were £4.6m (2020: £5.2m).

Total loan financing costs include external interest on bank loans and overdrafts of £1.6m (2020: £2.1m), amortisation of arrangement fees and costs of refinancing, including the additional costs from the refinancing completed in March 2019, of £0.2m (2020: £0.2m) and £0.5m (2020: £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 year ended 31 March 2021.

The net IAS 19R finance charge (which is a non-cash item) was consistent with the prior year at £2.2m (2020: £2.2m).

Financing costs also include £0.1m (2020: £0.2m) resulting from the unwinding of discounts on the deferred build costs of the Chinese factory, classified as non-current trade and other payables.

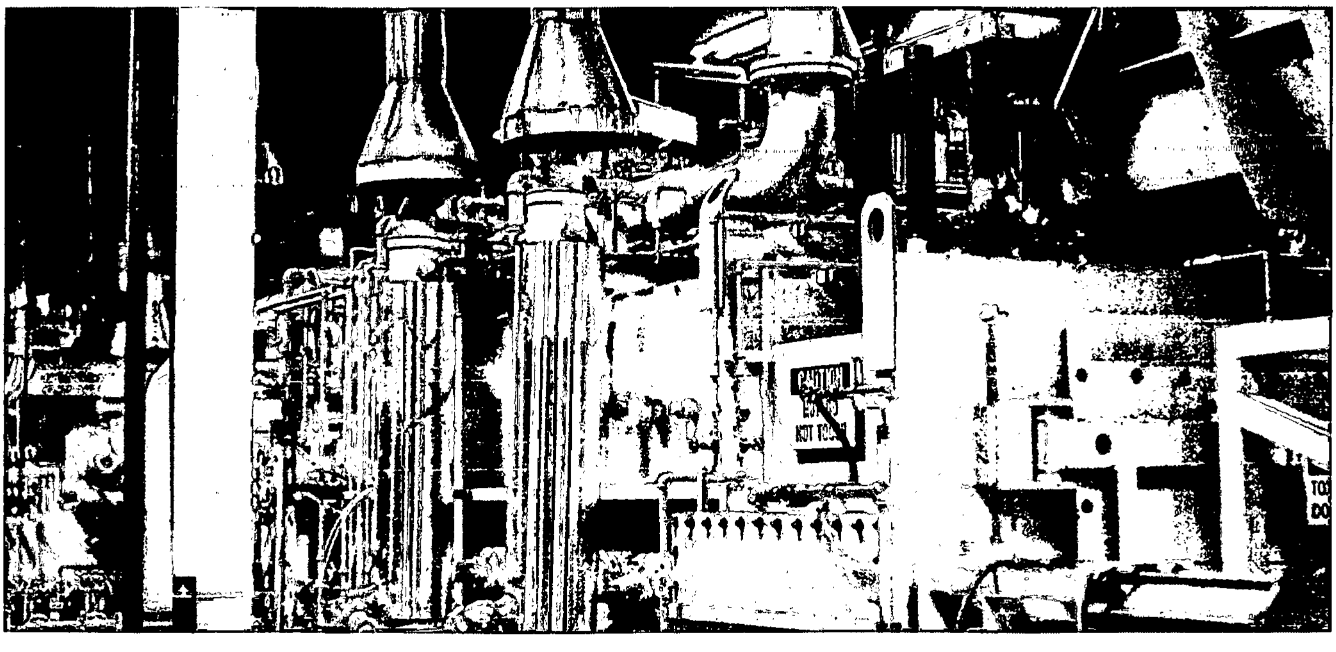
Profit before tax

Profit before tax was £5.9m (2020: £4.9m), 20% higher than the prior year, driven by the increased operating profit and reduction in net financing costs.

Taxation

The current year tax charge of £2.1m (2020: £1.5m) is made up of a current tax charge of £2.2m (2020: £0.6m) and a deferred tax credit of £0.1m (2020: £0.9m charge). The increase in the current tax charge is driven by an increase in the provision for open tax matters which are yet to be agreed with the relevant tax authorities across the Group's geographies, reflecting 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 36% (2020: 31%).



Finance Director's Review

Earnings per share

A profit after tax of £3.8m was achieved for the financial year ended 31 March 2021 (2020: £3.4m). Adjusted earnings per share were 2.0p (2020: 2.9p).

The quality of the Group's earnings improved during the year, driven by the significant reduction in restructuring costs, resulting in basic earnings per share from continuing operations of 1.7p compared to 1.5p for the year ended 31 March 2020.

	2021 £m	2020 £m
Adjusted profit after taxation from continuing operations	**4.5**	6.7
Effect of adjusting items, after tax:		
– Amortisation of acquired intangible assets	**(0.7)**	(0.9)
– Restructuring costs	**–**	(2.4)
Profit after taxation from continuing operations	**3.8**	3.4
Attributable to:		
– Owners of the parent	**3.8**	3.3
– Non-controlling interest	**–**	0.1
Basic adjusted earnings per share	**2.0p**	2.9p
Basic earnings per share	**1.7p**	1.5p

Balance sheet

Net liabilities at 31 March 2021 were £6.1m (31 March 2020: net liabilities £0.4m). Although net profit of £3.8m was delivered for the year, the impact of the valuation of the Group's pension liabilities and the retranslation of overseas operations resulted in an increase in net liabilities.

The pension deficit, on an IAS 19R basis, increased to £102.4m (31 March 2020: £97.6m). The net liability for pension benefit obligations was £84.0m (2020: £80.2m) after allowing for a net deferred tax asset of £18.4m (31 March 2020: £17.4m). 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 19R deficit for the UK pension fund of £77.5m. The difference represents the valuation of the capital asset reserve (CAR), currently £50.8m, being a guaranteed set of future discounted cash contributions to the scheme for a fixed period of 25 years commencing in 2013.

Overseas schemes now account for £24.9m (24%) of the net pension deficits and £22.9m of this is in respect of the German scheme which is unfunded.

As part of its long-term financial planning the Company is reorganising 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 above described 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, would decrease the consolidated retained earnings deficit from £69.6m to £24.1m.

Cash flow and net debt

	2021 £m	2020 £m
Adjusted operating profit	**11.2**	13.4
Add back depreciation and amortisation	**10.2**	10.5
Adjusted EBITDA[1]	**21.4**	23.9
Movement in working capital	**6.4**	(5.3)
Net capital expenditure	**(2.9)**	(9.1)
Operating cash flow[1]	**24.9**	9.5
Income taxes	**0.7**	(1.6)
Pensions cash costs	**(2.1)**	(4.4)
Restructuring spend	**(0.2)**	(0.9)
Repayment of principal under lease liabilities	**(3.2)**	(3.3)
Financing costs paid	**(2.2)**	(2.9)
Purchase of minority interest	**–**	(1.8)
Other movements including share-based payments	**0.3**	(0.9)
Change in net debt	**18.2**	(6.3)
Closing net debt	**(18.4)**	(36.6)

[1] Adjusted EBITDA and operating cash flow are alternative performance measures as defined in Note 27.

Cash generation in the year was very strong, with net debt reducing by £18.2m from the position at 31 March 2020, to £18.4m. Net debt at 31 March 2021 comprised cash and cash equivalents of £19.9m (31 March 2020: £15.6m) and borrowings of £38.3m (31 March 2020: £52.2m).

Most of the £6.4m improvement in working capital was delivered in inventory, where measures were taken to improve the cash position in the short term. Specific and measured increases in inventory are planned for the new financial year in order to maintain customer service levels as demand returns. Receivables and payables moved broadly in line with activity levels in the period.

Net capital expenditure at £2.9m was tightly controlled and reduced by £6.2m compared to the prior period. The reduction in spend to maintenance levels was possible due to initiatives in recent years to invest in the production capabilities of our plants. Strategic investments in improved heat treatment facilities and the standardised IT system for the Group continued, but at a slower pace. Looking ahead, the Group continues to invest in its manufacturing operations and IT/IS systems and it is the intention now to increase capital expenditure again to more normal levels.

Pension cash costs of £2.1m were lower than the prior year equivalent of £4.4m. The decrease in contributions is due to an agreement reached with the UK Pension Trustee in April 2020, whereby £2.8m of contributions due to be paid to the UK scheme in FY 2021, were deferred to be paid over a five year period commencing 1 April 2022, in light of the potential impact of the Covid-19 pandemic. This agreement demonstrates the strong alignment between the Group and the Pension Trustee.

Corporation tax cash received was £0.7m (2020: £1.6m paid). The net inflow for the current year is driven by a review of payments on account across the Group, with revised payment profiles leading to a recovery of £1.3m of prior year contributions. On a statutory basis net cashflow from operating activities increased to £26.7m (2020: £10.9m).

Debt facility and capital structure

The Group's committed multi-currency revolving credit facility (MRCF) totals £61.5m, with an additional £20.5m accordion facility providing a route to additional funding if required, although this element is not committed. The facility matures in March 2024.

At 31 March 2021, the Group had unused credit facilities totalling £28.7m and cash balances of £19.9m. Total Group credit facilities amounted to £66.6m, all of which were committed.

The Group has operated well within the revised and original covenant levels throughout the year ended 31 March 2021 (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 2020 was 1.0 times (covenant: up to 3.5 times; 31 March 2020. 1.7 times), calculated in accordance with the banking agreement. The adjusted EBITDA/interest cover as at 31 March 2021 was 10.9 times (covenant: greater than 3.0 times; 2020: 9.0 times), 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 includes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities and its exposure to foreign exchange, credit and interest rate risk. Information relating to post balance sheet events is disclosed in Note 26 of the financial statements.

The key covenants attached to the Group's £61.5m multi-currency revolving credit facility relate to leverage (net debt to EBITDA) and interest cover, which are measured on a pre-IFRS 16 basis. While liquidity remained sufficient under the bank facility, the economic uncertainty arising from the Covid-19 pandemic resulted in the Group negotiating, 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. The Group has achieved a significant reduction in net debt during the current financial year, with net debt reducing by £18.2m to £18.4m (31 March 2020: £36.6m). Accordingly, the Group has remained within the revised and original borrowing covenant levels throughout the year ended 31 March 2021.

The Directors have assessed the future funding requirements of the Group and the Company and compared them to the level of available borrowing facilities. The Directors have also considered the actual impact that the pandemic has had on the business since the beginning of the outbreak and the related decline in revenues, and the plausible future impact of Covid-19 on the Group's activities and performance, in preparing their going concern assessment.

Whilst the situation remains uncertain the impact on trading was significantly less severe than the downside scenario modelled in the prior year. Going forward the Group has modelled further potential severe but plausible impacts on revenues, profits and cash flows. In the severe but plausible downside scenario (Group revenue being more than 25% below revenues for the year ended 31 March 2019: the last period which was not impacted by the Covid-19 pandemic), the Group continues to maintain sufficient liquidity and meets its leverage and interest cover covenants (which revert to the original covenant tests from September 2021) without using the full extent of mitigating actions that would be available in the event of such a severe and extended decline.

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

Finance Director's Review

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 risk 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 2021 this hedge was fully effective. The carrying value of these borrowings at 31 March 2021 was £6.5m (31 March 2020: £7.3m).

At 31 March 2021, the Group had 1% (31 March 2020: 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%) defined benefit pension obligations as shown below.

	2021			2020		
	Assets £m	**Liabilities £m**	**Deficit £m**	**Assets £m**	**Liabilities £m**	**Deficit £m**
Defined benefit schemes						
UK scheme	**136.3**	**(213.8)**	**(77.5)**	128.9	(196.9)	(68.0)
Overseas schemes	**14.9**	**(39.8)**	**(24.9)**	12.8	(42.4)	(29.6)
	151.2	**(253.6)**	**(102.4)**	141.7	(239.3)	(97.6)
Deferred tax asset			**18.4**			17.4
Net deficit			**(84.0)**			(80.2)

The Group's retirement benefit obligations increased from £97.6m (£80.2m net of deferred tax) at 31 March 2020 to £102.4m (£84.0m net of deferred tax) at 31 March 2021. The largest element of the increase relates to the UK scheme where the deficit increased from £68.0m to £77.5m due to a reduction in AA corporate bond yields, which increases the present value of gross liabilities under IAS 19R. The deficit of the overseas schemes decreased by £4.7m to £24.9m 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 increased in the year to £77.5m (31 March 2020: £68.0m) reflecting a number of changes in assumptions and factors.

The increase in gross liabilities of £16.9m arose primarily from a combination of an increase in the inflation assumption (CPI of 2.7% compared with 2.0% in the prior year) and a decrease in the rate used to discount the scheme's liabilities (discount rate of 2.0% compared with 2.4% in the prior year).

Partially offsetting the increase in liabilities was an increase in the value of the scheme's assets, which recovered strongly following the impact on equity markets of the Covid-19 pandemic in the prior year.

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 19R deficit, largely as the triennial valuation places a value on the Group's future cash payments to the scheme under the central asset reserve structure established in June 2013. It is expected that the triennial 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 2021 were £0.6m (2020: £3.1m). The decrease in contributions compared to the prior year follows an agreement reached with the Trustee in April 2020 such that £2.8m of contributions due to the UK scheme were deferred for the 12-month period to 31 March 2021 in light of the potential impact of the Covid-19 pandemic. The deferred contributions will be repaid over the five-year period commencing on 1 April 2022. The underlying level of contributions to the UK scheme continue to increase annually by RPI plus 1.5% (capped at 5%).

Additional contributions will be due to the scheme in future based on 50% of any dividend paid (until such time that the deferred £2.8m of contributions is repaid; returning to 25% thereafter) or £1.0m per annum if the Group delivers adjusted operating profit of over £16.0m. The next triennial valuation date will be as at 5 April 2022.

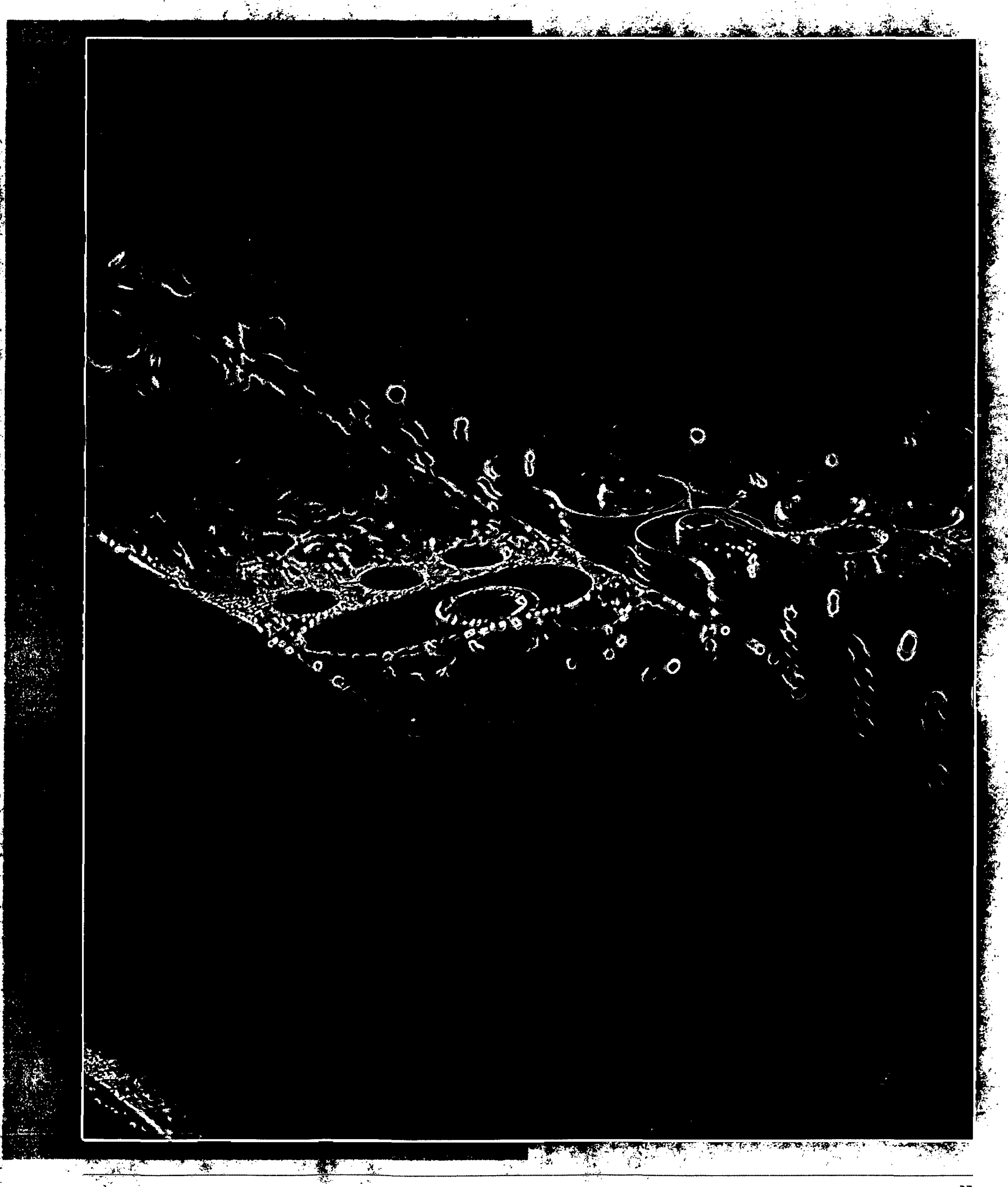
OVERSEAS SCHEMES

The largest element of the overseas schemes is the German unfunded scheme, with a total deficit of £22.9m (31 March 2020: £23.9m). Other overseas funded schemes comprise a number of smaller schemes around the world, with a combined deficit of £2.0m (31 March 2020: £5.7m). The combined deficits of all the overseas schemes decreased by £4.7m. These changes were most significantly a reduction in the liability of the funded US schemes due to strong increases in the schemes' asset values.

For overseas pension schemes, the Company contributions in the year were £1.5m (2020: £1.3m).

JIM HAUGHEY
FINANCE DIRECTOR

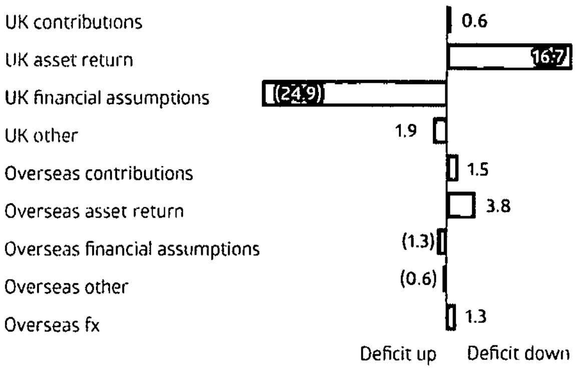
16 July 2021



Finance Director's Review

Pension insights

Drivers of pension deficit movement



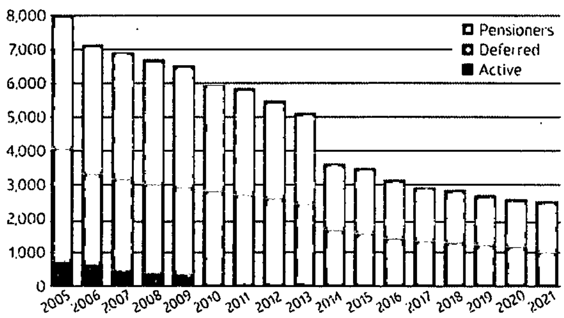
The net pension deficit increased by 4.9% in the year to £102.4m.

For the UK scheme, the most significant factors leading to the increased deficit were an increase in the inflation assumption from 2.0% to 2.7% and a decrease in the discount rate from 2.4% to 2.0%, contributing to the £24.9m increase due to changes in financial assumptions.

For the overseas schemes, the unfunded German scheme's liability reduced by £1.0m, most significantly reflecting settlement of liabilities through pension payments. In addition to this, the net liability of the US schemes decreased by £3.4m driven by strong asset performance following the sharp declines in asset values at 31 March 2020, impacted by the Covid-19 pandemic.

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.£7.1m.

Trends in UK scheme membership



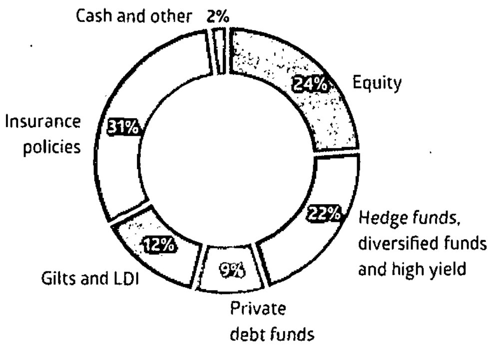
The bar chart shows the evolution of the total membership of the UK scheme since 2005 and the numbers in each category.

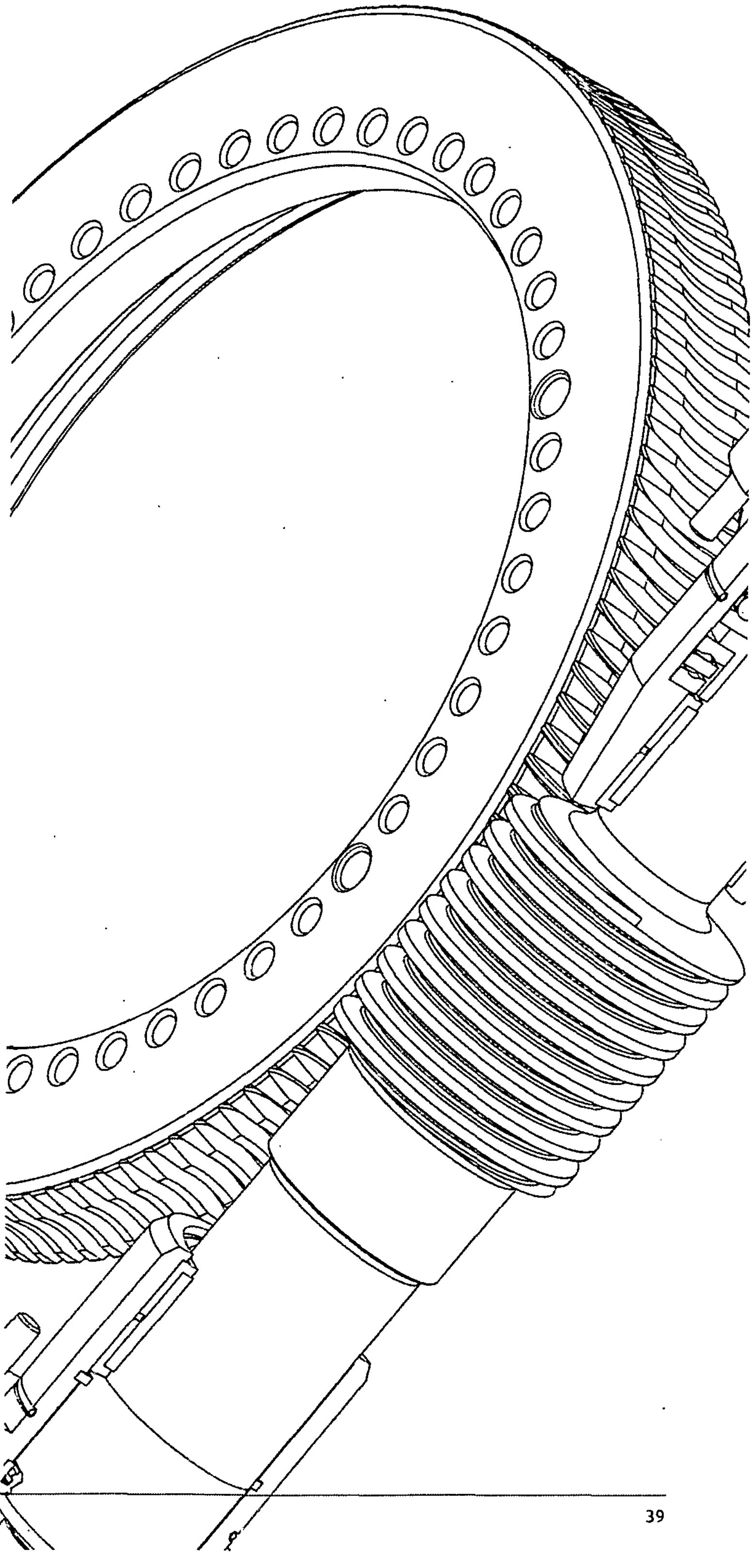
Total membership has fallen by 54% or 3,272 since 2010 or 66% since 2005.

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 1,006 deferred members, a number are expected to have their benefits discharged as a lump sum on retirement.

UK assets %





Given the relative maturity of the scheme, and following the medically underwritten insured buy-ins, 45% 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 55% 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 2021 was a gain of £16.7m reflecting a recovery following the period of poor asset performance impacted by Covid-19 at 31 March 2020.

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).

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.
- 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.

GROUP 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.

Following a review of the Group's internal audit and risk processes and capabilities, a decision has been taken to outsource parts of this provision. The Group went out to tender to three major accounting firms and all three firms presented their proposals to a senior management panel, including the Group Head of Risk and Assurance, Group Finance Director and Group Financial Controller. The panel recommended to the Audit Committee that BDO LLP should be appointed to provide internal audit and risk services. The Committee approved this decision and BDO LLP commenced their work in March 2021. The Board recognise their responsibility for risk management in the organisation and believe that the appointment of BDO LLP will further enhance the risk management processes undertaken by the Group. The identification of risk and the strategies put in place to deal with identified risk remains 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 Risk and Assurance 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. Other topical risk issues also feature on the standing agenda, e.g. 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, data protection and whistle-blowing.

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 Group Head of Risk and Assurance, 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 Group Head of Risk and Assurance facilitates the end-to-end risk management process, ensuring consistency of approach and compliance with Group Policy.

The Group Head of Risk and Assurance 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 have 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 Groups Principal Risks at this time, however, the Board continues to monitor potential emerging 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.
- 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).
- 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.

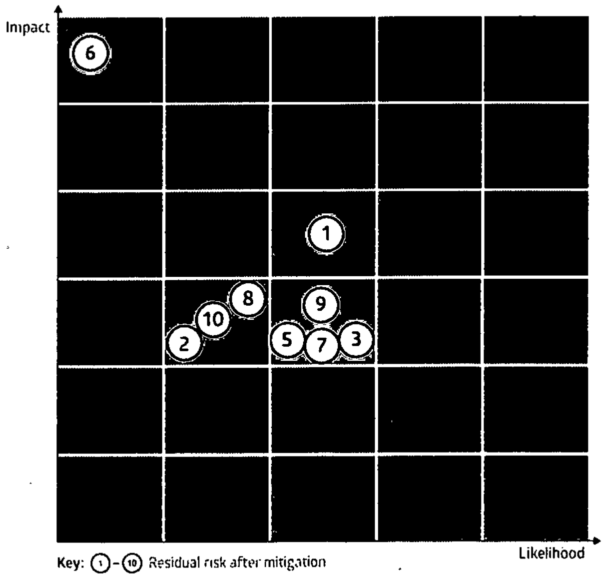
How we manage risk

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: within appetite. Ongoing monitoring in place.
- Amber: out of appetite. Some actions are required to treat the risk to bring this within acceptable levels.
- Red: significantly out of appetite. High combination of residual probability and impact. Management actions required, with some urgency, to treat the risk, reducing this to acceptable levels.
- 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 in 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 Macroeconomic and geopolitical volatility
2 Strategy execution
3 Corporate transactions/ business development
4 Health and safety in the workplace*
5 Effective deployment and utilisation of IT systems
6 Prolonged loss of a manufacturing site
7 People and change
8 Liquidity, foreign exchange and banking arrangements
9 Pensions deficit volatility
10 Regulatory and legal compliance

* 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 well-being 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. This is used to capture risk profiles and action plans are maintained across the Group. Risk reports for the various Executive committees derive data from the IRMS. In conjunction with the outsource of our internal audit and risk management function, we are underway with the transition to a new risk reporting platform in order to further improve the quality and consistency of our risk reporting.

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 42 to 46 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 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 has highlighted an emerging risk posed by the wider effects of climate change on the Group's business. Continued environmental activism around climate change has started to influence some consumers to reduce their carbon footprints. 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 emerging situation.

1 Macroeconomic and political volatility

FY21 FY20

DETAILED RISK

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 G

POTENTIAL IMPACT

Potential touchpoints 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.

EXISTING MITIGATION CONTROLS

- 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 breakeven 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.
- Strong core banking group with multi-currency debt facility.

FY21 risk trend impacted by continued geopolitical risk and restrictions around free movement of goods, especially as a result of changes arising as a result of the UK's exit from the EU. The macroeconomic risk arising from the after-effects of the Covid-19 pandemic are beginning to stabilise. Significant management actions have been implemented in mitigation of the additional risks posed by these factors.

2 Strategy execution

FY21 FY20

DETAILED RISK

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

POTENTIAL IMPACT

While these projects are designed to deliver targeted benefits, they have the potential to negatively impact the Group's operations if not appropriately managed.

EXISTING MITIGATION CONTROLS

- The Strategic Plan has been developed to deliver a turnaround 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.

FY21 risk trend continues to decrease as major infrastructure changes are complete. To support the execution of the Groups strategic objectives, activity in the year incorporates supply chain rationalisation, including the determination of optimal product production locations and optimising business processes.

STRATEGIC OBJECTIVES

- A Significantly improving our health and safety performance
- B Generating margin enhancing growth from our superior product capability
- C Enhancing customer service
- D Optimising business processes
- E Lowering our breakeven point
- F Developing our people
- G Strengthening and de-risking our balance sheet

③ Corporate transactions/business development

FY21 FY20

DETAILED RISK

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

POTENTIAL IMPACT

- 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.

EXISTING MITIGATION CONTROLS

- 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.

FY21 risk trend unchanged.

④ Health and safety in the workplace

FY21 FY20

DETAILED RISK

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 G

POTENTIAL IMPACT

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.

EXISTING MITIGATION CONTROLS

- 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 the IRMS 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 implemented across all operating locations in order to mitigate the increase in risk presented by Covid-19.

FY21 risk trend 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.

SEVERITY

High Medium Low

TREND DIRECTION

Increasing Unchanged Decreasing

Principal Risks and Uncertainties

5 Effective deployment and utilisation of information technology systems

FY21 ⊖
FY20 ⊖

DETAILED RISK

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.

Link to strategic objectives C D E

POTENTIAL IMPACT

- 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.

EXISTING MITIGATION CONTROLS

- Short-term stabilisation of existing hardware and legacy software platforms.
- Governance and control arrangement operating over the Group's ERP implementation programme.
- New ERP systems are successfully implemented at four 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 roll-outs.
- 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 FY21 is unchanged. The increasing likelihood of cyber-crime and cyber-fraud, particularly as businesses continue to evolve their ways of working during the pandemic, are mitigated by enhanced employee training, and increased detective and preventative security controls. During the year, we have effectively utilised a number of information technology systems in order to ensure continuity of business processes whilst remote working has increased due to the Covid-19 pandemic.

6 Prolonged loss of a manufacturing site

FY21 ⊖
FY20 ⊖

DETAILED RISK

A catastrophic loss of the use of all or a significant portion of a strategic production facility. This could result from an accident, a strike by employees, a significant disease outbreak, major disruption to supply chains, fire, severe weather or other cause outside of management control.

Link to strategic objectives A E G

POTENTIAL IMPACT

- 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 alternate 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.

EXISTING MITIGATION CONTROLS

- Preventative maintenance programmes and new investments to reduce risk of interruption of manufacturing.
- A Group Fire Safety Policy mandating preventative, detective and containment controls.
- Alternate 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.
- The Group has 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 to permit social distancing along with other Covid-19-related disease transmission procedures implemented at all operational sites.

The risk trend for FY21 is categorised as unchanged, largely as a result of already being classified at maximum risk levels. The Covid-19 pandemic has crystallised this risk at certain locations during the year, however, this is now stabilising. We believe that the risk of prolonged loss of a manufacturing site due to the Covid-19 pandemic is now reducing, however, it is recognised that the Covid-19 situation is constantly evolving and management are particularly aware of the Covid-19 challenges currently unfolding in India. To add to this, changes to our operating procedures and other health and safety actions have been effectively implemented during the period in order to respond to the pandemic.

7 People and change

FY21 FY20

DETAILED RISK

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 D F

POTENTIAL IMPACT

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.

EXISTING MITIGATION CONTROLS

- 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.

FY21 risk trend decreasing as key appointments in the year have demonstrated our ability to attract high quality individuals. This is coupled with falling employment rates which further increases the availability of people across our operating locations.

8 Liquidity, foreign exchange and banking arrangements

FY21 FY20

DETAILED RISK

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 D E G

POTENTIAL IMPACT

- 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.

EXISTING MITIGATION CONTROLS

- The Group's primary banking facility expires in March 2024 and is fully available given current levels of profitability.
- The facility includes additional drawdown capability, accessible as long as financial covenants are complied with.
- Covenants were amended through to 30 September 2021 in response to uncertainty arising from the Covid-19 pandemic and its global macroeconomic impact.
- Rolling foreign exchange forward contracts covering expected future cash flows.

FY21 risk trend decrease reflects strong cash generation across the Group during the year, despite Covid-19 related disruption. This is coupled with the Group remaining within our original and amended banking covenants throughout the year, and the significant reduction in net debt which the Group has achieved.

SEVERITY

High Medium Low

TREND DIRECTION

Increasing Unchanged Decreasing

Principal Risks and Uncertainties

9 Pensions deficit volatility

FY21 FY20

DETAILED RISK

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.

Thirdly, balance sheet deficits can fluctuate based on market conditions outside the control of management.

Link to strategic objectives G

POTENTIAL IMPACT

- 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 and its volatility 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.

EXISTING MITIGATION CONTROLS

- The UK triennial funding review has been updated to March 2022.
- The major UK pension cash flows (over 50% of all defined benefit pension cash costs) are stable 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.

FY21 risk trend is unchanged as underlying factors have not significantly changed from the prior year.

10 Regulatory and legal compliance

FY21 FY20

DETAILED RISK

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 G

POTENTIAL IMPACT

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.

EXISTING MITIGATION CONTROLS

- Communication 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.

FY21 risk trend unchanged.

SEVERITY

High Medium Low

TREND DIRECTION

Increasing Unchanged Decreasing

Viability Statement

The Directors have assessed the prospects of the Group over a three year period to March 2024. 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.

The Group's Strategic Plan covers the three year period to March 2024 and the Group's core financing facility expires in March 2024. The Board have therefore determined that an appropriate and relevant period for preparing forecasts linked to the Group's Strategic Plan was the three year period to March 2024, and that the viability review should be performed using this plan as the basis.

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 40 to 41 also serve to mitigate exposure to single risk events that could threaten the Group's longer term viability. While all risks have the potential to impact longer term viability, the principal risks deemed more relevant for a reasonable assessment of viability are set out below:

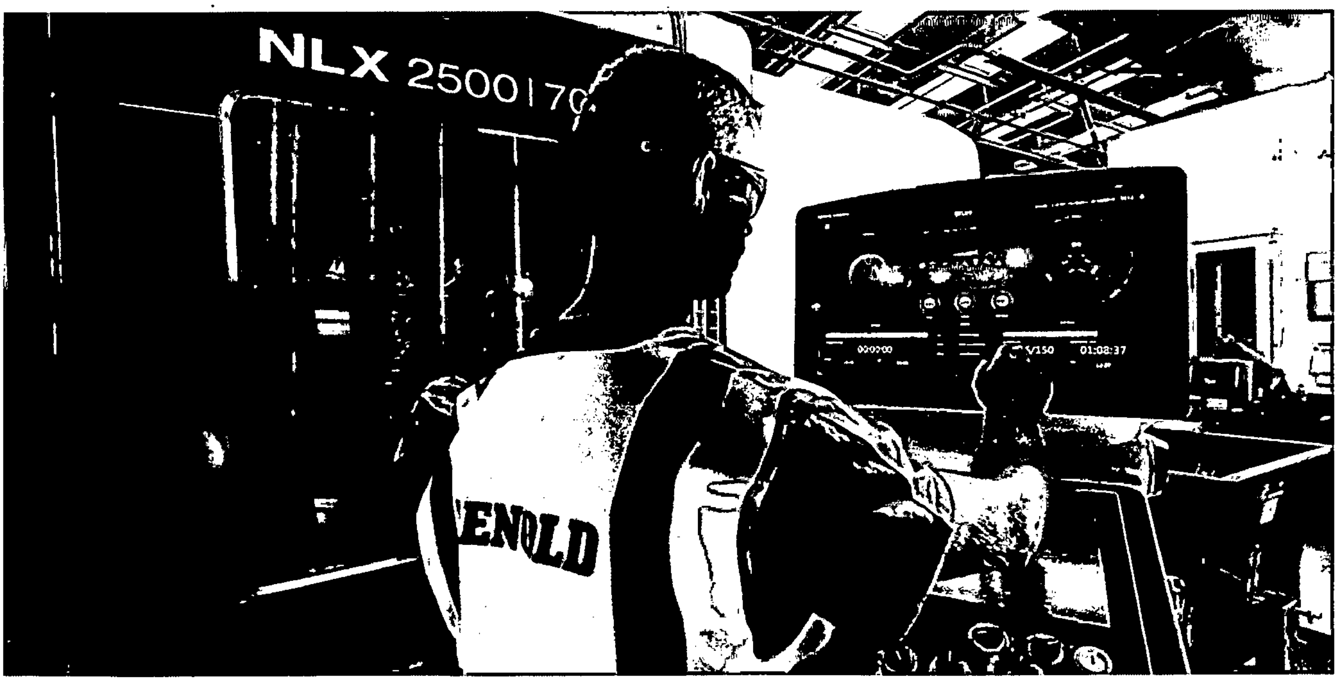
- Strategy Execution: the risk of the Group's inability to successfully implement the Strategic Plan which could lead to the Group continuing to experience volatile financial results and weak levels of cash generation.
- Macroeconomic and political volatility: uncertainty driven by global events is undoubtedly creating volatility. These events range from Brexit, increased protectionism to geopolitical uncertainty. 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.

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. These forecasts assume that revenues for the year ended 31 March 2024 do not exceed revenues for the year ended 31 March 2020 and management consider this to be conservative. The review assessed the results of stress tests on financial forecasts and also financing options around the Group's acquisition strategy. In these stress tests a number of scenarios were reviewed including the short-term forecasts used in the going concern assessment. An example of the scenarios reviewed include a further decrease in forecast Group revenue of 5%, which represents activity levels seen in the pandemic year, and an increase in working capital as a percentage of Group sales.

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 all scenarios there were no breaches to the Group's covenants, and substantial covenant and liquidity headroom was maintained.

The Group maintains a conservative approach to borrowing. Banking covenants have been amended for the period to 30 September 2021, but at this point, revert back to the original facility limits. While this includes 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.

Based on the results of the processes described above and the Board's overall comprehensive and proactive approach to risk management, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of assessment.



Sustainability

We remain committed to ensuring that our business activities are conducted in a responsible manner for the benefit of all of our stakeholders, including our people, our customers, our partners, our investors, and our local communities. The Board has certain duties in this regard, governed by section 172 of the Companies Act. The table opposite outlines how the Board performs its duties in order to satisfy these requirements, but more importantly, to promote the success of the Group.

OUR COMMITMENTS

- Provide a rewarding and safe working environment
- Work in accordance with our values
- Act in an ethical manner in all our business relationships
- Work with the communities in which we operate
- Minimise the environmental impact of our products and processes

Our focus on improving our health and safety performance has remained a key priority. Our approach to corporate social responsibility has three key elements: our people, our community and our environment.

The Board has overall responsibility for corporate social responsibility, with the Chief Executive taking direct leadership responsibility supported by the regional and business unit Executive teams. Aligned to this is our continuous commitment to uphold good corporate governance principles, in respect of which further details are set out in our Corporate Governance Report on pages 66 to 73.

Linking to the United Nations Sustainability Goals

The United Nations Sustainable Development Goals (SDGs) are a universal call to action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity. This is part of the 2030 Agenda for Sustainable Development which was adopted by all United Nations Member States in 2015. The 17 Sustainable Development Goals (SDGs) define global sustainable development priorities and aspirations for 2030 and seek to mobilise global efforts around a common set of goals and targets. The 17 goals cover numerous areas, ranging from climate change to sustainable consumption and economic inequality. Renold has mapped its activities and objectives against the SDGs which are highlighted through the Sustainability section of the Strategic Report using the SDG logos.

HEALTH & SAFETY

Significantly improving our health and safety performance remains a key Strategic Objective for all Renold's locations across the world.

Governance structures are clearly defined through the Group Health and Safety Policy and the Health and Safety Framework. Management across all locations are required to adhere to the Framework.

OUR PEOPLE

The Group requires motivated, talented employees, with a clear understanding of their role within the business to deliver our Strategic Objectives.

How we acquire talent, retain it within the Group and optimise how we put this talent to work across the Group is a critical success factor.

OUR COMMUNITY

We aim to be a part of the communities in which we work and seek to assist local projects with support where possible. Although the Group is limited in our ability to provide extensive financial support to projects, we do seek to provide support where we can in a number of ways.

OUR ENVIRONMENT

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

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.

OUR PEOPLE

WHY IT IS IMPORTANT TO ENGAGE	STAKEHOLDERS' KEY INTERESTS	WAYS WE 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.	• Opportunities for development and progression. • Fair reward and recognition of performance. • An inclusive environment.	"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.

OUR CUSTOMERS

WHY IT IS IMPORTANT TO ENGAGE	STAKEHOLDERS' KEY INTERESTS	WAYS WE ENGAGE
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.	• 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.	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.

OUR PARTNERS

WHY IT IS IMPORTANT TO ENGAGE	STAKEHOLDERS' KEY INTERESTS	WAYS WE ENGAGE
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.	• Clear communication of requirements. • Fair payment. • A partnership approach that seeks to provide long-term benefits to all parties.	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.

OUR INVESTORS

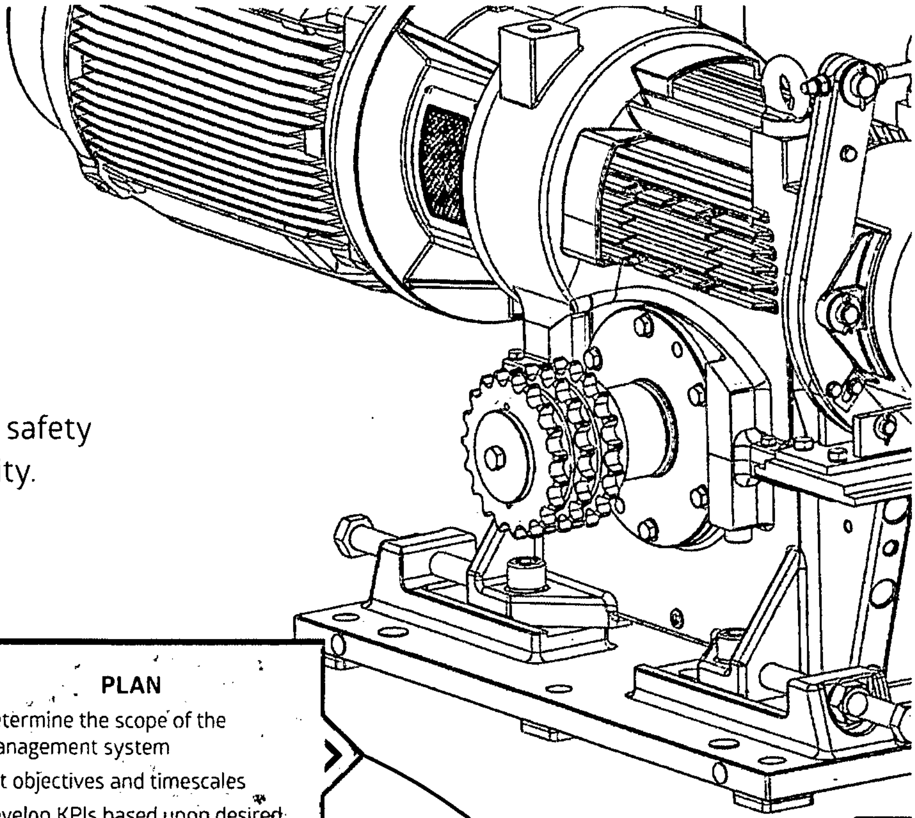
WHY IT IS IMPORTANT TO ENGAGE	STAKEHOLDERS' KEY INTERESTS	WAYS WE ENGAGE
Our investors are the owners of our business and are critical to supporting future strategic development of the Group.	• A successful, clearly communicated strategy that is delivering results. • Delivery of sustainable improvement for the long term.	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.

OUR LOCAL COMMUNITIES

WHY IT IS IMPORTANT TO ENGAGE	STAKEHOLDERS' KEY INTERESTS	WAYS WE ENGAGE
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	• 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.	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.

Sustainability

Our focus on improving our health and safety performance has remained a key priority.



PLAN

- Determine the scope of the management system
- Set objectives and timescales
- Develop KPIs based upon desired outcomes

DO

- Create a management structure with clearly assigned accountabilities
- Create and implement processes and procedures including controls and training
- Set standards for record keeping

MEASURE

- Conduct timely monitoring and measurement confirming the status of compliance
- Develop and implement corrective preventative actions

LEARN

- Periodically assess the management system's design effectiveness
- Identify and respond to areas of improvement
- Adapt to changes in legislative requirements

The Framework

- Hazard Assessment
- Training and Behaviours
- Operations and Maintenance
- Information and Documentation
- Incident Analysis and Prevention
- Assessment, Assurance and Improvement
- Working with Third Parties

Key Strategic Objective

Significantly improving our health and safety performance remains a key strategic objective and all our locations across the world operate against a Group Health and Safety Management Framework (the Framework).

HEALTH AND SAFETY GOVERNANCE

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 prescribing a set of outcomes and provides a structure to manage health and safety. The Framework is consistent with recognised standards, the internationally adopted model of Plan-Do-Measure-Act and ISO 45001. All of our major production facilities either have ISO 45001 or are migrating to it from OHSAS 18001.

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 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 against the Framework. 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 root cause analysis and ensuring updated consistent practices are rolled out across all sites. It has not been practical to maintain this audit schedule during the Covid-19 pandemic.

ACTIVITY TO ENSURE SAFE WORKING PRACTICES AND ENVIRONMENT DURING THE COVID-19 PANDEMIC

Over the last year, through 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 are common across our locations:

- A cessation of international travel and where possible local travel.
- 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.
- Hand washing and sanitisation mandated 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.
- Where possible to do so, support staff are working from home utilising technology solutions to access systems and for communication.
- Employee well-being communications issued.

GROUP-WIDE PERFORMANCE

The Group uses a number of KPIs to monitor performance. Each Board meeting considers a comprehensive report from the Group Risk and Assurance function, which includes a rolling analysis of a range of KPIs along with other relevant criteria. Examples are provided on this page showing performance for the five years to 31 March 2021. Performance in the year ended 31 March 2021 shows a sharp reduction in accidents throughout the year with a total of 64 accidents recorded. This is a significant improvement against the number of accidents reported in the previous reporting period.

The positive trend is also reflected in the following:

REDUCTION IN THE TOTAL NUMBER OF LOST TIME ACCIDENTS WITH LOST TIME ACCIDENTS ACCOUNTING FOR

28%

OF THE TOTAL ACCIDENTS

SIGNIFICANT REDUCTION IN THE NUMBER OF LOST TIME DAYS INDICATING A REDUCED SEVERITY OF THE INJURIES REPORTED ONLY

6

ACCIDENTS RESULTED IN >7 DAYS ABSENCE FROM WORK

Sustainability

Our ambition is to become an organisation increasingly focused on sustainability. Our aim is to strike a balance between shareholder expectations 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 will contribute to lasting economic success.

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

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

The process of becoming a more sustainable company will be an extended one. Progress will be made through step-by-step incremental improvement in key areas. Over time and in aggregate, this should make for lasting and significant change. Each year we plan to evaluate our current status against our Sustainability model and use this assessment to help plan the practical and realistic initiatives upon which we can focus our efforts for the year ahead.

Renold is well placed to begin this journey. We have a corporate culture of responsibility and corporate values that are aligned with the broad expectations and goals of sustainability. We are already working hard to ensure that we care for both our employees and our communities, no matter where in the world we are operating. Furthermore, we have developed a keen service focus and we believe that this can be leveraged to ensure that we can deliver products that are not only sourced and manufactured more sustainably but because of excellence in design and quality can, in and of themselves, offer sustainability benefits to our customers.

To signal commitment to this programme and to ensure its progress, Renold has appointed a program leader to be responsible for the development and delivery of the Sustainability agenda.

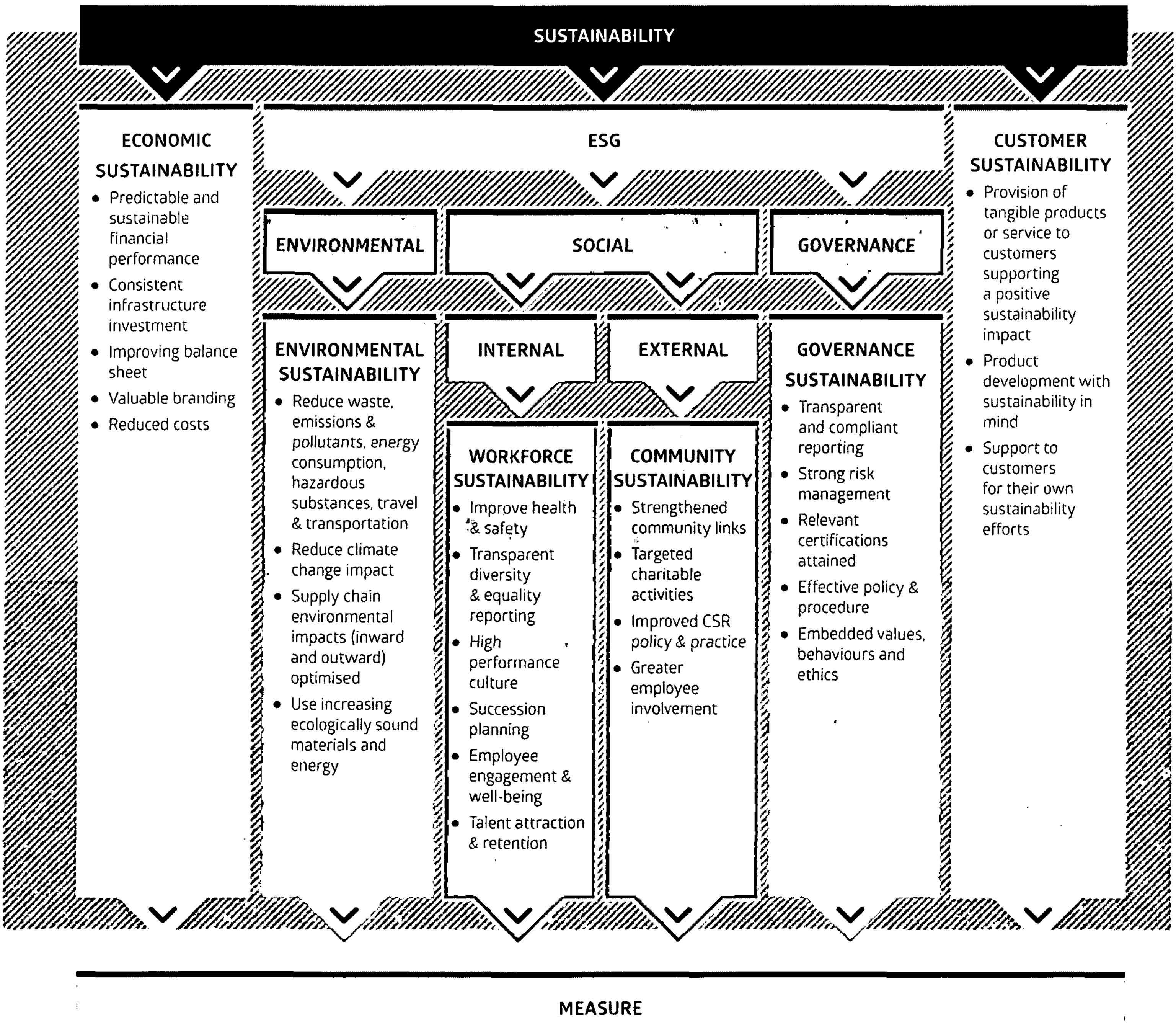
Sustainability Statement

The Group's Sustainability Steering Group and the Board have determined that our Sustainability statement will be:

"Renold will make Sustainability a guiding principle. We will strive to act responsibly balancing the expectations of all our stakeholders whilst reducing our impact on the environment and increasing our contribution to the communities we operate within."

Renold sustainability scope

The graphic below shows what we believe is in the scope of our focus on sustainability:



Sustainability

High level current status assessment

The Group's Sustainability Steering Group has conducted a top-level review of what we believe our current status is with regard to the elements included in our scope of sustainability. This also shows those areas where we believe we should focus our efforts in the year ahead.

	Environmental Sustainability	Social Sustainability – Internal	Social Sustainability – External	Governance Sustainability	Economic Sustainability	Customer Sustainability
FY21 current status assessment	Compliance level	Engaged level	Engaged level	Progressive level	Engaged level	Engaged level
Opportunity offered 1 (low) – 10 (high)	8	5	5	3	6	8
Brief commentary on assessment	There is recognition of the need to respect the environment and some work to manage and moderate the impact of our activities on the environment has taken place. This has not yet been part of a sustained and formal programme of activity. We have done some initial analysis to evalutae the degree to which our activities have an impact on the environment from an energy use perspective and started to consider what we can do to address this. We have much to do to understand our supply chains and their environmental impact Our manaufacturing sector offers substaintial opportunity for improvement in this area.	We have a clear set of corporate values and behaviours that are well established. These are applied and supported through appropriate policies and codes of conduct. We employ and manage our staff in all our locations respectfully and fairly, in line with legal frameworks and with attention to diversity. We report regularly on gender pay and representation. We have an effective Health & Safety programme and we contiue to improve in this area. Performance management and talent identification processes exist and we carry out succession planning. Our employment policy and practice could continue to be modernised and our employee management processes improved particularly in talent attraction, selection and retention and L&D.	We have a modest, efffective charitable support program in the UK and in some overseas regions. We have built a small number of links to local community bodies particularly where Renold and community interest overlaps. Support is largely financial. A more widespread programme that goes beyond simple finanical support and engages our own employees may be feasible.	We consider ourselves to be compliant in all aspects of our business activity, wherever in the world we operate. We have established codes of conduct and programmes for critical areas of compliance including Anti-bribery and Corruption, Modern Slavery, Data Protection and Gender Pay Gap reporting. We adhere to all necessary corporate governance codes and financial reporting requirements and hold necessary acreditations or certifications for those areas within which it is required. We regularly, objectively and systematically evaluate risk across the Group and manage these risks. We need to maintain this effort.	We have in place a conservative balance sheet and secure financing. Renold has a policy of investing in key capital projects and commercial campaingns to ensure that we have a long term sustainable business model. Some core business processes would benefit from further optimisation and we have an opportunity to derive greater value from more efficient working practices, cost and waste reduction. This in turn would enhace investor confidence, as would benchmarking our ESG activity.	Much of our product offering already provides significant economic and environmental value to our customers. We have products which can help our customers meet their own sustainability objectives through reduced energy consumption, waste reduction and reduced environmental impact. We do not today do enough to assist our customers to recognise how much we can help them. We must continue to develop our understading of how our products can assist our customers in their own drive for ESG improvement and partner with them to achieve this.
Areas for focus for FY22	We have established an energy workgroup to develop a clear energy strategy for the Group. Through this we will accurately evaluate how much energy we currently use and where it is used. We will develop initiatives to reduce or offset this, setting clear, unambiguous and meaningful energy reduction targets.	Maintain Current Activity and Progress - identify future project opportunities.	Maintain Current Activity and Progress - identify future project opportunities.	Maintain current activity and progress - identify future project opportunities.	Maintain current activity and progress - identify future project opportunities.	Our Product management Steering Group will establish a commercial sustainability work stream. The goal is to further enhance our products sustainable attributes and evaluate how best our products can support our customers in their own sustainability activities. The work-group will need to work closely with both our customers and our manufacturing/product engineering teams.
Measurement	We will aim to establish a framework through which we will, as a Group, formally measure and evaluate, our progress towards becoming a more sustainable business. This may eventually include assessing opportunities for independent evaluation of our progress, benchmarking and formal accreditations.					

In addition to the areas of focus in the previous table, we propose to ask individual businesses around the Group to develop a simple plan to identify and deliver some local sustainability initiatives.

This local delivery will likely be achieved in conjunction with, and through the engagement of our employees in each location. In addition to the larger Group project initiatives, these local plans will also be monitored and coordinated through the Group's Sustainability Steering Group. In this way we hope to have 'top down' focus on crucial corporate initiatives and 'bottom up' focus smaller local opportunities.

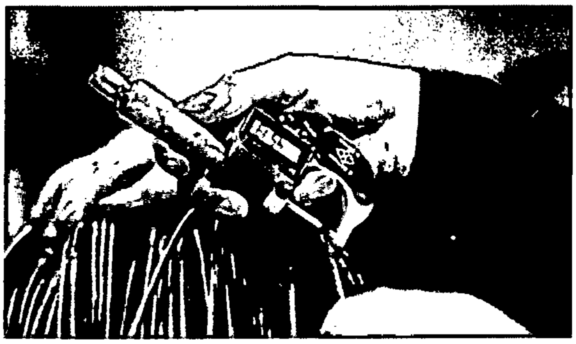
Values, behaviour and engagement

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 we have continued the work of embedding these in the business.

The Values and Behaviours are clearly communicated across the Group and are increasingly becoming 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. The importance of our Values is emphasised during the induction process for new employees.

Our Values and Behaviours, properly embedded in the business, will ensure that, for the long term, they shape our evolving culture.



Compliance

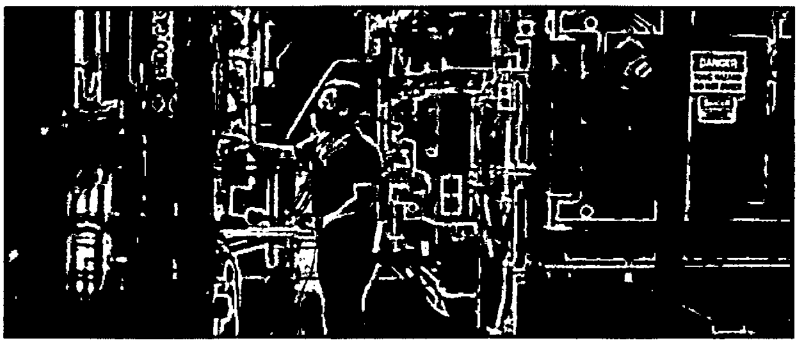
Arrangements for consulting and involving Group employees on matters affecting their interests at work are developed in ways appropriate to each business. A variety of approaches are adopted, aimed at encouraging the involvement of employees in effective communication and consultation, and the contribution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

The Group's intranet site enables access to the latest Group information as well as Group policies. We also undertake regular presentations to employees throughout the Group where the half-year and year-end financial results are presented and explained by senior management. This helps to achieve a common awareness among employees of the financial and economic factors affecting the performance of the Group and how local performance feeds in.

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

We monitor developments in employment law that may affect our employees in the regions in which we operate and make adjustments as necessary.

Sustainability



Business integrity and ethics

We operate the business in an ethical and responsible manner and we expect all our employees and business operations to conduct themselves ethically, and to be honest, fair and courteous.

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. A free of charge, independent whistle-blowing hotline continues to be available to all employees across the Group, enabling them to report any concerns about theft, fraud and other malpractice in the workplace.

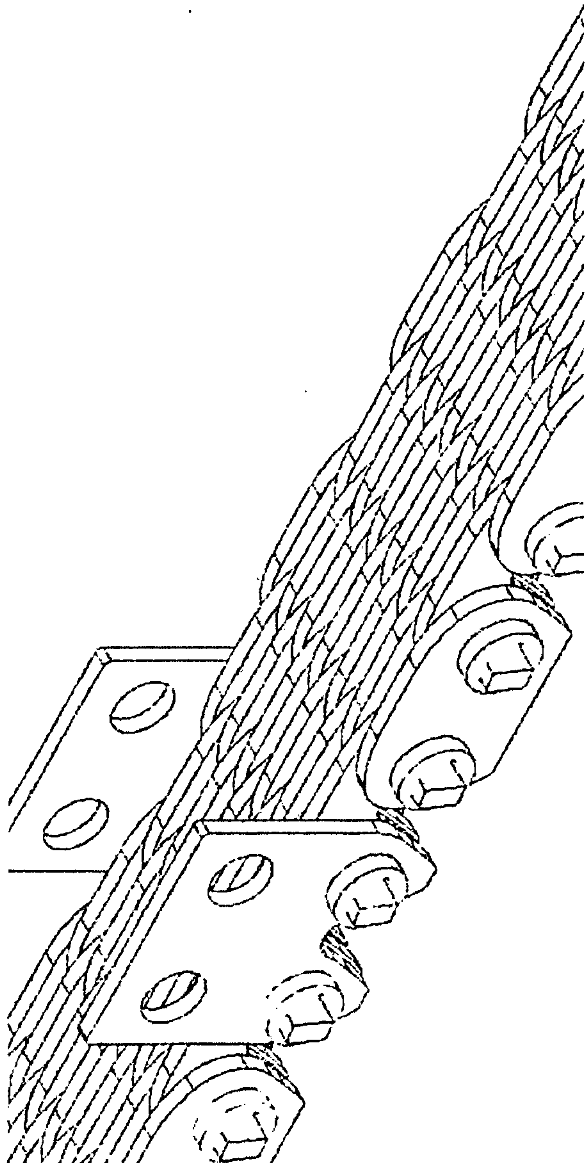
The Group is also committed to compliance with anti-corruption laws in all countries and operates a zero tolerance policy.

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.

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.

Across the Group, we have a well-established employee whistle-blowing 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.



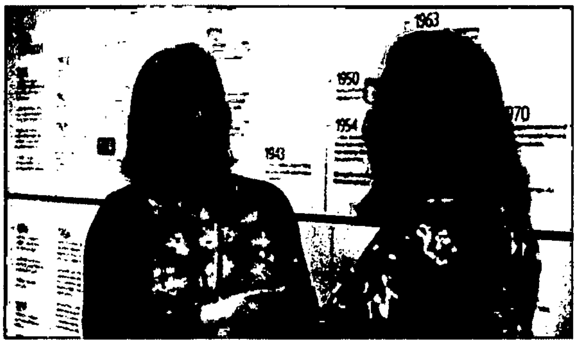
Human rights

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 sex.

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 expect staff and job applicants to be treated equally regardless of age, race, religion, disability, gender or sexuality.

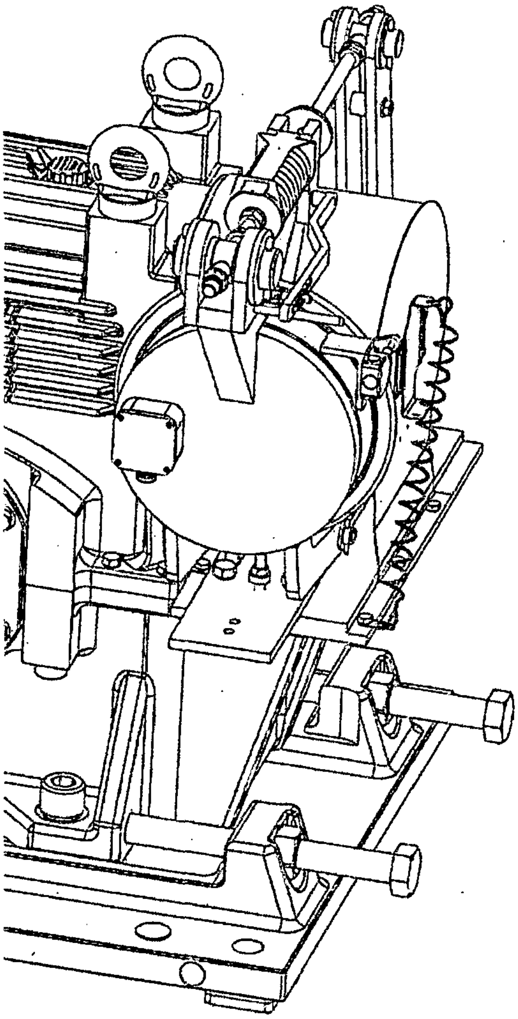
As at 31 March 2021, the Group employed 1,739 people including 286 in the UK. Of the total number of employees, 266 (15%) are female. The Company recognises the need to encourage and support more gender diversity throughout the employee population as well as at Board level.

Set out in the table below is a breakdown of the gender of employees as at 31 March 2021.

	2021			2020		
	Male	**Female**	**Total**	**Male**	**Female**	**Total**
Board of Directors	6 100%	– –	6	5 100%	– –	5
Executive Management Team (excluding Directors	3 75%	1 25%	4	3 75%	1 25%	4
Other senior managers[1]	21 88%	3 12%	24	24 89%	3 11%	27
Other employees	1,443 85%	262 15%	1,705	1,510 84%	280 16%	1,790
Total	1,473 85%	266 15%	1,739	1,542 84%	284 16%	1,826

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

Sustainability



Greenhouse gas (GHG) emissions

Renold continues to comply with its obligations under the carbon reporting requirements. Energy usage across the Group is collated using data captured through the Group's Integrated Risk Management web-based IT system. This energy consumption database makes data readily available. Data is actively reviewed in order to target additional energy reduction programmes. The main contributors to GHG emissions arise from our use of electricity and fuels, such as natural gas and fuel oil, burnt on our premises.

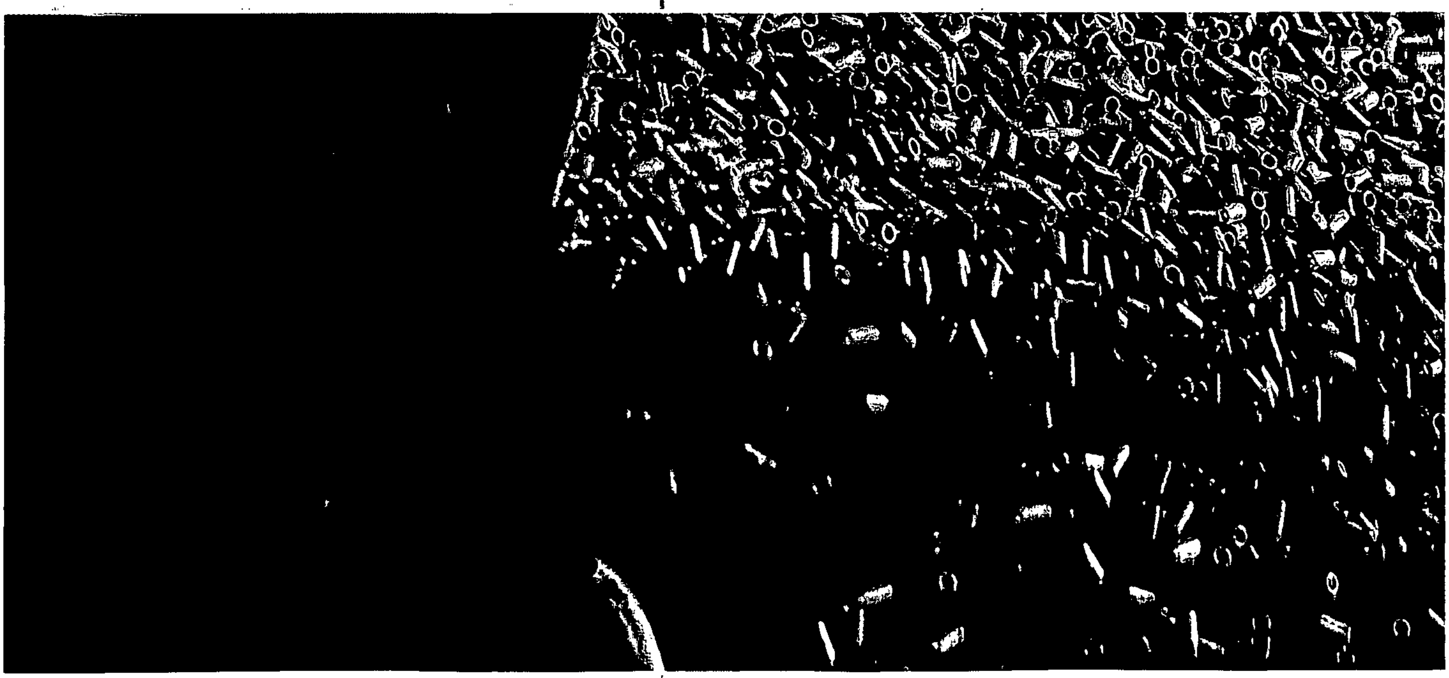
The table opposite shows the Group's GHG data in tonnes for the last six financial years across all locations (derived from the consumption data collected and the DEFRA and International Energy Agency published conversion factor tables) along with energy consumption data. Renold continues to sustain an underlying reduction in energy usage. Related cross-site initiatives include:

- Proactive waste reduction projects;
- Low energy lighting; and
- More efficient production arising from investment.

Streamlined Energy and Carbon Reporting Programme (SECR)

We collect energy usage information from our operating locations on a monthly basis. We have established an energy workgroup to develop a clear energy strategy for the Group, and more detail about this is included on page 54. In compliance with UK reporting requirements, our energy consumption data for the year ended 31 March 2020 is used as our baseline consumption.

Our data shows a progressive reduction in emissions intensity over the past five years.



	2016	2017	2018	2019	2020	2021
Scope 1[1]	8,097	9,104	8,258	9,044	7,563	**5,734**
Scope 2[2]	18,012	19,264	17,667	17,689	17,578	**12,666**
Total annual GHG emissions[3,4] on (tCO_2e)	26,109	28,368	25,925	26,733	25,141	**18,400**
Emissions Intensity[5,6]	158.1	172.9	151.9	148.0	149.5	**125.3**
Total GHG emissions relating to the UK					**1,560**	**1,317**
UK emissions as a proportion of the Group					**6.2%**	**7.2%**
Energy consumption (m kWh)						
Total Scope 1 fuel usage[6]				48.3	40.2	**30.3**
Total overseas Scope 1 fuel usage				44.9	36.6	**26.7**
Total electricity usage				34.6	33.1	**26.7**
Total overseas electricity usage				30.9	29.6	**24.0**

1 Scope 1 emissions are from those direct sources that are owned by the Group (e.g. from direct combustion of natural gas within our facilities' boilers and heaters). Fugitive gases are not included.

2 Scope 2 emissions comprise those emissions for which the Group is indirectly responsible, excluding transmission and distribution losses (e.g. from the electricity we purchase to operate machinery or equipment) An amendment made during 2015 to the Greenhouse Gas Protocol incorporates two calculation methodologies for Scope 2 emissions. There are no contractual instruments in place for the purchase of renewable energy. Hence, we report the same figure when applying the market and location-based methodologies.

3 The calculation methodology is based on the Greenhouse Gas Protocol developed jointly by the World Resources Institute and the World Business Council for Sustainable Development.

4 Transport costs are excluded in the calculation of our emissions due to their immaterial nature.

5 The UK Government guidance was considered when selecting the Company's chosen intensity measurement, which is total emissions reported normalised to £m constant exchange rate revenue. Our emissions intensity was previous calculated using reported revenue, before adjustment for constant exchange rates The base exchange rate used is 2016, and therefore 2017 to 2020 has been restated to remove the impact of exchange rate changes.

6 Scope 1 and emissions intensity for 2019/20 has been restated due to increased availability of data for one operating location which was not available at the time of last report. The data which was not previously available had been estimated in the previous year, based on industry standard assumptions.

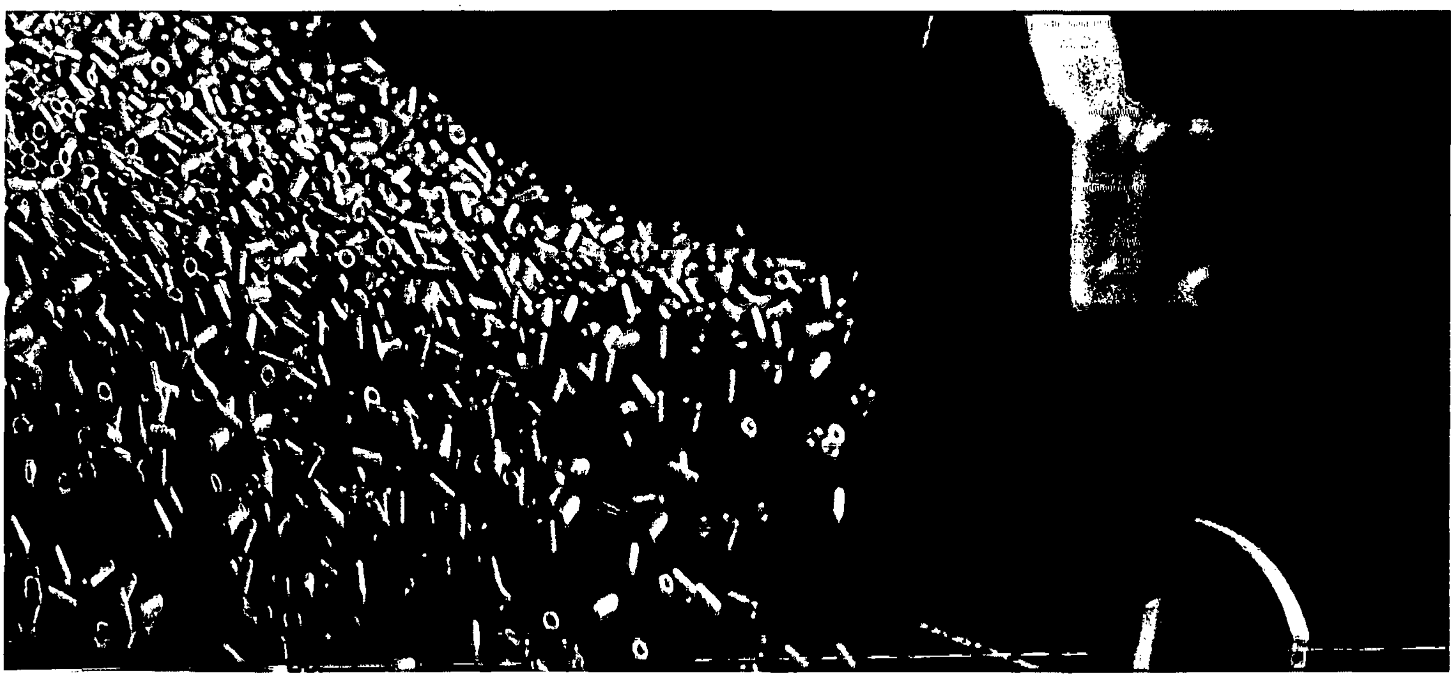
Strategic Report approval

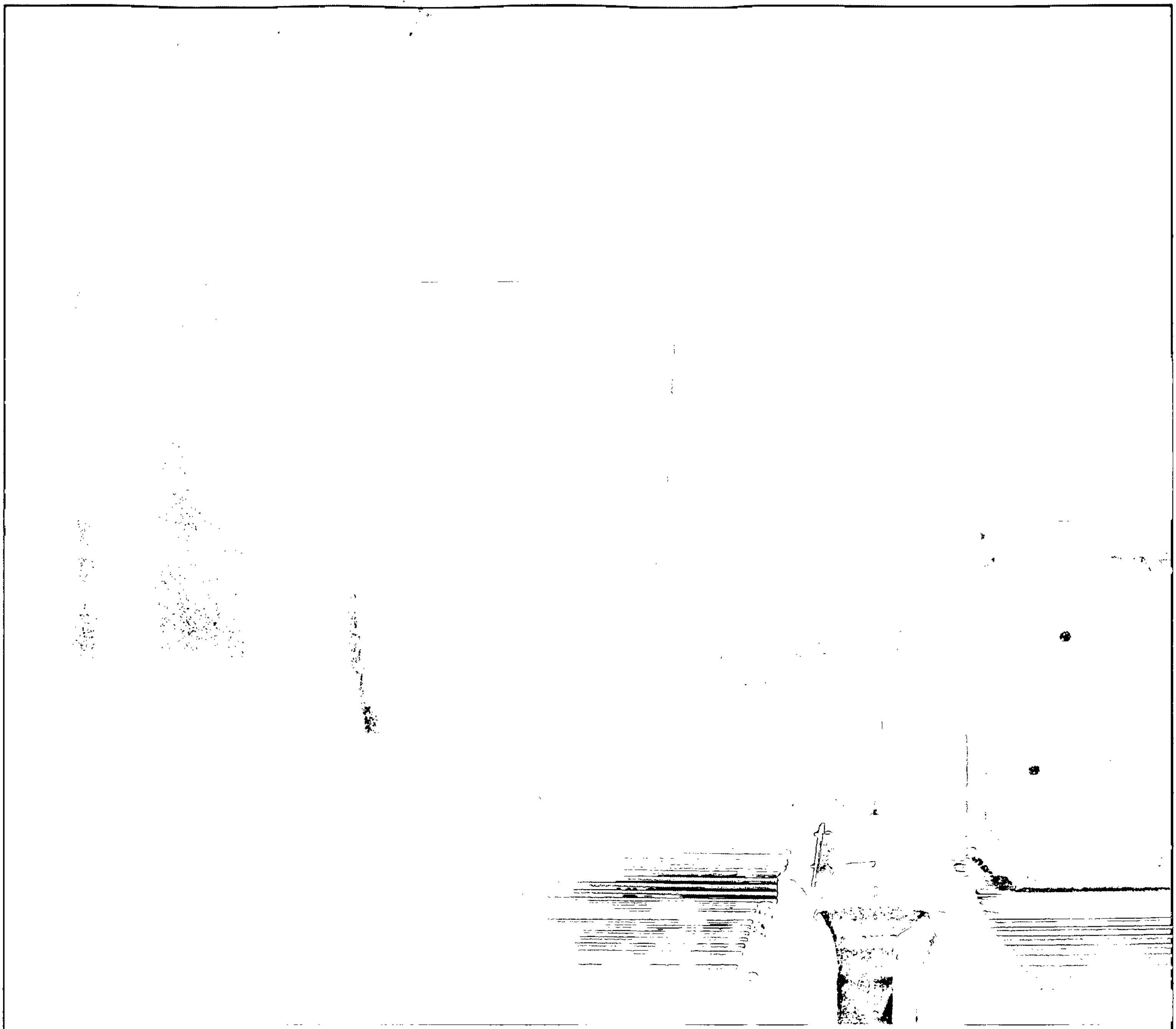
The strategic report, on pages 14 to 59, incorporates: Market Review, Business Model, Our Customer Journey, Chief Executive's Review, Strategic Progress, Our Key Performance Indicators, Our Performance, Finance Director's Review, Our Risks, Principle Risks and Uncertainties, Viability Statement and Sustainability and was approved by the board on 16 July 2021.

For and on behalf of the Board:

ROBERT PURCELL
CHIEF EXECUTIVE

JIM HAUGHEY
FINANCE DIRECTOR





Case study

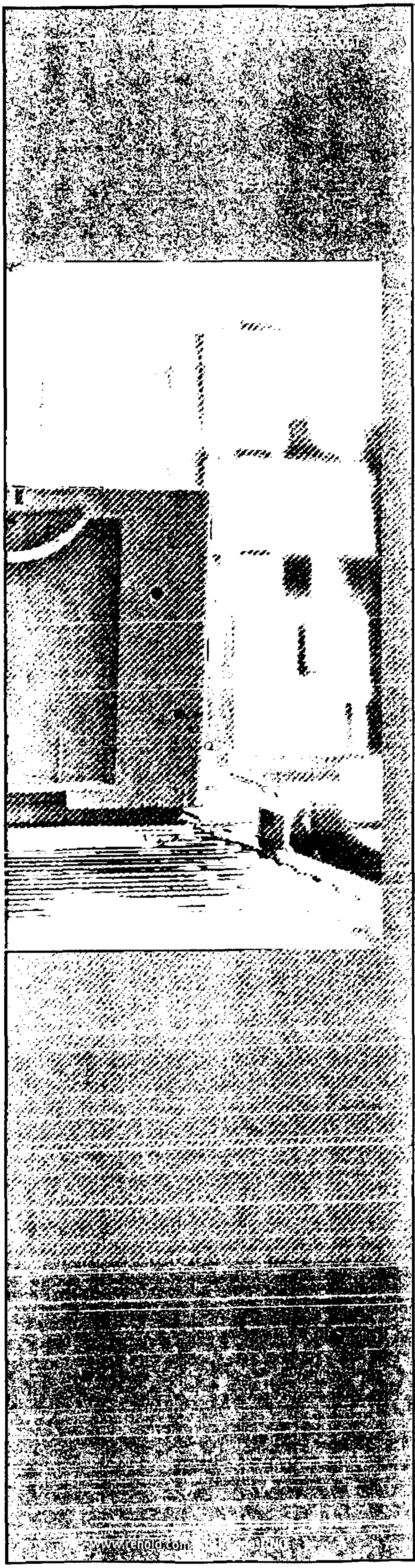
Chain: Distribution and Logistics Chain

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

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Chairman's Letter

> *"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'."*

MARK HARPER
CHAIRMAN

Dear Shareholder,

On behalf of the Board I am pleased to present the Governance Report for the year ended 31 March 2021.

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 spirit of 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 www.investors.renold.com website.

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

As announced on 1 December 2020, the Board has recruited Andrew Magson to the Board as a Non-Executive Director and as a member of each of the Audit, Nominations and Remuneration Committees. It is envisaged that Andrew will succeed David Landless as Chair of the Audit Committee following this year's Annual General Meeting ('AGM').

Also, as previously announced, Ian Scapens resigned from the Company on 19 June 2020 and on 24 October 2020, Jim Haughey was appointed as the new Group Finance Director in his place.

As part of the Board's long-term succession plan (as announced on 11 August last year), I will step down from my roles as Chairman of the Company and Chairman of the Nominations Committee, and will retire from the Board of Renold following the Company's 2021 Annual General Meeting.

It is proposed that David Landless, Chairman of the Audit Committee since 2017 and Senior Independent Director ("SID") since 2019, will, following the 2021 AGM, be appointed to the role of Chairman of the Company and Chairman of the Nominations Committee.

Upon David Landless becoming Chairman of Renold, Andrew Magson will take on the role of Chair of the Audit Committee. Tim Cooper, who joined the Board as a Non-Executive Director in 2018 and has been Chairman of the Remuneration Committee since November 2019, will subject to David;'s appointment as Chairman, be appointed as the SID as well as continuing in his role as Chairman of the Remuneration Committee.

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 are reflected in the statement of our Values and Behaviours and Renold requires the same from all employees in the performance of their duties.

We continue to be mindful of developments in legislation, regulations and codes of practice of relevance to corporate governance and ethics.

In addition to matters of corporate governance and ethics, the key priority for the Board remains the delivery of the Strategic Plan. On page 69 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 10.00am on Monday, 23 August 2021 at the Company's registered office, Trident 2, Trident Business Park, Styal Road, Wythenshawe, Manchester, M22 5XB.

As at the date of this letter, the UK Government has imposed fewer social distancing measures than have been in place over recent months. However, the situation surrounding the outbreak of Covid-19 is constantly evolving and any changes to the AGM will be communicated to shareholders beforehand through our website at www.investors.renold.com and, where appropriate, by announcement by a Regulatory News Service.

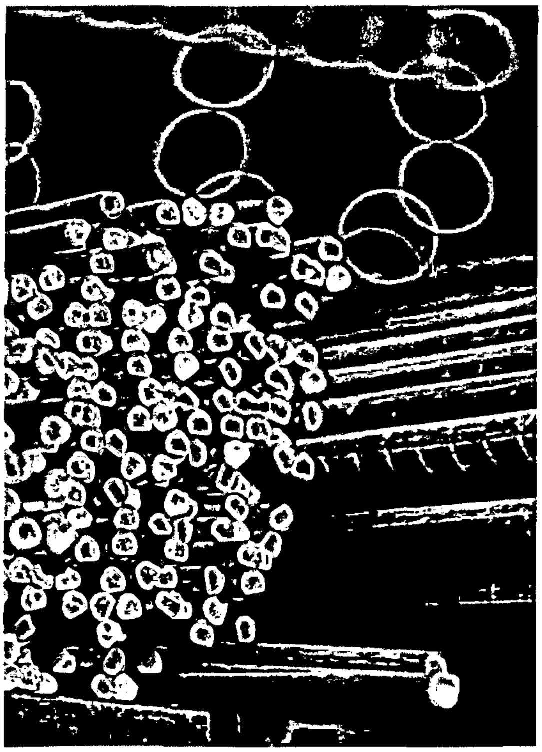
We would encourage shareholders to participate in the business of the AGM by alternative means, notably by voting by proxy, and sending any questions they may have asked at the AGM, in advance of the meeting. Your voting participation is important to us and I would encourage you to please vote by proxy.

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.

We thank shareholders for their support at this difficult time.

MARK HARPER
CHAIRMAN

16 July 2021



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 2021 is therefore measured against the requirements of the QCA Code. However, the Board of Directors highlighted that they would not seek to materially depart from the governance standards in place before the move to AIM. The standards 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 2021.

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

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

Board of Directors

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.

Committee memberships key:

(A) Audit Committee

(N) Nomination Committee

(R) Remuneration Committee

(E) Executive Risk Management and Monitoring Committee

Mark Harper

CHAIRMAN

COMMITTEE MEMBERSHIPS:

(N)

APPOINTMENT TO THE BOARD:

May 2012

EXPERIENCE:

Mark, aged 65, was appointed to the Board as a Non-Executive Director and Chairman-elect on 1 May 2012. He took on the role of Chairman at the close of the AGM on 12 July 2012. His appointment was extended on 1 May 2018 to May 2021. Prior to joining Renold, Mark became the Chief Executive of Filtrona plc at the time of its demerger from Bunzl plc in June 2005 and led a successful period of growth until his retirement in May 2011. He also held a number of senior operational management positions within Bunzl plc, being appointed to the Bunzl plc Board in September 2004, and has previously acted as a Non-Executive Director of BBA Aviation plc.

Robert Purcell

CHIEF EXECUTIVE

COMMITTEE MEMBERSHIPS:

(E)

APPOINTMENT TO THE BOARD:

January 2013

EXPERIENCE:

Robert, aged 59, 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 TO THE BOARD:

October 2020

EXPERIENCE:

Jim, aged 54, was appointed to the Board as Group 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.

David Landless

SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR

COMMITTEE MEMBERSHIPS:

Ⓐ Ⓝ Ⓡ

APPOINTMENT TO THE BOARD:

January 2017

EXPERIENCE:

David, aged 61, was appointed to the Board as a Non-Executive Director on 9 January 2017 and became Chairman of the Audit Committee from 19 July 2017. The appointment as Senior Independent Director was made on 13 November 2019. David, a fellow of the Chartered Institute of Management Accountants, 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 European Metal Recycling Limited, a large private scrap metal recycling company, the Non-Executive Chairman of Luxfer Holdings plc and a Non-Executive Director and Chair of the Audit Committee of Innospec Inc.

Tim Cooper

NON-EXECUTIVE DIRECTOR

COMMITTEE MEMBERSHIPS:

Ⓐ Ⓝ Ⓡ

APPOINTMENT TO THE BOARD:

November 2018

EXPERIENCE:

Tim, aged 62, was appointed as a Non-Executive Director of Renold in November 2018. He is Chairman of the Remuneration Committee, a position he has held since November 2019. 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 a Non-Executive Director of Pressure Technologies plc.

Andrew Magson

NON-EXECUTIVE DIRECTOR

COMMITTEE MEMBERSHIPS:

Ⓐ Ⓝ Ⓡ

APPOINTMENT TO THE BOARD:

December 2020

EXPERIENCE:

Andrew, aged 54, was appointed to the Board on 1 December 2020. It is intended that Andrew will succeed David Landless as Chairman of the Audit Committee when David becomes Chairman of Renold plc following the 2021 AGM. Andrew, a Fellow of The Institute of Chartered Accountants in England & 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.

Andrew Batchelor

GROUP GENERAL COUNSEL AND COMPANY SECRETARY

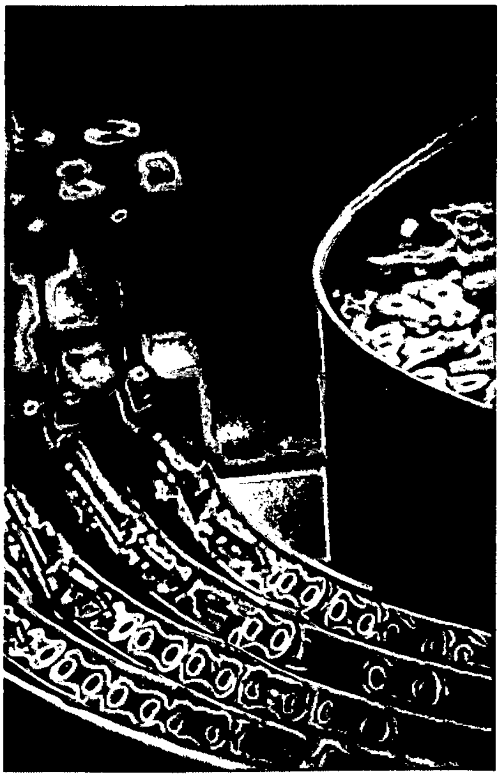
APPOINTMENT:

July 2018

EXPERIENCE:

Andrew, aged 55, 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 2020 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 standards 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 2021.

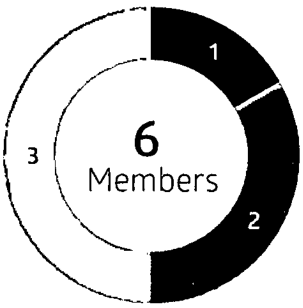
The QCA Code is available from the QCA website, www.theqca.com.

Board composition, responsibilities and activities

MEMBERSHIP OF THE BOARD

During the current reporting period, we experienced a period of change for the Board. During the year ended 31 March 2021 we saw the departure of Ian Scapens as Group Finance Director and his replacement by Jim Haughey as well as the appointment of Andrew Magson as a Non-Executive Director in December 2020.

The Board continues to have a balance of Executive and Non-Executive Directors. Currently, the Board comprises a Non-Executive Chairman, three 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 80 and 81.

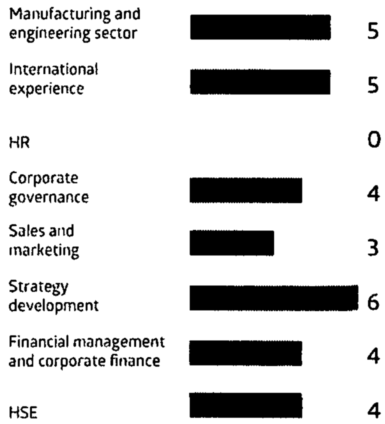


- ● Non-Executive Chairman
- ● Executive Directors
- ○ Non-Executive Directors

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 2021 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.

Further details about the composition and activities of the ERMMC and the Group's risk management framework can be found on pages 40 and 41 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 74.

Individual Directors' key responsibilities

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

TITLE	RESPONSIBILITY
Chairman 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 David Landless	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 Chairman.
Independent Non-Executive Directors Tim Cooper Andrew Magson	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. Eight 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[1]	Robert Purcell[2]	Ian Scapens[2,3]	Jim Haughey[2,4]	Andrew Magson[5]	David Landless	Tim Cooper
BOARD 8 meetings	8	8	2	3	3	8	8
AUDIT COMMITTEE 5 meetings	5	5	2	2	2	5	5
NOMINATION COMMITTEE 3 meetings	3	3	1	1	1	3	3
REMUNERATION COMMITTEE 7 meetings	7	7	2	2	2	7	7
ERMM COMMITTEE 3 meetings	-	3	1	2	-	-	-

1. Mark Harper attended Audit and Remuneration Committee meetings or part thereof by invitation.
2. Robert Purcell, Ian Scapens and Jim Haughey attended Audit, Nomination and Remuneration Committee meetings or part thereof by invitation.
3. Ian Scapens left the Company on 19 June 2020.
4. Jim Haughey was appointed to the Board on 1 October 2020 and attended all meetings which he was eligible to attend in the period bar January 2021 which he missed due to illness.
5. Andrew Magson was appointed to the Board on 1 December 2020 and attended all meetings which he was eligible to attend in the period.

Board focus during the year

During the year ended 31 March 2021, the Board has provided its main focus on the following matters:

	Overview	Activity in year	Strategic objective*
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. • Conducting and reviewing an evaluation of the effectiveness of the Board and its Committees.	A G
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 ERP effectiveness and monitoring progress of new ERP implementation. • Review of customer service enhancement initiatives including the service improvement programme, 'Step 2 Service'. • Received presentations from Group senior management on operations and continued implementation of the Strategic Plan across the divisions and functions. • Review and approval of the cancellation of the Company's share premium account and capital redemption reserve. • Approval of the acquisition of the conveyor chain business of Brooks Limited.	A B C 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. • Support to ongoing organisational development.	A 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 of dividend policy. • Review and approval of the half-year and full-year results and related announcements. • Review and approval of the delegated authorities matrix. • Review and approval of the Group tax strategy. • Specific approval for major capital investment projects. • Review of matters affecting the Group involving material litigation or disputes.	B 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. • Approval of Annual Report and Accounts and information to shareholders for the Annual General Meeting.	

*See Key on page 28

Corporate Governance Report

Expected board focus for next year

The Board will continue to review the areas set out in the table on page 69. In addition, it is anticipated that the following areas will receive focus by the Board for the year ending 31 March 2022:

- Consider Board composition and succession planning in light of the Board's wish to increase diversity.
- Increase the level of Board exposure to the senior management team, to identify high potential individuals.
- Conduct an internal review of cyber security.
- Working with the Group's new project leader for Sustainability to develop and implement the Group's sustainability strategy.
- Formulate an investor communication strategy to enable Renold to address a broader section of the investor community.

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 Group Finance Director in consultation with the Chairman. The Board has received an update from Deloitte 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. However, due to the travel restrictions imposed as a result of the Covid-19 pandemic, neither Jim Haughey or Andrew Magson have been able to visit any of the Group's manufacturing sites and all Board meetings have been held remotely via electronic communications.

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 Chairman 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 Chairman 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 Chairman's performance evaluation process. The evaluation process for the current year produced higher marks than in the previous year with no material issues being raised.

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 current Directors appear on pages 64 and 65. Further details of the Directors' service contracts and letters of appointment are set out in the Directors' Remuneration Report.

Corporate Governance 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.

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.

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.

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

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 which 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 whistle-blowing 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 2021, 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. Further details on this process are in the Audit Committee Report on page 74 and 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 broker.

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 14 to 59.

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. 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 are 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 10.00 am on Monday, 23 August 2021 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's focus has centred upon strengthening the internal control environment and enhancing the Group's risk reporting and management processes."

DAVID LANDLESS
CHAIRMAN OF THE AUDIT COMMITTEE

Key objectives

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 such as UK anti-bribery legislation. We monitor the integrity of financial information published externally for use by shareholders. 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 and targeted benefits are measured and delivered. We also support the efforts of the executive team to continuously improve the financial control and risk monitoring environment. Our approach is to ensure that risk management operates to pre-empt potential business issues and that embedded proactive financial controls prevent or mitigate unnecessary losses that may arise if a business risk does crystallise.

Governance

The terms of reference are available on the Company's website, www.renold.com.

Responsibilities

The primary function of the Audit Committee is to assist the Board in fulfilling its responsibilities with regard to financial reporting, external and internal audit, risk management and controls. The Committee achieves this by reviewing and monitoring:

- The integrity and compliance of the financial information provided to the shareholders, including the Strategic Report and Financial Statements.
- The appropriateness of accounting policies and the supporting key judgements and estimates.
- Whether the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position, performance and strategy.
- The assessment of the Group's longer-term viability and determination as a going concern, including considering the appropriateness of the underlying assumptions.
- The Group's system of internal controls and risk management, including the identification of principal risks, their mitigation and the Group's internal audit activities (including the appointment and oversight of the outsourced internal audit provider).
- The external audit process, including making recommendations to the Board about the appointment, reappointment or removal of the external Auditor, approving their remuneration, the terms of engagement and ensuring independence, objectivity and expertise.
- The Group's approach to corporate ethics, anti-bribery and compliance procedures, including ensuring the Group's Whistle-blowing Policy provides an appropriate environment for employees to raise, in confidence, any concerns they may have and overseeing any investigations and follow-up of matters raised.

The Committee reports to the Board at regular intervals on how it is discharging its responsibilities.

Composition

The Committee, of which I am the Chairman, consists of three members all being Non-Executive Directors. Tim Cooper was a member of the Committee throughout the year. Andrew Magson joined the Committee on his appointment as a Non-Executive Director on 1 December 2020.

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

Name	Position	Meetings attended
David Landless	Chairman	5 of 5
Tim Cooper	Non-Executive Director	5 of 5
Andrew Magson[1]	Non-Executive Director	2 of 5

1 Andrew Magson was appointed to the Board on 1 December 2020 and has attended all meetings that he was eligible to attend.

Biographical details and experience of members are set out on pages 64 and 65.

At the conclusion of this year's Annual General Meeting, Mark Harper will retire as Chairman of the company, and I will take over his responsibilities. Accordingly, I will retire as Audit Committee Chairman, with Andrew Magson taking on my responsibilities as Audit Committee Chairman.

Expertise

The Committee members have been selected to give an appropriate range of financial, operational, commercial and risk management expertise to allow the Committee to fulfil its duties. The Board considers that, both I and Andrew Magson I have recent and relevant financial experience to perform the role of Committee Chairman.

Committee meetings

The Committee meets at least four times each year. During the year ended 31 March 2021, the Committee met five times. The meetings are attended by the independent Non-Executive Directors (the members), the Company Secretary and, by invitation, the Chairman, the Chief Executive, the Group Finance Director, the Group Head of Risk and Assurance and the Group Financial Controller. Full details of Director attendance during the year are set out in the table of all Committee meetings on page 68 or in the table above.

From time to time, other members of the Group's management team are invited to attend to present or respond to queries on particular areas of focus. Our external Auditor, Deloitte, also attended the majority of Committee meetings and receives all papers submitted to the Committee. Each meeting, so attended, includes an opportunity for the external Auditor to raise any matters in confidence which they consider should be brought to the attention of the Committee without the Executive Directors being present. Similarly, the Group Head of Risk and Assurance, together with the engagement partner from the outsourced internal audit team, has a regular opportunity to address the Committee without the Executive Directors being present.

Main activities of the Committee during the year

During the year, the Committee, with the Executive Directors, undertook a review of the role and scope of the Group's internal audit and risk functions. The review concluded that the Group would benefit from external expertise to ensure that good industry practice is consistently applied and that appropriate processes and resources are deployed to meet the needs of the Group. The Committee approved the outsourcing of the Group's internal audit work programme to BDO LLP as of February 2021 but continues to maintain control over and set the scope of work. The Committee recognises that the ultimate responsibility for risk management remains with the Board of Directors.

The Committee also met to consider proposals from the external Auditor regarding the approach to the audit strategy for the year ended 31 March 2021 and reviewed the findings of that audit. It also considered the results of internal audit activity during the year

The Committee's prime areas of focus have been:

- The integrity, completeness and consistency of financial reporting and disclosures.
- The areas where significant judgements and estimates are required in the preparation of the financial statements, including those outlined on pages 76 to 77.
- The materiality level to apply to the audit.
- Whether the going concern basis should continue to apply in the preparation of the financial statements and the appropriateness of the Board's statement on viability.
- The appropriateness of presenting alternative performance measures and the clarity of disclosure relating to these measures.
- The strengthening of the internal controls environment.
- The appointment of a suitably qualified and experienced outsourced internal audit provider, ensuring that the team, from the professional accountancy firm appointed, possessed appropriate manufacturing and engineering sector expertise.
- Ensuring the internal audit areas of focus are being appropriately assessed, reported on and followed up as required.

Audit Committee Report

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 actuarial advisers and the Group Head of Risk and Assurance, as well as our external Auditor.

The Covid-19 pandemic created significant uncertainty in markets in which Renold operates. While it is difficult to accurately quantify these effects on future financial performance, the Committee has reviewed actions undertaken during the last financial year, together with various future scenarios, including a severe but plausible downside scenario, produced by management incorporating the continuation of mitigating actions which have been in place throughout the year, together with further actions which could be implemented. The Committee has reviewed the Group's cash flow forecasts, taking into account available funding headroom and covenant tests given the significantly improved borrowing position that the Group has achieved as at 31 March 2021, and the continued strong commitment that the Group's lenders have shown to support the business through the pandemic, the Committee's view is that the going concern principle is appropriate in preparing the financial statements.

Summarised in the following table, are some of the significant issues the Committee considered during the year in relation to the financial statements. These are separated into items of particular focus this year and recurring items that the Committee regularly addresses. 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 and an assessment of the degree of judgement required in concluding on each item.

Review matters	Relevant KPIs	Relevance	Judgement required
Pension accounting and disclosure	Financing charges Net assets	• IAS 19R finance charge £2.2m (2020: £2.2m) • Net pension liability £102.4m (2020: £97.6m)	Moderate
Carrying value of intangible assets, Goodwill, deferred tax assets and investments in subsidiary undertakings	Adjusted results Net assets	• Amortisation charge £0.7m (2020: £0.9m) • Net intangible assets £6.1m (2020: £8.0m) • Deferred tax assets £21.0m (2020: £20.4m) • Unrecognised deferred tax assets £23.0m (2020: £22.2m) • Investments in subsidiary undertakings (Company balance sheet) £62.0m (2020: £62.0m)	Moderate
Inventory valuations and provisioning	Inventory value Average working capital ratio Net assets	• Net inventory value £37.7m (2020: £46.1m) • Working capital percentage of sales 22% (2020: 23%) • Net liabilities £6.1m (2020: £0.4m)	Moderate
Restructuring costs and acquisition costs	Adjusted results RoS%	• Adjusted operating profit impact £nil (2020: £2.4m) • RoS impact nil (2020: 1.3%)	Moderate

Pension accounting and disclosure

(recurring annual item: see Note 18 to the financial statements)

Defined benefit pension scheme accounting is a complex matter. The values disclosed can fluctuate materially, particularly in a period of significant changes in gilt yields and interest rates. The values disclosed are also sensitive to a range of assumptions where judgement is required. This is illustrated in the table below.

Assumption sensitivity	Change in liability
Impact of 0.5% increase in UK discount rates	£14.2m decrease
Impact of 0.5% decrease in UK discount rates	£15.9m increase
Impact of 0.5% increase in UK inflation rates	£11.3m increase
Impact of 0.5% decrease in UK inflation rates	£9.8m decrease
Impact of 1 year higher life expectancy in UK	£11.0m increase

As has been the case for a number of years, the Committee reviews management estimates which are produced following independent actuarial advice and are compared to third-party benchmarks on the reasonableness of the assumptions used. We ensure the Group's underlying assumptions and methodology used in deriving them are consistent year-on-year or are justified by experience of the scheme or by third-party metrics. In respect of the relatively high mortality assumption, the Committee considered scheme-specific data which underpins and supports the level of mortality assumed by the Group. The Committee was satisfied that the assumptions are within an acceptable range and no changes were made to management assumptions.

The Committee has also encouraged additional disclosure of financial information in respect of defined benefit pension schemes. Largely graphical in nature, this is designed to give greater clarity of the risks, issues and opportunities in what is a complex area of accounting: see pages 36 to 39 of the Group Finance Director's Review.

While the level of judgement on assumptions used in arriving at the pension deficit numbers is considered to be low as these use known published data/indices, there are more factors to be considered in determining the disclosure; hence the overall judgement required is viewed as moderate.

Carrying value of intangible assets, deferred tax assets and investments in subsidiary undertakings

(recurring annual item: see Notes 7, 8 and 17 to the financial statements)

The Group holds a number of valuable intangible assets such as goodwill and deferred tax assets. In addition, the parent Company and other Group companies hold investments in various subsidiaries (which are relevant in their individual statutory accounts as opposed to the consolidated financial statements).

The judgements on the carrying value of these assets are a key area for Committee scrutiny as carrying values are based on discounted estimates of future cash flows over a number of years and hence are sensitive to the assumptions used.

These are areas where management estimates play a key role in supporting the carrying values reported in the balance sheet. The Committee reviews the assumptions underlying the discounted cash flow. The details of the impairment reviews performed are in Note 7. Short-term cash flows are confirmed by reference to the Board-approved budget for the following year and sense checked against the longer-term Strategic Plan.

As part of the review of defined benefit pension accounting, the Committee also reviews the carrying value and recoverability of the related deferred tax assets. The Committee was satisfied that the extended duration of the pension liabilities in Germany and the UK, and their priority in recognition, justified the extended recovery periods for the associated deferred tax assets which were also fully supported by expectations of future taxable profitability.

Inventory valuations and provisioning

(recurring annual item: see Note 11 to the financial statements)

As a manufacturer, the Group adds value to raw materials as part of its normal production processes. In order to provide shorter lead times and better customer service, the Group also holds a significant amount of stock. Inventory therefore represents a material component of the Group's balance sheet. The basis of valuation includes the allocation of amounts for labour and overhead costs which require the exercise of management judgement. The overall process is governed by accepted accounting methodologies for the absorption of labour and overheads into stock. While these methodologies help to reduce risk, based on the scale of inventory holdings and the extensive product range, the overall level of judgement required is assessed as moderate.

The Committee reviews both the valuation bases and the application of the Group's policy on providing for slow-moving and obsolete stock. The Committee reviews both the rules governing the automatic generation of provisions based on the age of stock and any management judgemental overrides. The Committee is satisfied that the net book value shown in Note 11 is appropriate and that any management judgements formed in arriving at those values are reasonable.

Viability Statement

(recurring annual item: see page 47)

The Board assesses the prospects of the Company over a period longer than 12 months from the approval of the financial statements.

In addition to assessing that the Going Concern basis remains appropriate for the financial statements, the Committee has helped the Board prepare the Viability Statement and the period over which it will apply. The Committee considered the Strategic Plan and sensitivities against it in preparing the Viability Statement as well as the appropriateness of the three-year review period. The Company's current position and principal risks were also reviewed in detail by the Committee prior to advising the Board.

The Company's full Viability Statement can be found on page 47 of the Strategic Report. Other recurring matters reviewed by the Committee include:

- Corporate risk-reporting processes and action plans;
- The annual process for control self-assurance and reporting;
- Reviewing medium-term financial planning assumptions; and
- The ongoing programme to improve the efficiency of financial control processes in the business.

Restructuring costs and acquisition costs

(current year focus item: see Note 2(c) to the financial statements)

Although not relevant for the 2021 financial statements, historically, the Group has incurred acquisition costs and undertaken restructuring activities. Each year the Committee focuses on and challenges management's allocation of costs and credits between adjusting and ordinary items. We ensure that the adjusting items genuinely need to be excluded so as to allow users of the accounts to form an accurate assessment of the performance of the underlying business.

For the 2021 financial statements, the committee concluded that there were no charges sufficiently material and not related to the underlying business so as to require separate disclosure.

Internal control, risk and compliance

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 and action plans aimed at reducing the likelihood of risks crystallising and mitigating the impact if they do.

The Executive Risk Management and Monitoring Committee (ERMMC) receives regular reports from the Group Head of Risk and Assurance, to convey the status of risk profiles and actions arising from the risk assessment process. The ERMMC reports the results of its meetings to the Committee. This process will continue into the next financial year with BDO LLP taking the lead in presenting to the ERMMC and to the Committee.

Further details of our internal control and risk management systems, including the financial reporting process, can be found on pages 40 and 41. Our primary risk factors are shown in the Strategic Report on pages 42 to 46.

Audit Committee Report

Confidential reporting procedures and whistle-blowing

The stewardship of the Group's assets and the integrity of the financial statements are further supported by confidential reporting and whistle-blowing 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 whistle-blowing 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 ERMMC.

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

Internal audit

The Committee receives and considers reports on the control environment from the Group Head of Risk and Assurance. From February 2021, these reviews were conducted in conjunction with the engagement partner from the outsourced internal audit team. These reports highlight key improvement themes and recommend areas for business focus. In addition, the Committee has visibility of management responses and action tracking via the Group's Integrated Risk Management System at each meeting. The annual internal audit plan, which contains mandatory, risk-based and cyclical reviews concentrates on financial control and compliance.

In the new financial year, the annual internal audit plan will include site financial control audits, site health and safety audits and project assurance. These will principally be undertaken by BDO LLP, with an initial focus on financial controls audit, with oversight and input from the Group Financial Controller and other members of the Group's senior management team.

The Committee also 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.

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 the external Auditor, who have worked on the audit in the past two years, to senior financial positions within the Group, and the rotation of the lead engagement partner at least every five years. Following these rotation procedures, this is the first year of the new audit partner's tenure.

Non-audit services provided by the external Auditor

The Committee is responsible for ensuring that an appropriate relationship is maintained between the Group and the external Auditor. Non-audit services can only be provided by the external Auditor if there is no potential conflict of interest or material risk of values being included in the financial statements that have been both advised on and audited 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. The policy is available on the Company's website, www.renold.com.

During the year ended 31 March 2021, the Committee continued with the appointment of other accountancy firms to provide non-audit services to the Group, including internal audit, risk management and taxation advisory services, and anticipates that this will continue during the year ending 31 March 2022.

Total non-audit services provided by Deloitte during the year ended 31 March 2021 were £nil (2020: £nil). Total audit and audit-related fees include the statutory audit fee and fees paid to Deloitte for other services which the external Auditor is required to perform. Examples might include reporting to banking partners in territories where no statutory accounts are required to be prepared. Non-audit fees represent all other services provided by Deloitte not included in the above. There were no significant non-audit services provided by Deloitte in the year.

The Committee also discussed the overall level of fees and considered them appropriate given the current size of the Group. The Committee is satisfied that the level and scope of non-audit services undertaken by the external Auditor does not impair its independence or objectivity and considers that the Company receives particular benefit from the advice provided by its external Auditor, given its wide and detailed knowledge of the Group and its international operations.

Audit focus

To ensure appropriate focus on key risk areas identified by the Committee, the proposed external audit plan is challenged before the audit commences to ensure that Deloitte has developed appropriately targeted audit procedures. These are closely aligned with the current year focus items noted above in the section entitled Main activities of the Committee during the year. They also reflect the relative changes in profitability and materiality of each of the Group's operating units during the year.

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 Deloitte'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, the Committee was satisfied with the effectiveness, independence and objectivity of the external Auditor. As noted below, the Committee has made a recommendation to the Board to reappoint Deloitte as the Group's external Auditor and a resolution to that effect will be included in the ordinary business of the AGM to be held on 23 August 2021. There are no contractual obligations restricting the choice of external Auditor, nor has the Company entered into any Auditor liability agreements.

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: the role of the Disclosure Committee

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 Chairman of the Audit Committee (as Chair), the Group Finance Director, the Group Financial Controller and the Company Secretary.

The consideration of the fair, balanced and understandable requirement is detailed on page 73. In summary, the Disclosure Committee carried out the following activities.

- All those contributing to the Annual Report and Accounts were briefed on the requirements of the UK Corporate Governance Code with specific emphasis on the fair, balanced and understandable requirement.
- A number of senior managers who were knowledgeable about the business, but otherwise not significantly involved in the preparation of the Annual Report and Accounts, each performed an independent review of the draft Annual Report and Accounts. The feedback and comments received as a result were reviewed and amendments made accordingly.
- As in previous years, a documented verification file of all substantive facts and assertions is maintained and reviewed for completeness prior to finalisation of the Annual Report and Accounts.

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 evaluation

The Committee's effectiveness is assessed annually and on the basis of a programme of continuous improvement. Lessons from the assessment are used to try to improve the process, but the Committee has concluded that it acted within its terms of reference and carried out its responsibilities effectively.

We welcome feedback from shareholders on this report.

DAVID LANDLESS
CHAIRMAN OF THE AUDIT COMMITTEE

16 July 2021

Nomination Committee Report

> "In my final report as Chair of the Nominations Committee I am pleased to report that our succession planning will enable a smooth transition to my successor and will deliver to the Company a balanced Board with a wide range of relevant skills, knowledge and experience."

MARK HARPER
CHAIRMAN OF THE NOMINATION COMMITTEE

The last year has been an exceptional one with the unprecedented impact of the Covid-19 epidemic. At Renold we have also seen a great deal of change with the departure of the Group Finance Director, Ian Scapens in June 2020 and the appointment of Jim Haughey as Ian's successor in October of last year. Our succession plan has seen the successful recruitment of Andrew Magson to the Board as a Non-executive Director and Chairmen elect of the Audit Committee.

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 the Board's Committees. Succession planning is at the top of the Committee's agenda, with processes in place to ensure the Board has a broad and relevant skill set. The Board is mindful of, and supports, the move for greater diversity. However, as the recent search for a new Non-Executive Director and for a Group Finance Director has demonstrated, finding high-quality, available candidates who add value to our businesses and increase the diversity of the Board has proved challenging.

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 it's 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 nominate candidates to the Board; and
- Giving full consideration to succession planning for Directors and other senior executives, taking account of the challenges and opportunities facing the Company.

Composition of the Nomination Committee

Our three Non-Executive Directors are members of the Committee, which I Chair. This year has seen the appointment of Andrew Magson as a Non-Executive Director and member of the Committee as of 1 December 2020. The Committee meets during the year as required.

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

[1] Andrew Magson became a Non-Executive Director part way through the year on 1 December 2020. He has attended all meetings since the date of his appointment.

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. This is in parallel with ensuring that the costs and composition of the Board reflect the size of the business and its current stage of development. 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 on the Board. For the appointment of Non-Executive Directors, additional factors for consideration include independence and time commitment.

The Board is aware of the need to consider the benefits of diversity on the Board in all its aspects. The Board continues to believe that it is not appropriate to set measurable objectives for the implementation of the diversity policy at this time. In any future changes to its composition, the Board will continue to be mindful of the issues of diversity, including gender, and these factors will be taken into account alongside the overriding objective of appointing the best possible candidate for the role.

In selecting candidates for the shortlist 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 supports the engagement of executive 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 Andrew Magson – Non-Executive Director

The process for the selection of a new Non-Executive Director commenced in early September 2020. The brief was to identify candidates who had the necessary skills, experience and style to successfully deliver the role and, if possible, to achieve our diversity aspirations.

After an initial period during which potentially suitable candidates were identified from a wide variety of sources, the Group Human Resources Director collated a long list of nine candidates and established a selection criteria matrix for the role. The long list of candidates was evaluated against this matrix by Mark Harper, David Landless, Tim Cooper, Robert Purcell and the Group HR Director. The four most suitable candidates were then interviewed by Mark Harper, Tim Cooper, David Landless and Robert Purcell. These interviews were conducted between 12 to 23 October 2020.

Eventually, Andrew Magson was identified as the preferred candidate and was interviewed at the final stage by Robert Purcell on 27 October 2020.

Referencing and pre-appointment checks then followed.

Following this process a recommendation to appoint Andrew Magson was made to the Nominations Committee.

In the meeting held on 4 November 2020, the Nominations Committee recommended the appointment of Andrew Magson as a Non-Executive Director of the Company. The Board subsequently accepted the recommendation and Andrew became a Non-Executive Director of the Company on 1 December 2020.

Although Jim Haughey was appointed as Group Finance Director during the period, the process for his appointment was outlined in full in last year's Annual Report.

Board composition

During the current reporting period, we experienced a period of change for the Board. 2020 saw the departure of Ian Scapens as Group Finance Director and his replacement by Jim Haughey as well as the appointment of Andrew Magson as a Non-Executive Director in December 2020. We currently 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 has been appropriate in the current reporting period. This view reflects the need to deliver excellent corporate governance while balancing the need for cost control as we continue to progress the Group's strategy.

Other than in relation to gender and ethnicity, the current Board is diverse in terms of the different skill sets of each member. These include professional qualifications and career work experience but also wider experience relevant to our global business with most of the Board members having worked and lived overseas for significant periods. For further information, see the chart on page 66.

Succession planning and responsibilities of Directors

Our robust succession planning will enable David Landless to move from his current role as Senior Independent Director and Chair of the Audit Committee to become Chairman of the Company upon my retirement at the 2021 AGM. With the successful recruitment of Andrew Magson in December of last year, this will enable Andrew to have eight months experience of Renold before he replaces David in the role of Chair of the Audit Committee. Following the 2021 AGM, Tim Cooper who has been a Non-Executive Director of Renold since 2018, will assume the role of Senior Independent Director.

Other succession planning

I reported last year that the Board is mindful of its corporate governance obligations in relation to succession planning, and a detailed review of succession planning for the Board and senior management took place. The review, as it related to senior management, concluded that the continued strengthening of the senior management team, led by the Chief Executive, is ongoing and will continue to be an area of focus for the Committee.

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.

MARK HARPER
CHAIRMAN OF THE NOMINATION COMMITTEE

16 July 2021

Directors' Remuneration Report

> "With the onset of the Covid-19 pandemic, the Remuneration Committee responded to a challenging year by taking measures to ensure that Executive remuneration was reflective of the impact that the pandemic had economically on our business and our employees across the Group. The Committee also took into consideration state level financial assistance that was received by the Group on a global basis, when making remuneration decisions."

TIM COOPER
CHAIRMAN OF THE REMUNERATION COMMITTEE

The Committee responded to the challenges and uncertainties brought about by the Covid-19 pandemic, which resulted in a difficult economic environment and a fall in revenues. This led to the introduction of a number of cost and cash control measures that impacted remuneration decisions taken and which also sought to align with investor shareholder guidance during the last financial year. No bonus plan was established for the Executive Directors for performance in the financial year ending March 2021. The Committee determined that such a scheme would be inappropriate given the impact the pandemic was having on the business and our employees. Consideration was also given to the fact that the Company was participating in various state aid support initiatives. Performance Share Plan (PSP) awards were made to the Executive Directors, however the Committee set performance conditions that were reflective of the particular challenges that the business faced because of the pandemic. Mindful of the need for financial prudence, the business requested most employees not involved in the direct production of goods in the Group to take a four month 20% reduction in pay from 1 April 2020. The Non-Executive Directors agreed to reduce their fees by the same amount for the same period. The Executive Directors offered to take a larger reduction in salary of 25% for the same period.

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.

The Remuneration Policy, as set out later in this report, was reviewed and approved by shareholders at the 2019 Annual General Meeting. The Committee believes that this policy continues to align executive remuneration arrangements with the interests of our shareholders while supporting the delivery of the Company's Strategic Objectives. The Remuneration Policy will be reviewed during the course of the financial year ending 31 March 2022.

Structure of our Directors' Remuneration Report

This report is on the activities of the Remuneration Committee for the period to 31 March 2021. 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.
- The At a Glance 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 the 2019 AGM.
- The Annual Report on Remuneration, which shows the implementation of the Directors' Remuneration Policy during the year ended 31 March 2021 and how it is proposed to be applied for the year ending 31 March 2022.

The Directors' Remuneration Policy was approved at the 2019 Annual General Meeting on 20 September 2019 and took effect from this date. The Annual Report on Remuneration provides details on remuneration in the period and other information required by the Regulations. It will be subject to an advisory shareholder vote at the 2021 Annual General Meeting.

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

In light of the considerable uncertainty that the Covid-19 pandemic introduced and its financial and social impact on the Company and our employees, the Committee considered that it was not appropriate to make any changes to the Chief Executive's salary. This, therefore, remained unchanged in the year to 31 March 2021, notwithstanding the voluntary pay reduction disclosed previously.

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

- Annual bonus: In the light of the prevailing economic conditions and the onset of the Covid-19 pandemic, the Committee determined that no Executive bonus scheme should be established for the year to 31 March 2021.
- PSP: The performance period for the PSP awards granted in June 2018 ended on 31 March 2021. The performance conditions required growth of 10% per year in adjusted EPS for threshold vesting. Adjusted EPS decreased over the testing period from 4.5p for the period ended 31 March 2018 to 3.2p (measured on a consistent basis) for the period ended 31 March 2021, and therefore, the awards will not vest.

Response to the Covid-19 pandemic

As outlined in the Chief Executive's Review on page 22, a broad range of corporate actions have been implemented in response to the unique circumstances arising as a result of the Covid-19 pandemic. Specifically in relation to remuneration:

- the Executive Directors elected to take a reduction in salary of 25% and the Non-Executive Directors a reduction in fees of 20%, from 1 April 2020 for a four-month period;
- the Committee determined that it was inappropriate for an Executive bonus scheme to be implemented for the 2020/2021 financial year;
- the targets for the PSP award were aligned to a basket of measures designed to incentivise the Executive to preserve EBITDA, reduce Net Debt, enable the Company to meet its banking covenants and maintain a base level of operating profit.

Director changes

Ian Scapens left his role as Group Finance Director on 19 June 2020. As advised in the 2020 Annual Report, Ian did not receive a bonus in respect of the year ended 31 March 2021 and his outstanding PSP awards lapsed.

Jim Haughey was appointed as Ian's replacement as the Group Finance Director on 1 October 2020 The Committee considered his skills, experience and the nature of the role, his existing remuneration package and market rates when establishing his pay and benefits within Renold. The resulting package determined by the Committee comprises a salary of £200,000 (which is in line with his predecessor's salary), bonus and PSP participation, fully expensed company car and a pension entitlement capped at 7.5% of salary, which is aligned with the pension available to UK senior management. No buy-out or other financial award or compensation was paid to Jim on joining Renold.

Andrew Magson joined the Company as a Non-Executive Director on 1 December 2020. He is paid the base level of fees for a Non-Executive Director and Andrew is entitled to be reimbursed by the Company for his reasonable expenses.

Remuneration Policy

The Directors' Remuneration Policy was amended and approved by over 99% votes in favour at the 2019 AGM and it is intended that it will continue to apply until its expiry three years later.

The Committee believes that the Remuneration Policy aligns executive remuneration arrangements with the interests of our shareholders while supporting the delivery of the Company's Strategic Objectives.

Good progress has been made under the Strategic Plan, but there remains much to do to fully deliver upon the Strategic Objectives of the Group. However, 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 but may be flexed, as in the 2020-2021 financial period to ensure focus on key commercial objectives.

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 cap pension rates for new joiners in line with the pension rate available to UK senior management. We will reflect this in the revised policy next year.

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
CHAIRMAN OF THE REMUNERATION COMMITTEE

16 July 2021

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 64 and 65.

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

Name	Position	Meetings attended
Tim Cooper	Chairman	7 of 7
David Landless	Non-Executive Director	7 of 7
Andrew Magson[1]	Non-Executive Director	2 of 2

[1] Andrew Magson attended all Committee meetings held since the date of his appointment on 1 December 2020.

The Executive Directors, the Chairman 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 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 2021 and this review concluded that the Committee has operated effectively.

The Company's Auditor is required to report on certain parts of the Directors' Remuneration Report and to state whether, in its opinion, those parts of the report have been properly prepared in accordance with the relevant accounting regulations. Audited sections of the report are indicated accordingly.

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 Chairman, 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 £26,000.

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 internal audit, 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 Group 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 that Executive Directors should not receive an Incentive Plan (Bonus) in FY21
	Determining that, in line with the rest of the employees in the Group, the Executive Directors should not receive an annual pay review increase in FY21
	Approving the awards made under the Company's Performance Share Plan (PSP) during the year
	Approving the remuneration package for James Haughey who joined the Board as Group Finance Director on 1 October 2020
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 determining administrative amendments to the Company's PSP scheme rules

Directors' Remuneration Report

AT A GLANCE

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	• Fixed pay • 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 FY18 to FY21	10% p.a. growth	15% p.a. growth	11%[1] p.a. decline

1 Measured on a consistent basis.

SINGLE TOTAL FIGURE OF REMUNERATION FOR EXECUTIVE DIRECTORS

Executive Directors	Salary (£'000)	Benefits (£'000)	Bonus (£'000)	LTIP (£'000)	Pensions (£'000)	Total 2021 (£'000)	Total 2020 (£'000)
Robert Purcell[1]	284	18	–	–	43	**345**	378
Ian Scapens[2]	33	3	(10)	–	5	**31**	243
Jim Haughey[3]	100	7	–	–	8	**115**	–

1 Robert Purcell elected to forgo 25% of his salary for the period from 1 April 2020 to 31 July 2020.

2 Ian Scapens elected to forgo 25% of his salary for the period from 1 April 2020 to 19 June 2020 (the date when he left Renold).

3 Jim Haughey joined Renold on 1 October 2020.

Directors' Remuneration Report

DIRECTORS' REMUNERATION POLICY

Introduction

This section of the Directors' Remuneration Report (from pages 87 to 91) sets out the Company's Remuneration Policy for the remuneration of its Directors as adopted by the Company at the 2019 Annual General Meeting.

The application of the current policy for the year ended 31 March 2021 is set out in the Annual Report on Remuneration on pages 92 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 20 September 2019. It is intended this Policy will apply for three years from the date of the 2019 Annual General Meeting therefore, the Policy will be reviewed this year with a view to presenting the Policy to shareholders at the 2022 AGM.

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 our remuneration package provides an appropriate and balanced set of rewards. Executive reward at Renold is relatively modest compared to our peer group and this has been validated by independent third parties. This is consistent with the key Strategic Objective of lowering our breakeven point – this applies to executive pay as much as it does to any business expenditure. 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 have established the Remuneration Policy set out in this report. 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

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. – 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.	Cash allowances or pension contribution of up to 15% of base salary.	None.
ANNUAL BONUS	To incentivise delivery of the corporate strategy and reward delivery of superior performance. Bonuses are not 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 targets. 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. Group 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 have five years to build the minimum holding. Unvested PSP or deferred shares are not taken into account. Share price is measured at the end of each financial year. Executive Directors are expected to retain all vested share awards, except those sufficient to satisfy income tax and National Insurance contributions, to the extent that the shareholding requirement is not met. Share-based incentives will be used as the only compulsory method to build up shareholdings.	Chief Executive – 200% of base salary. Other Executive Directors – 100% of base salary.	None.

Directors' Remuneration Report

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 Annual General Meeting 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 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 HR Director.

The Group HR Director consults with the Committee on the performance metrics for Executive Directors' bonuses, and the Committee approves these.

The Committee approves the grant of all PSP awards across the Group.

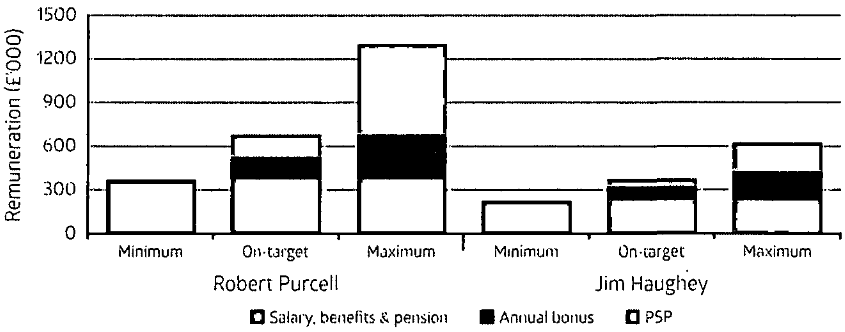
The Group does not specifically invite employees to comment on the Directors' Remuneration Policy but any comments made by employees are taken into account.

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 2022 should they achieve minimum, on-target or maximum performance. The amounts shown represent £'000s.

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 2021, 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 lengths 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:

	Commencement of employment	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 prorating 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 the 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.

The above policy was applied to the former Finance Director, Ian Scapens who left the Company on 19 June 2020. No payments were made to Ian on leaving Renold and his unvested PSP awards lapsed.

Approach to recruitment remuneration

In the event of the appointment of a new Director, the same principles 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 87 to 89 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 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 87 to 89.

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.

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 Chairman and the Executive Directors. The level of fees is reviewed from time to time with regard to fees paid in comparable organisations and the time commitment required. The Chairman'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 an initial period of three years, subject to earlier termination by either party. Thereafter, the appointment may be renewed, provided that both the Non-Executive Director and the Board agree. Their respective appointments continue on an annual basis, subject to re-election at each Annual General Meeting. 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 by appointment 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 2021. This section, together with the description of the composition of the Committee, which is set out on page 84 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 23 August 2021.

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)**	**Sub total (£'000)**	**Bonus (£'000)**	**LTIP (£'000)**	**Sub total (£'000)**	**Total (£'000)**
Robert Purcell[1]	**2021**	**284**	**18**	**43**	**345**	**–**	**–**	**–**	**345**
	2020	307	25	46	378	–	–	–	378
Ian Scapens[2]	**2021**	**33**	**3**	**5**	**41**	**(10)**	**–**	**(10)**	**31**
	2020	200	13	30	243	–	–	–	243
Jim Haughey[3]	**2021**	**100**	**7**	**8**	**115**	**–**	**–**	**–**	**115**
	2020	–	–	–	–	–	–	–	–

Non-Executive Directors' fees	**2021 £'000**	**2020 £'000**	**Change[7]**
Mark Harper[4]	**116**	121	-4.1%
Ian Griffiths[5]	**–**	28	n/a
David Landless[4]	**47**	47	–
Tim Cooper[4]	**44**	42	4.8%
Andrew Magson[6]	**14**	–	n/a

1 Robert Purcell agreed to a voluntary reduction in base salary of 25% from 1 April 2020 until 31 July 2020.

2 Ian Scapens agreed to a voluntary reduction in base salary of 25% from 1 April 2020 until his departure from Renold on 19 June 2020. Ian Scapens ceased to be a Director of Renold on 19 June 2020.

3 Jim Haughey joined Renold on 1 October 2020.

4 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.

5 Ian Griffiths resigned on 12 November 2019.

6 Andrew Magson joined Renold on 1 December 2020.

7 Changes relate to the annualised impact of changes in roles outlined in last year's report, coupled with the impact of voluntary pay reductions outlined above.

(1) Fixed elements of pay

(i) BASE SALARY

In the light of the impact of Covid-19, and in accordance with the guidance issued by shareholder representative bodies, the Chief Executive's salary was not reviewed during the year and remained at the 2020 rate of £310,000. As a departing Director, Ian Scapens salary remained at the 2020 rate of £200,000. Jim Haughey joined Renold as Group Finance Director on 1 October 2020 at a salary of £200,000 per annum, in line with that awarded to the former Group Finance Director.

The proportion of the Group's basic salary bill attributable to the Executive Directors' base salaries for the year ended 31 March 2021 was 0.80% (2020: 0.84%).

(ii) PENSION

The pension entitlement for Robert Purcell is Company contributions equivalent to 15% of base salary, and this was consistent for Ian Scapens up until his departure. 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 2021, cash payments of £42,625 (2020: £46,000) and £5,048 (2020: £30,000) were made by the Company to Robert Purcell and Ian Scapens respectively. Jim Haughey received pension contributions of £7,500 in the same period.

(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 Remuneration Committee determined that no annual bonus entitlement should be available to the Executive Directors for the financial year ended on 31 March 2021. The Remuneration Committee resolved at the July 2019 meeting that a clawback of 25% of the annual bonus should apply to the annual bonus award made in relation to any subsequent financial year or on leaving Renold, whichever was the earlier. The clawback was invoked to take account of the financial impact of the Milnrow financial mis-statement as disclosed in 2019/2020 Annual Report. A clawback of £10,000 was applied to Ian Scapens on leaving the Company.

(ii) PSP AWARDS PERFORMANCE TESTING

The performance period for PSP awards granted in June 2018 completed on 31 March 2021. The performance conditions applying to these awards are as follows:

	Threshold		Maximum		
Award date	EPS CAGR	% Vesting	EPS CAGR	% Vesting	Performance period
8 June 2018	10%	25%	15%	100%	3 years to 31 March 2021

Adjusted EPS decreased by 11% (measured on a consistent basis) per annum between 2018 and 2021. As this is below the threshold growth of 10% p.a., none of the awards will vest.

(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 Group 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	2,066,667	30 September 2020	31 March 2023	25%
Jim Haughey[2]	Nil-cost option	£200,000	666,667	13 November 2020	31 March 2023	25%

1 The number of shares awarded was based on a notional share price of 30.0p, being a premium to the share price of 10.85p at the date of grant.

2 The number of shares awarded was based on a notional share price of 30.0p, being a premium to the share price of 11.85p at the date of grant.

The year ended 31 March 2021 was the eighth year in which awards were made under the PSP. In prior years there has been a single performance criteria linked to compound annual growth in adjusted EPS over a three year period. For the award made to Robert Purcell on 30 September 2020 and the award made to Jim Haughey on 13 November 2020, the Remuneration Committee departed from the EPS measure due to the market uncertainty and volatility of the share price caused by the onset of the Covid-19 pandemic. Instead the Remuneration Committee set out the below performance criteria which they considered better reflected the focus of the Executive Directors in these exceptional circumstances:

- Maintain net debt under £35m until 31 March 2021;
- Maintain rolling EBITDA greater than £13m until 31 March 2021;
- Maintain a leverage ratio lower than 3x at 31 March 2021;
- Maintain a leverage ratio lower than 2.5x at June 2021;
- Maintain a leverage ratio lower than 2.25x at September 2021; and
- Renold must not breach banking covenants and must make positive Operating Profit in FY21, FY22 and FY23.

There is no part-vesting within each of the individual performance measures.

(4) Payments to past directors

Ian Scapens resigned and left the Company on 19 June 2020. By mutual agreement, the requirement for Ian Scapens to serve a 12 month notice period was waived and he was paid three and a half months' basic salary, car allowance and pension allowance (a cash payment of £63,104 in total, comprising of £52,083, £3,208, and £7,813 respectively) in lieu of notice upon leaving the Company. This was reduced by £10,000, due to the bonus clawback discussed above, in order to take account of the financial impact of the Milnrow financial mis-statement disclosed in the 2019/2020 Annual Report. A further amount of £14,615 was payable for holiday pay which was accrued but not yet taken at the time of leaving the Company. No bonus payment was made for the financial year ending 31 March 2020.

At the time of leaving, Ian Scapens held 692,761 share options under the Company's Performance Share Plan (PSP) which had not yet vested. The options related to one award which was made on 8 June 2018 and consisted of 692,761 nil cost options. In line with the PSP Plan rules, these options lapsed in their entirety upon Ian Scapens cessation of employment with the Company.

Directors' shareholding and share interests (audited information)

(5) Payments made for loss of office

No payments have been made to directors for loss of office in the year ended 31 March 2021.

(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 2012/13 Vesting 2015/16	Award 2013/14 Vesting 2016/17	Award 2014/15 Vesting 2017/18	Award 2015/16 Vesting 2018/19	Award 2016/17 Vesting 2019/20	Award 2017/18 Vesting 2020/21
Vesting %	100%	Nil	Nil	Nil	Nil	Nil

The vested awards relate to options awarded to Robert Purcell in the year ended 31 March 2013. Further details are set out on page 100 in the 2016 Directors' Remuneration Report.

(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 2021 and the date of this report.

	Shareholding requirement (% of salary)	Shareholding as per Remuneration Policy at 31 March 2021	Shareholding at 31 March 2021[2] (% of salary)
Robert Purcell	200%	6,953,916[1]	485%
Jim Haughey	100%	Nil	0%

1. Comprised of 4,743,789 beneficially owned shares and 2,210,127 vested but unexercised options.
2. Based on a share price of 21.6p at 31 March 2021 and salary without the four-month voluntary 25% pay reduction taken in the year.

Ian Scapens, prior to him no longer being a Director of the Company, had a shareholding requirement of 100%. At the date of his departure on 19 June 2020, his shareholding amounted to 231,952. This represented 14% of his salary, based on a share price of 12.35p at 19 June 2020.

Non-Executive Directors	Shareholding at 31 March 2021
Mark Harper	1,261,649
David Landless	35,000
Tim Cooper	43,482
Andrew Magson	Nil

There have been no changes in the interests of any current Director in the share capital of the Company between 1 April 2021 and the date of this report.

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 2021. No such minimum shareholding requirement exists for Non-Executive Directors.

(iii) DIRECTORS' SHARE OPTIONS

Awards over shares in which the Executive Directors retain an interest are detailed in the table belowas at 31 March 2021. In the period between 31 March 2021 and the date of this report, the options which could have been exercised from 8 June 2021 have lapsed due to non-achievement of the relevant performance conditions.

	Number of share options								
Robert Purcell	**Options held at 1 April 2020**	**Granted in year**	**Lapsed in year**	**Exercised in year**	**Options held at 31 March 2021**	**Options vested at 31 March 2021**	**Option price (p)**	**Date from which exercisable**	**Expiry date**
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
	1,095,090	–	(1,095,090)	–	–	–	Nil	5.6.2020	5.6.2027
	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	30.9.2023	30.9.2030
Total PSP	**6,073,323**	**2,066,667**	**(1,095,090)**	–	**7,044,900**	**1,065,089**			
Total	7,218,361	2,066,667	(1,095,090)	–	**8,189,938**	**2,210,127**			

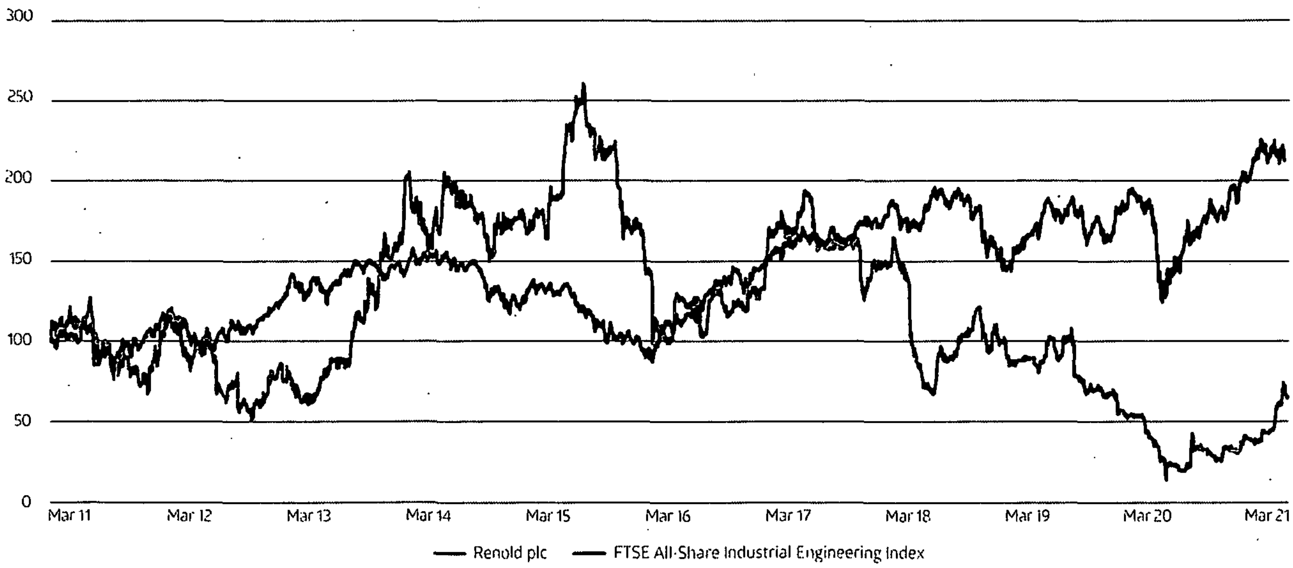
	Number of share options								
Jim Haughey	**Options held at 1 April 2020**	**Granted in year**	**Lapsed in year**	**Exercised in year**	**Options held at 31 March 2021**	**Options vested at 31 March 2021**	**Option price (p)**	**Date from which exercisable**	**Expiry date**
PSP	–	666,667	–	–	**666,667**	–	Nil	13.11.2023	13.11.2030
Total	–	666,667	–	–	**666,667**				

The performance conditions for the share options are disclosed on page 93 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.

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



Directors' Remuneration Report

ANNUAL REPORT ON REMUNERATION

Chief Executive's remuneration for the years ended 31 March 2012 to 31 March 2021

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.

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Chief Executive's total remuneration[1] £'000	494	311	659	561	1015	363	364	434	378	**345**
Annual bonus as % of maximum awarded	44%	16%	100%	67%	–	–	–	20%	–	–
LTIP as % of maximum vesting	–	–	n/a	n/a	100%	–	–	–	–	–

1 The values use the same methodology as that shown in calculating the single figure basis of remuneration in the table on page 92.

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 92).

	Percentage change in salary or fees[2]	Percentage change in benefits	Percentage change in annual bonus
Executive Directors			
Robert Purcell	(7.5%)	(28.0%)	n/a
Jim Haughey[3]	n/a	n/a	n/a
Non-Executive Directors			
Mark Harper	(6.7%)	n/a	n/a
David Landless[4]	(6.7%)	n/a	n/a
Tim Cooper[4]	(6.7%)	n/a	n/a
Andrew Magson[3]	n/a	n/a	n/a
Average Employee[5]	(6.7%)	nil	n/a
UK Workforce[1]	(6.7%)	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 and Andrew Magson were appointed during the current financial year and therefore no direct prior year comparison is available.

4 David Landless and Tim Cooper changed roles part way through the previous financial year and 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.

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 92) 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]	Adjusted EBITDA[3]	Executive Directors' total remuneration
2021	£61.6m	Nil	£48.7m	£165.3m	£11.2m	£21.4m	£0.6m
2020	£68.4m	Nil	£19.5m	£189.4m	£13.4m	£23.9m	£0.6m
Difference (%)	(9.9%)	Nil	149.7%	(12.7%)	(16.4%)	-	-

1 Based on a share price of 21.60p at 31 March 2021 and share price of 8.67p at 31 March 2020.

2 Notes 1 and 2 to the Company financial statements sets out the calculation of revenue and adjusted operating profit.

3 Adjusted EBITDA is adjusted operating profit before depreciation and amortisation charges (see Note 27).

Statement of implementation of remuneration policy in the next financial year

Following the approval of the Remuneration Policy by shareholders at the 2019 Annual General Meeting, the Committee intends to operate the Remuneration Policy as set out in the Policy table and notes on pages 87 to 89 for three years from the date of the 2019 Annual General Meeting.

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 2021 and any change implemented from 1 August 2021. The current base salaries for the Executive Directors are set out on page 92 and below:

	£'000
Robert Purcell	310
Jim Haughey	200

Appointment details and fees of the Non-Executive Directors are set out below:

Name	Date of appointment	Unexpired term (months)	Date of election/ last re-election	Contractual fees
Mark Harper	1 May 2012	-	24 July 2020	£124,000
David Landless	9 January 2017	22	24 July 2020	£50,000
Tim Cooper	14 November 2018	8	24 July 2020	£47,000
Andrew Magson	1 December 2020	n/a	n/a[1]	£42,000

[1] Andrew Magson was appointed on 1 December 2020 and will seek election at the 2021 Annual General Meeting.

The salaries and fees set out above do not adjust for the four-month voluntary reduction of 25% for the Executive Directors and 20% for Non-Executive Directors which was implemented from 1 April 2020 as part of a number of measures implemented in response to the Covid-19 pandemic.

Annual bonus

The performance measures for the 2021/22 annual bonus will be based on EBITDA and 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 2021/22 in the interests of transparency.

Long term incentive plan – PSP

The performance conditions attaching to options that will be granted under the PSP in the year commencing 1 April 2021 are expected to revert back to EPS growth.

Statement of shareholder voting

The Directors' Remuneration Report received shareholder support at the 2020 Annual General Meeting held on 24 July 2020. Votes cast in *respect of this resolution at the 2020 Annual General Meeting are detailed in the table below. The Committee acknowledges the number of* votes cast against.

Remuneration Report	2020 AGM	%
Votes cast for	153,588,293	99.83%
Votes cast against	260,400	0.17%
Total	153,757,533	
Votes withheld*	22,899	

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*	1,059,058	

* 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
CHAIRMAN OF THE REMUNERATION COMMITTEE

16 July 2021

Directors' Report

The Directors submit their report and the financial statements as set out on pages 114 to 172. 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 2021 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. It's 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 2021 is £5.9m, compared with a profit of £4.9m for the year ended 31 March 2020.

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 2021, 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 2020 and 2 January 2021.

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 Meeting must retire and seek re-election.

Jim Haughey, Group Finance Director and Andrew Magson, Non-Executive Director were appointed to the Board in October and December 2020 respectively. Both Jim and Andrew will be retiring and offering themselves for election by shareholders at the AGM in 2021.

Mark Harper will be resigning from office immediately after at the 2021 AGM and will not be standing for re-election at the 2021 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 70 for further details. David Landless and Tim Cooper as Non-Executive Directors, will stand for re-election at the 2021 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 80 and 81. The Nomination Committee recommended the appointment of Jim Haughey to the Board on 23 April 2020, which was subsequently endorsed by the Board. Jim was appointed as the Group Finance Director on 1 October 2020. The appointment of Andrew Magson as a Non-Executive Director was recommended by the Nomination Committee to the Board on 4 November 2020 and subsequently approved by the Board. Andrew Magson was appointed as a Non-Executive Director on 1 December 2020.

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 92 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 2021, 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.

Purchase of own shares

The Company obtained shareholder authority at the 2020 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 2021 AGM and 24 October 2021. 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 2021 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 2021 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	Number of voting rights[1]	% of total number of voting rights[1]
Tellworth Investments, LLP	30,522,685	13.5%
Rights and Issues Investment Trust	30,000,000	13.3%
Canaccord Genuity Wealth Management	22,475,000	10.0%
Hargreaves Lansdown Asset Management	19,036,174	8.4%
Janus Henderson Investors Limited	16,050,473	7.1%
Interactive Investor	10,719,365	4.8%

1 The number of voting rights and the percentage of voting rights are as at 4 June 2021.

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' 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.

Directors' Report

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 2020 Annual General Meeting. The authority will expire at the earlier of the forthcoming AGM and 24 October 2021. The Directors will seek authority from shareholders at the 2021 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 2021 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 2020 Annual General Meeting. The authority will expire at the earlier of the forthcoming AGM and 24 October 2021. The Directors will seek authority from shareholders at the 2021 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 91 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 Monday 23 August 2021 at 10.00 am.

The resolutions being proposed at the 2021 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 2021 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 has confirmed its willingness to continue in office as Auditor of the Company. In accordance with section 489 of the Companies Act 2006, separate resolutions for the reappointment of Deloitte LLP as Auditor of the Company and for the Directors to determine the Auditor's remuneration will be proposed at the 2021 AGM.

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	64 and 65
Employee involvement	49, 55 and 56
Employment of disabled persons	57
Financial instruments Note 25 to the Group financial statements	150 to 156
Greenhouse gas emissions	58 and 59
Important events affecting the Group since 31 March 2020 Note 26 to the Group financial statements	157
Statement of Directors' responsibilities	102

The Directors' Report was approved by the Board on 16 July 2021.

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 International Financial Reporting Standards ('IFRSs') as adopted by the European Union and Article 4 of the IAS Regulation and have elected 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 in IFRSs 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; and
- 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.

The Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

This responsibility statement was approved by the Board of Directors on 16 July 2021.

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 Services, whose contact details appear on page 173. 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 0800 111 6768 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 0800 111 6768.

If you have already paid money to share fraudsters you should contact Action Fraud on 0300 123 2040.

Case study

Chain: Forestry Conveyor Chain

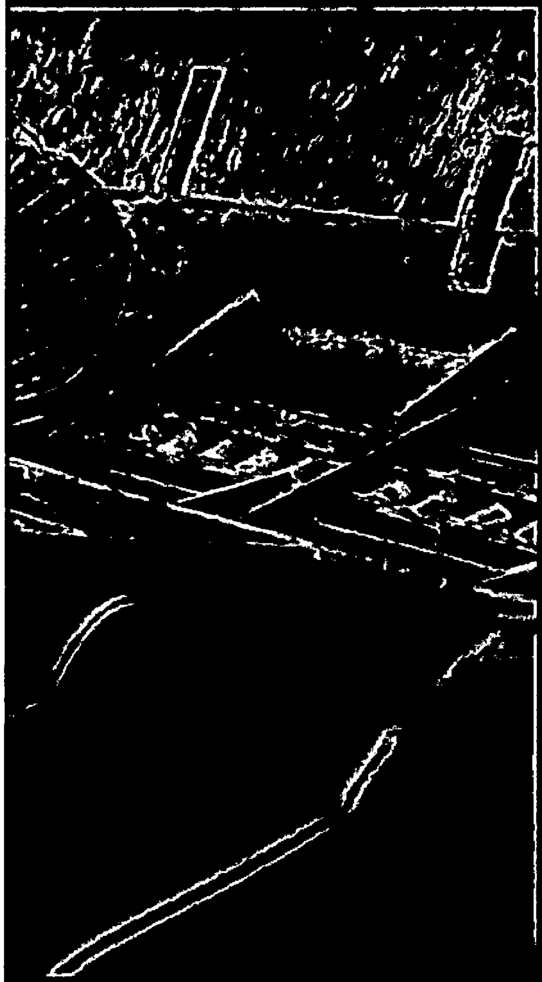
WHAT IS IT USED FOR?

Renold has extensive experience in the manufacture of conveyor chain. Our wide range of conveyor chains are used in 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 a highly reliable product due to the consistency in our design and manufacturing processes.

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.



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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 2021 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 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 27 to the group financial statements; and
- the related notes 1 to 16 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 international accounting standards in conformity with the requirements of the Companies Act 2006 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 • Going concern. 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 £401,000 which was determined on the basis of 2% of EBITDA.
SCOPING	As a consequence of the audit scope determined, we achieved coverage of approximately 79% of revenue, 77% of profit before tax (on an absolute basis) and 89% of net assets (on an absolute basis).
SIGNIFICANT CHANGES IN OUR APPROACH	In 2021 we no longer consider impairment of goodwill or intentional misstatements previously identified at Renold Gears to be key audit matters. We no longer consider impairment of goodwill as a key audit matter. This assessment is based on the performance of the business during FY21 and the level of headroom that exists within the forecast models underpinning the supporting calculations. We also no longer consider the intentional misstatements previously identified in FY19 at Renold Gears to be a key audit matter as this matter was concluded during the prior year audit as we did not identify any transactions with a similar fact pattern in the current or prior year. In previous years materiality has been determined on the basis of 5% of adjusted profit before tax. Given the impact the market and trading environment has had on the Group's adjusted profit tax metric, an EBITDA-based benchmark is considered a more relevant metric. We have however capped materiality at the prior year 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 is discussed in section 5.2.

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 £37.7m (2020: £46.1m). As discussed in the Audit Committee report on page 77 and in the accounting policies on page 121, 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 has been refined for our FY21 audit to focus this toward the manufactured element of inventory where there is an increased level of management judgement required around the key assumptions in relation to labour and overhead absorption, and composition of bills of materials for finished and work in progress goods.

A risk surrounding the carrying value of inventory when compared to the net realisable value as a result of inadequate provisioning has also been identified. Establishing a provision for slow-moving, obsolete and damaged inventory involves estimates and judgements, especially in relation to the ongoing impact of Covid-19, taking into account forecast sales and historical usage information. The risk has been refined to focus it specifically to the manual intervention that is applied to the valuation of the stock provision, arising due to the different IT systems in place across the group. This manual intervention presents an enhanced risk that this is not prepared in line with group policy.

HOW THE SCOPE OF OUR AUDIT RESPONDED TO THE KEY AUDIT MATTER

We performed the following audit procedures in order to address this risk:

- We obtained an understanding of relevant controls relating to the assessment of inventory valuation and inventory provisioning.

On a sample basis, we performed the following audit procedures:

- We agreed the cost of raw materials to third party supplier invoices;
- We obtained the bill of material and tested the underlying costs within each stock item for work in progress and finished goods;
- We have challenged management's labour and overhead absorption rates included in inventory at the year end, testing the accuracy of rates applied by management for a sample of products to individual bills of material. We also calculated an independent expectation of labour and overheads to be included in year end inventory based on our assessment of costs to include and machine hours available for production; and
- We assessed the net realisable value (NRV) of stock items by agreeing their subsequent sales price to customer invoices to challenge whether the items were being held at the lower of cost and NRV.

We also:

- Gained an understanding of the movements in the inventory provision year on year, including consideration of the impact of Covid-19 on demand levels and an assessment of the scale of the provision in comparison to the gross stock value, to determine whether there are any unusual transactions;
- Recalculated the value of the provision based on a sample of items; and
- Understood any manual adjustments made to the provision by reference to supporting documentation and challenged, through discussions with relevant Commercial and Finance personnel and agreement to supporting documentation, the underlying rationale applied in arriving at such adjustments.

KEY OBSERVATIONS

We have concluded that the group inventory balance is appropriate as at 31 March 2021.

5.2 GOING CONCERN

KEY AUDIT MATTER DESCRIPTION	The Group has secured facilities that contain covenants requiring the Group to maintain specified financial ratios and certain other financial covenants. Following the event of Covid-19 during 2020 and general economic uncertainty, these covenants were successfully renegotiated with the lenders and now include minimum rolling 12 month EBITDA and minimum available liquidity tests tested quarterly up to March 2021, and then net debt to EBITDA and EBITDA to finance charge covenants tested until September 2021. Following this period, the covenants revert to original conditions in place prior to the event of Covid-19. Due to the current economic uncertainty that has existed throughout 2020, management in the FY20 Group financial statements identified a material uncertainty with regards to going concern. In performing their assessment of going concern, the Directors are required to consider forecast cash flows for a period of 12 months from the date of signing of the FY21 Annual Report. Management prepare their forecasts based up on a number of key assumptions relating to future financial performance and an assessment of compliance against the covenants referenced above, as described within page 35 of the Strategic Report and page 120 of the financial statements. Business performance has remained consistent with forecasts from this period in the FY22 year to date results, however given the current new variant of the Covid virus impacting different geographies and continued economic uncertainty we considered it appropriate to identify going concern as a key audit matter.
HOW THE SCOPE OF OUR AUDIT RESPONDED TO THE KEY AUDIT MATTER	We performed the following audit procedures in order to address this risk: • 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 revised 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, as well as the availability of government-led schemes for payroll cost recoveries available under Covid-19; • 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.
KEY OBSERVATIONS	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 12 months from when the financial statements are authorised for issue.

Independent Auditor's Report

to the Members of Renold plc

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	£401,000 (2020: £401,000)	£140,350 (2020: £203,000)
BASIS FOR DETERMINING MATERIALITY	2% of EBITDA (2020: 5% of adjusted pre-tax profit)	The parent company materiality represents approximately 0.2% (2020: 0.3%) of equity
RATIONALE FOR THE BENCHMARK APPLIED	In previous years materiality has been determined on the basis of 5% of adjusted profit before tax. Given the impact the market and trading environment has had on the Group's adjusted profit tax metric, an EBITDA-based benchmark is considered a more relevant metric and a key metric that is focused upon by the shareholders.	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% (2020: 70%) of group materiality	70% (2020: 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 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.	

6.3 ERROR REPORTING THRESHOLD

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £20,000 (2020: £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 (2020: 14 locations).4 (2020: 4) of these were subject to a full audit, 4 (2020: 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 (2020: 6) were subject to review procedures.

These locations covered 79% of Group's revenue (2020: 84%), 77% of the Group's pre-tax profit (on an absolute basis) (2020: 83%) and 89% of the Group's net assets (on an absolute basis) (2020: 91%), with movement in coverage levels reflecting the sales mix of the Group, as the 8 locations in scope remained consistent. They were also selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above. Our audit work at the 4 full scope 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 £140,000 (excluding the parent company component materiality which is disclosed separately above). In the prior year component materiality ranged between £112,000 and £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 have also 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.

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, due to Covid-19, the Group audit team was not able to physically travel to these locations for the current year; however, we employed technology solutions to ensure attendance at 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 targets;
- 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;
  - 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 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 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 appropriate cut-off was applied and that performance obligations have been satisfied; 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
16 July 2021

Consolidated Income Statement

for the year ended 31 March 2021

	Note	2021 £m	2020 £m
Revenue	1	**165.3**	189.4
Operating costs before adjusting items	2	**(154.1)**	(176.0)
Adjusted[1] operating profit		**11.2**	13.4
Adjusting items	2		
Restructuring costs		**–**	(2.4)
Amortisation of acquired intangible assets		**(0.7)**	(0.9)
Operating profit		**10.5**	10.1
Net financing costs	3	**(4.6)**	(5.2)
Profit before tax		**5.9**	4.9
Taxation	4	**(2.1)**	(1.5)
Profit for the financial year from continuing operations		**3.8**	3.4
Discontinued operations	22	**–**	(1.5)
Profit for the financial year		**3.8**	1.9
Attributable to:			
Owners of the parent		**3.8**	1.8
Non-controlling interest		**–**	0.1
		3.8	1.9
Earnings per share from continuing operations	5		
Basic earnings per share		**1.7p**	1.5p
Diluted earnings per share		**1.6p**	1.5p
Basic adjusted earnings per share		**2.0p**	2.9p
Diluted adjusted earnings per share		**1.9p**	2.9p
Earnings per share from continuing and discontinued operations	5		
Basic earnings per share		**1.7p**	0.8p
Diluted earnings per share		**1.6p**	0.8p

1 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 27 to the financial statements.

Consolidated Statement of Comprehensive Income

for the year ended 31 March 2021

	2021 £m	2020 £m
Profit for the financial year	**3.8**	1.9
Items that may be reclassified to the income statement in subsequent periods:		
Exchange differences on translation of foreign operations	**(5.8)**	1.8
Gain/(Loss) on hedges of the net investment in foreign operations	**0.7**	(0.4)
Cash flow hedges:		
Loss arising on cash flow hedges during the period	**(0.1)**	(0.3)
Less: Cumulative gain arising on cash flow hedges reclassified to profit and loss	**0.3**	0.4
Income tax relating to items that may be reclassified subsequently to profit or loss	**–**	0.1
	(4.9)	1.6
Items not to be reclassified to the income statement in subsequent periods:		
Remeasurement gains/(losses) on retirement benefit obligations	**(5.6)**	3.1
Tax on remeasurement gains/losses on retirement benefit obligations – excluding impact of statutory rate change	**1.0**	(0.7)
Effect of changes in statutory tax rate on deferred tax assets	**–**	1.3
	(4.6)	3.7
Other comprehensive income/(expense) for the year, net of tax	**(9.5)**	5.3
Total comprehensive income/(expense) for the year, net of tax	**(5.7)**	7.2
Attributable to:		
Owners of the parent	**(5.7)**	7.1
Non-controlling interest	**–**	0.1
	(5.7)	7.2

Consolidated Balance Sheet

as at 31 March 2021

	Note	2021 £m	2020 £m
ASSETS			
Non-current assets			
Goodwill	7	**21.7**	24.0
Other intangible assets	8	**6.1**	8.0
Property, plant and equipment	9	**47.8**	53.3
Right-of-use assets	10	**10.1**	11.3
Deferred tax assets	17	**21.0**	20.4
		106.7	117.0
Current assets			
Inventories	11	**37.7**	46.1
Trade and other receivables	12	**30.3**	35.8
Current tax		**0.2**	1.5
Derivative financial instruments	25	**–**	–
Cash and cash equivalents	13	**19.9**	15.6
		88.1	99.0
TOTAL ASSETS		**194.8**	216.0
LIABILITIES			
Current liabilities			
Borrowings	14	**(2.3)**	(0.3)
Trade and other payables	15	**(31.5)**	(37.6)
Lease liabilities	10	**(2.5)**	(3.0)
Current tax		**(2.3)**	(1.0)
Derivative financial instruments	25	**(0.1)**	(0.3)
Provisions	16	**(1.4)**	(0.7)
		(40.1)	(42.9)
NET CURRENT ASSETS		**48.0**	56.1
Non-current liabilities			
Borrowings	14	**(35.5)**	(51.4)
Preference stock	14	**(0.5)**	(0.5)
Trade and other payables	15	**(5.4)**	(5.3)
Lease liabilities	10	**(12.9)**	(14.1)
Deferred tax liabilities	17	**(4.1)**	(4.6)
Retirement benefit obligations	18	**(102.4)**	(97.6)
Provisions	16	**–**	–
		(160.8)	(173.5)
TOTAL LIABILITIES		**(200.9)**	(216.4)
NET LIABILITIES		**(6.1)**	(0.4)
EQUITY			
Issued share capital	19	**11.3**	11.3
Share premium account		**30.1**	30.1
Capital redemption reserve	21	**15.4**	15.4
Currency translation reserve	21	**6.8**	11.9
Other reserves	21	**(0.1)**	(0.3)
Retained earnings	21	**(69.6)**	(68.8)
TOTAL SHAREHOLDERS' DEFICIT		**(6.1)**	(0.4)

Approved by the Board on 16 July 2021 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 2021

	Share capital £m Note 19	Share premium account £m	Retained earnings £m Note 21	Currency translation reserve £m Note 21	Capital redemption reserve £m Note 21	Other reserves £m Note 21	Attributable to owners of parent £m Note 21	Non-controlling interests £m	Total equity £m
At 31 March 2019	11.3	30.1	(69.9)	10.4	15.4	(0.4)	(3.1)	2.2	(0.9)
Impact of adoption of IFRS 16	–	–	(4.3)	–	–	–	(4.3)	–	(4.3)
At 1 April 2019	11.3	30.1	(74.2)	10.4	15.4	(0.4)	(7.4)	2.2	(5.2)
Profit for the year	–	–	1.8	–	–	–	1.8	0.1	1.9
Other comprehensive income	–	–	3.7	1.5	–	0.1	5.3	–	5.3
Total comprehensive income for the year	–	–	5.5	1.5	–	0.1	7.1	0.1	7.2
Acquisition of non-controlling interest	–	–	0.5	–	–	–	0.5	(2.3)	(1.8)
Share-based payments	–	–	(0.6)	–	–	–	(0.6)	–	(0.6)
At 31 March 2020	**11.3**	**30.1**	**(68.8)**	**11.9**	**15.4**	**(0.3)**	**(0.4)**	**–**	**(0.4)**
Profit for the year	**–**	**–**	**3.8**	**–**	**–**	**–**	**3.8**	**–**	**3.8**
Other comprehensive income/(expense)	**–**	**–**	**(4.6)**	**(5.1)**	**–**	**0.2**	**(9.5)**	**–**	**(9.5)**
Total comprehensive income/(expense) for the year	**–**	**–**	**(0.8)**	**(5.1)**	**–**	**0.2**	**(5.7)**	**–**	**(5.7)**
Share-based payments	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
At 31 March 2021	**11.3**	**30.1**	**(69.6)**	**6.8**	**15.4**	**(0.1)**	**(6.1)**	**–**	**(6.1)**

Included in retained earnings is £0.8m (31 March 2020: £0.8m) relating to a share option reserve.

Consolidated Statement of Cash Flows

for the year ended 31 March 2021

	2021 £m	2020 £m
Cash flows from operating activities (Note 24)		
Cash generated from operations	**26.0**	12.5
Income taxes received/(paid)	**0.7**	(1.6)
Net cash flow from operating activities	**26.7**	10.9
Cash flows from investing activities		
Proceeds from property disposals	**0.2**	0.1
Purchase of property, plant and equipment	**(2.3)**	(6.7)
Purchase of intangible assets	**(0.8)**	(2.5)
Disposal of business	**–**	(0.1)
Consideration paid for acquisition of minority interest	**–**	(1.8)
Net cash flow from investing activities	**(2.9)**	(11.0)
Cash flows from financing activities		
Repayment of principal under lease liabilities	**(3.2)**	(3.3)
Financing costs paid	**(2.0)**	(2.7)
Proceeds from borrowings	**2.8**	7.5
Repayment of borrowings	**(19.9)**	(4.2)
Net cash flow from financing activities	**(22.3)**	(2.7)
Net increase/(decrease) in cash and cash equivalents	**1.5**	(2.8)
Net cash and cash equivalents at beginning of year	**15.1**	17.4
Effects of exchange rate changes	**0.7**	0.5
Net cash and cash equivalents at end of year (Note 13)	**17.3**	15.1

Accounting Policies

To aid the reader of the financial statements, certain accounting policies can be found in the relevant notes.

BASIS OF PREPARATION

STATEMENT OF COMPLIANCE

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 consolidated financial statements have been prepared in accordance with IFRSs as adopted by the EU. In addition, the financial statements have been prepared in accordance with those parts of the Companies Act 2006 applicable to groups reporting under IFRS.

The Parent Company has elected to prepare its Parent Company financial statements in accordance with FRS 101; these are presented on pages 162 to 172. The financial statements were approved by the Board on 16 July 2021.

BASIS OF ACCOUNTING

The consolidated financial statements have been prepared under the historical cost convention modified to include revaluation of certain financial instruments, share options and pension assets and liabilities, held at fair value as described below. The accounting policies as set out below have been applied consistently to all periods presented in these consolidated financial statements.

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.

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.

Accounting Policies

(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 includes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities and its exposure to foreign exchange, credit and interest rate risk. Information relating to post balance sheet events is disclosed in Note 26.

The key covenants attached to the Group's multi-currency revolving credit facility relate to leverage (net debt to EBITDA) and interest cover, which are measured on a pre-IFRS 16 basis. While liquidity remained sufficient under the bank facility, the economic uncertainty arising from the Covid-19 pandemic resulted in the Group negotiating, 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. The Group has achieved a significant reduction in net debt during the current financial year, with net debt reducing by £18.2m to £18.4m (31 March 2020: £36.6m), accordingly, the Group has remained within the revised and original borrowing covenant levels throughout the year ended 31 March 2021.

The Directors have assessed the future funding requirements of the Group and the Company and compared them to the level of available borrowing facilities. The Directors have also considered the actual impact that the pandemic has had on the business since the beginning of the outbreak and the related decline in revenues, and the plausible future impact of Covid-19 on the Group's activities and performance, in preparing their going concern assessment.

Whilst the situation remains uncertain the impact on trading was significantly less severe than originally modelled in our previous plausible downside scenario. Going forward the Group has modelled further potential severe but plausible impacts on revenues, profits and cash flows. In the severe but plausible downside scenario (Group revenue being more than 25% below revenues for the year ended 31 March 2020), the Group continues to maintain sufficient liquidity and meets its leverage and interest cover covenants without using the full extent of mitigating actions that would be available in the event of such a severe and extended decline.

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

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, principally the obligation to despatch or deliver the specified goods, are satisfied. Revenue is recognised on the following basis:

(A) SALE OF GOODS

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.

(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.

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.

CRITICAL JUDGEMENTS IN THE APPLICATION OF THE GROUP'S ACCOUNTING POLICIES

In the course of preparing the financial statements, no judgements have been made in the process of applying the Group's accounting policies other than those involving estimations (see next page), 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 Group's assets or liabilities in the future.

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

(A) TAXATION

"Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Actual outcomes may vary which could require a material adjustment to the carrying amounts. Further details are contained in Note 17.

The Group records liabilities in respect of open tax computations where the liabilities remain to be agreed with the relevant tax authorities. 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

Prior to the adoption of IFRS 16 'Leases', the Group had previously assessed operating lease arrangements at the Bredbury, UK and Mulgrave, Australia facilities as onerous, with onerous lease provisions recorded in the Group's balance sheet accordingly. On adoption of IFRS 16, the onerous lease provisions were derecognised with an equal amount recorded as a reduction to the opening value of right-of-use assets. At the end of the current reporting period, the value of the Bredbury right-of-use asset is based on assumptions upon future sub-let income streams and the discount rate used. The lease for the Mulgrave facility reached the end of the lease term and no sources of estimation uncertainty remain for this property. 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 the detailed financial budgets prepared at business unit level in relation to the anticipated future level of production costs, production volume and machine hours. While the budgets are subject to detailed review and challenge, they inherently rely on the estimations of management.

The calculation of 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 2021, there was a total provision of £8.8m (2020: £6.3m) against gross inventory of £46.5m (2020: £52.4m). See Note 11 for a breakdown of inventory. A 5% increase in the proportion of raw materials provided for would increase the provision by £0.3m (2020: £0.3m) and a 5% increase in the proportion of finished goods provided for would increase the provision by £1.5m (2020: £1.8m).

Accounting Policies

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.

- Amendments to IFRS 16 (Leasing) Covid-19-Related Rent Concessions

Amends to IFRS 16 to provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification.

- Amendments to IAS 1 and IAS 8 (Definition of material)

The amendments in Definition of Material (Amendments to IAS 1 and IAS 8) clarify the definition of 'material' and align the definition used in the Conceptual Framework and the standards.

- Amendments to IFRS 3 (Definition of a business)

The amendments in Definition of a Business (Amendments to IFRS 3) are changes to Appendix A Defined terms, the application guidance, and the illustrative examples of IFRS 3 only.

- Amendments to IFRS 7, IFRS 9 and IAS 39 'Financial Instruments' (Interest Rate Benchmark Reform) Phase I

The amendments in Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7) clarify that entities would continue to apply certain hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform.

(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 IFRS's, 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 IFRS 7, IFRS 9 and IAS 39 'Financial Instruments' (Interest Rate Benchmark Reform) Phase II
- Annual Improvements to IFRS 2018-2020
- IFRS 17 'Insurance Contracts'

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 not been included in respect of the operating assets of each segment as they are not reported to the CODM on a regular basis. However, Group net financing 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 2021	Chain[2] £m	Torque Transmission £m	Head office costs and eliminations £m	Consolidated £m
Revenue				
External customer	128.9	36.4	–	165.3
Inter-segment[1]	1.1	2.7	(3.8)	–
Total revenue	130.0	39.1	(3.8)	165.3
Adjusted operating profit/(loss)	13.3	5.0	(7.1)	11.2
Restructuring costs	–	–	–	–
Amortisation of acquired intangible assets	(0.7)	–	–	(0.7)
Operating profit/(loss)	12.6	5.0	(7.1)	10.5
Net financing costs				(4.6)
Profit before tax from continuing operations				5.9
Taxation				(2.1)
Profit after tax and discontinued operations				3.8
Other disclosures				
Working capital[3]	29.5	7.8	(0.8)	36.5
Capital expenditure[4]	1.7	0.7	0.6	3.0
Depreciation and amortisation included in adjusted operating profit/loss	6.5	1.9	1.8	10.2
Amortisation of acquired intangibles	0.7	–	–	0.7
Total depreciation and amortisation	7.2	1.9	1.8	10.9

1 Inter-segment revenues are eliminated on consolidation.

2 Included in Chain external sales is £3.6m (2020: £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.

Notes to the Consolidated Financial Statements

1. Segmental information continued

Year ended 31 March 2020 (re-presented[5])	Chain[2] £m	Torque Transmission £m	Head office costs and eliminations £m	Consolidated £m
Revenue				
External customer	147.9	41.5	–	189.4
Inter-segment[1]	1.1	4.6	(5.7)	–
Total revenue	149.0	46.1	(5.7)	189.4
Adjusted operating profit/(loss)	13.8	5.3	(5.7)	13.4
Restructuring costs	(1.9)	(0.4)	(0.1)	(2.4)
Amortisation of acquired intangible assets	(0.9)	–	–	(0.9)
Operating profit/(loss)	11.0	4.9	(5.8)	10.1
Net financing costs				(5.2)
Profit before tax from continuing operations				4.9
Taxation				(1.5)
Discontinued operations				(1.5)
Profit after tax and discontinued operations				1.9
Other disclosures				
Working capital[3]	33.1	10.7	0.5	44.3
Capital expenditure[4]	6.8	1.0	1.3	9.1
Depreciation and amortisation included in adjusted operating profit/loss	6.8	2.0	1.7	10.5
Amortisation of acquired intangibles	0.9	–	–	0.9
Total depreciation and amortisation	7.7	2.0	1.7	11.4

5 Inter-segment revenues are eliminated on consolidation.

6 Included in Chain external sales is £3.6m (2020: £3.6m) of Torque Transmission product sold through the Chain NSCs, usually in countries where Torque Transmission does not have its own presence.

7 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.

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

9 The segmental analysis for the year ended 31 March 2020 has been re-presented due to the reclassification of one business unit from Chain to Torque Transmission, resulting in £3.5m of revenue and £0.2m of operating profit being transferred from Chain to Torque Transmission.

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 27 to the financial statements.

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 27.

1. Segmental information continued

Year ended 31 March 2020 (re-presented[1])	Chain £m	Torque Transmission £m	Head office costs and eliminations £m	Consolidated £m
Revenue				
External revenue from continuing operations (re-presented[1])	147.9	41.5	–	189.4
Inter-segment	1.1	4.6	(5.7)	–
Foreign exchange retranslation	(1.3)	(0.5)	–	(1.8)
External revenue from continuing operations at constant exchange rates	147.7	45.6	(5.7)	187.6
Adjusted operating profit/(loss) from continuing operations (re-presented[1])	13.8	5.3	(5.7)	13.4
Foreign exchange retranslation	(0.2)	(0.1)	–	(0.3)
Adjusted operating profit/(loss) from continuing operations at constant exchange rates	13.6	5.2	(5.7)	13.1

[1]The segmental analysis for the year ended 31 March 2020 has been re-presented due to the reclassification of one business unit from Chain to Torque Transmission, resulting in £3.5m of revenue and £0.2m of operating profit being transferred from Chain to Torque Transmission.

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 from continuing operations		External revenue from continuing operations		Non-current assets (excluding deferred tax)		Employee numbers	
	2021 %	2020 %	**2021 £m**	2020 £m	**2021 £m**	2020 £m	**2021**	2020
United Kingdom	**7.4**	8.1	**12.3**	15.3	**16.5**	18.6	**288**	297
Rest of Europe	**30.6**	29.4	**50.6**	55.7	**18.2**	22.0	**504**	510
Americas	**39.9**	42.3	**65.8**	80.1	**28.7**	32.0	**271**	315
Australasia	**11.7**	9.6	**19.4**	18.1	**4.3**	3.9	**127**	135
China	**4.9**	4.5	**8.1**	8.6	**13.5**	14.9	**229**	278
India	**3.5**	4.3	**5.8**	8.1	**4.5**	5.2	**297**	372
Other countries	**2.0**	1.8	**3.3**	3.5	**–**	–	**–**	–
	100.0	100.0	**165.3**	189.4	**85.7**	96.6	**1,716**	1,907

All revenue relates to the sale of goods and services. No individual customer, or group of customers, represents more than 10% of Group revenue (2020: 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.

Notes to the Consolidated Financial Statements

2. Operating costs and adjusting items

(A) OPERATING PROFIT FROM CONTINUING OPERATIONS IS STATED AFTER CHARGING/(CREDITING):

	2021		2020	
	£m	**£m**	£m	£m
Change in finished goods and work in progress		**6.0**		(1.7)
Raw materials and consumables		**54.8**		70.0
Other external charges		**25.8**		26.4
Employee costs				
Gross wages and salaries	**53.4**		60.6	
Social security costs	**5.4**		7.3	
Pension costs				
– defined benefit (Note 18)	**0.4**		0.2	
– defined contribution	**1.0**		1.0	
Share-based incentive plans (including related social security costs)	**0.1**		(0.7)	
		60.3		68.4
Depreciation of property, plant and equipment				
– owned assets		**5.5**		6.1
– right-of-use assets		**2.8**		2.5
Amortisation of intangible assets		**1.9**		1.9
Short-term leases and leases of low-value assets				
– plant and machinery	**0.1**		0.1	
– property	**–**		0.1	
		0.1		0.2
Government assistance support received		**(4.0)**		–
Other operating income		**(0.4)**		(0.2)
Income from sub-leasing right-of-use assets		**(0.6)**		(0.6)
Loss on disposal of property, plant and equipment		**0.1**		0.1
Research and development expenditure		**0.5**		0.7
Auditor's remuneration (Note 2(b))		**0.7**		0.7
Impairment losses and gains (including reversals of impairment losses) on financial assets				
– trade receivables impairment		**–**		–
Net foreign exchange losses		**0.1**		0.7
Pension administration costs (Note 18)		**0.5**		0.8
Operating costs before adjusting items		**154.1**		176.0
Adjusting items and restructuring costs (Note 2(c))		**–**		
Amortisation of acquired intangible assets		**0.7**		0.9
Restructuring costs		**–**		2.4
Adjusting items		**0.7**		3.3
Total operating costs from continuing operations		**154.8**		179.3

As a result of the Covid-19 pandemic, the Group has benefited from £4.0m of government assistance programmes in the form of 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.

2. Operating costs and adjusting items continued

(B) AUDITOR'S REMUNERATION

	2021 £000	2020 £000
Audit of the Group's annual financial statements	**300**	260
Audit of the Company's subsidiaries	**441**	390
Total audit fees	**741**	650
Total non-audit fees	**-**	-
This is reported in the following captions in the financial statements:		
Operating costs before adjusting items	**741**	650

(C) ADJUSTING ITEMS

ACCOUNTING POLICY

Items which individually or, if of a similar type, in aggregate, are material to an understanding of the Group's financial performance are separately disclosed as an 'adjusting item' on the face of the income statement.

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 27 to the financial statements.

	2021 £m	2020 £m
Included in operating costs		
Strategic Plan restructuring costs	**-**	2.0
Other	**-**	0.4
Restructuring costs	**-**	2.4
Amortisation of acquired intangible assets (Note 8)	**0.7**	0.9
Adjusting items in operating profit	**0.7**	3.3

RESTRUCTURING COSTS

In the prior year restructuring costs were incurred as part of the Strategic Plan, including redundancy costs associated with headcount reductions and various other smaller costs associated with restructuring. A further £0.4m of other costs were incurred in the prior year in relation to the investigation of the historical overstatement of profit in the Gears business unit and the purchase of the non-controlling interest in the Group's Indian operations.

Restructuring costs are recognised as adjusting items because they are considered material and non-recurring.

AMORTISATION OF ACQUIRED INTANGIBLE ASSETS

Acquisition related intangible asset amortisation costs of £0.7m (2020: £0.9m) were recognised in the current year. This is considered to be an adjusting item on the basis that these charges result from acquisition accounting and do not relate to current trading activity.

Notes to the Consolidated Financial Statements

2. Operating costs and adjusting items continued

(D) 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:

	2021 £000	2020 £000
Statutory Directors' remuneration	**790**	859
Share-based payment charge/(credit) including social security	**106**	(464)
Social security costs	**97**	122
Total	**993**	517

Further details of the remuneration of Directors are provided in the Directors' Remuneration Report on pages 92 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 2021 was 1,739 (2020: 1,826).

3. Net financing costs

ACCOUNTING POLICY

Borrowing costs are expensed in the period they occur and consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

	2021 £m	2020 £m
Financing costs:		
Interest payable on bank loans and overdrafts*	**(1.6)**	(2.1)
Interest expense on lease liabilities*	**(0.5)**	(0.5)
Amortised financing costs*	**(0.2)**	(0.2)
Loan financing costs	**(2.3)**	(2.8)
Net IAS 19R financing costs	**(2.2)**	(2.2)
Discount unwind on non-current trade and other payables	**(0.1)**	(0.2)
Net financing costs	**(4.6)**	(5.2)

* 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.

4. TAXATION continued

ANALYSIS OF TAX CHARGE IN THE YEAR

	2021 £m	2020 £m
United Kingdom		
UK corporation tax at 19% (2020: 19%)	–	–
Overseas taxes		
Corporation taxes	**0.6**	0.9
Movement in uncertain tax provisions	**1.3**	–
Adjustments in respect of prior periods	**(0.1)**	(0.5)
Withholding taxes	**0.4**	0.2
Current income tax charge	**2.2**	0.6
Deferred tax		
UK – origination and reversal of temporary differences	**(0.2)**	0.2
Overseas – origination and reversal of temporary differences	**0.1**	1.9
Effect of changes in corporate tax rates	**–**	(0.1)
Adjustments in respect of prior periods	**–**	(1.1)
Total deferred tax (credit)/charge (Note 17)	**(0.1)**	0.9
Tax charge on profit on ordinary activities	**2.1**	1.5

	2021 £m	2020 £m
Tax on items taken to other comprehensive income		
Deferred tax on changes in net pension deficits	**(1.0)**	0.7
Effect of changes in statutory tax rate on deferred tax assets	**–**	(1.3)
Tax on fair value of derivatives direct to reserves	**–**	(0.1)
Tax (credit)/charge in the statement of other comprehensive income	**(1.0)**	(0.7)

FACTORS AFFECTING THE GROUP TAX CHARGE FOR THE YEAR

The increase in the current tax charge is driven by an increase in the provision for open tax matters which are yet to be agreed with the relevant tax authorities across the Group's geographies, reflecting the best estimate of amounts expected to be paid in settling these inquiries. At 31 March 2021 the provision for open tax matters totalled £2.3m (31 March 2020: £1.1m). In the prior year the overseas deferred tax charge related to the derecognition of certain deferred tax assets.

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.

The actual tax on the Group's profit before tax differs from the theoretical amount using the UK corporation tax rate as follows:

	2021 £m	2020 £m
Profit on ordinary activities before tax	**5.9**	4.9
Theoretical tax charge at 19% (2020: 19%)	**1.1**	0.9
Effects of:		
Permanent differences	**(1.8)**	0.3
Movement in uncertain tax positions	**1.3**	–
Overseas tax rate differences	**0.4**	0.3
Effect of changes in corporate tax rates	**–**	(0.1)
Adjustments in respect of prior periods	**–**	(1.8)
Movement in unrecognised deferred tax	**0.7**	1.7
Withholding taxes	**0.4**	0.2
Total tax charge	**2.1**	1.5
Comprising:		
Total tax charge on adjusted profit before tax	**2.1**	1.5
Taxation charge on adjusting items and discontinued operation	**–**	–
Total tax charge	**2.1**	1.5

Notes to the Consolidated Financial Statements

4. Taxation continued

On 3 March 2021 the Chancellor announced an increase in the UK corporation tax rate from 19% to 25% with effect from 1 April 2023. As the rate change was not substantively enacted at the balance sheet date, all deferred tax at 31 March 2021 is recognised at the prevailing 19% rate (see Note 17).

EFFECTIVE TAX RATE

The effective tax rate of 36% (2020: 31%) is higher than the UK tax rate of 19% (2020: 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 disallowed from a tax perspective such as entertaining and certain employee costs;
- Differences in overseas tax rates, typically being higher than the rates in the UK; offset by
- Prior year adjustments arising as tax submissions are finalised and agreed in specific jurisdictions.

TAX PAYMENTS

Cash tax received in the year was £0.7m (2020: £1.6m paid). The net inflow for the current year is driven by a review of payments on account across the Group, with revised payment profiles leading to a recovery of £1.3m of prior year contributions.

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:

	2021			2020		
	Earnings £m	**Shares (thousands)**	**Per share amount (pence)**	Earnings £m	Shares (thousands)	Per share amount (pence)
Basic EPS from continuing and discontinued operations						
Profit attributed to ordinary shareholders	**3.8**	**225,418**	**1.7**	1.8	225,418	0.8
Loss for the period from discontinued operations	**–**		**–**	1.5		0.7
Basic EPS from continuing operations	**3.8**	**225,418**	**1.7**	3.3	225,418	1.5

	2021			2020		
	Earnings £m	**Shares (thousands)**	**Per share amount (pence)**	Earnings £m	Shares (thousands)	Per share amount (pence)
Adjusted EPS						
Basic EPS from continuing operations	**3.8**	**225,418**	**1.7**	3.3	225,418	1.5
Effect of adjusting items, after tax:						
Restructuring costs in operating costs	**–**		**–**	2.4		1.1
Amortisation of acquired intangible assets	**0.7**		**0.3**	0.9		0.3
Adjusted EPS	**4.5**	**225,418**	**2.0**	6.6	225,418	2.9

Inclusion of the dilutive securities, comprising 7,292,980 (2020: 1,944,433) additional shares due to share options, in the calculation of basic, basic continuing and adjusted EPS changes the amounts shown above to 1.6p, 1.6p and 1.9p respectively (2020: basic EPS 0.8p, basic continuing EPS 1.5p, adjusted EPS 2.9p).

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.

	2021 £m	2020 £m
Cost		
At 1 April	**27.6**	26.6
Exchange adjustment	**(2.5)**	1.0
At 31 March	**25.1**	27.6
Accumulated amortisation and impairment		
At 1 April	**3.6**	3.5
Exchange adjustment	**(0.2)**	0.1
At 31 March	**3.4**	3.6
Carrying amount	**21.7**	24.0

Notes to the Consolidated Financial Statements

7. Goodwill continued

IMPAIRMENT TESTING

The Group performed its annual impairment test of goodwill at 31 March 2021 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 2022 and Strategic Plan forecasts for the two financial years ending 31 March 2024. The budget and strategic forecasts, which are subject to detailed review and challenge, were approved by the Board in February 2021. The Group prepares cash flow forecasts based on these projections for the first three years, with years four and five extrapolated based on long-term growth rates, 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 an increase in the discount rates used of 100 basis points (to reflect the increased level of uncertainty). The forecasts used for the impairment review are consistent with those used in the Going Concern review.

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.

Whilst the Covid-19 pandemic and its impact on the economy is unprecedented, the Directors do not consider that any reasonably possible changes to the key assumptions would reduce the recoverable amount to its carrying value for the Ace Chains (Australia) and Renold Tooth Chain (Germany) CGUs.. No impairment charge has been recognised in the period for any CGU.

	Long-terms growth rate		Discount rate (pre-tax)		Carrying value	
	2021	2020	**2021**	2020	**2021**	2020
	%	%	**%**	%	**£m**	£m
Jeffrey Chain, USA	**1.9**	1.6	**12.1**	10.1	**19.0**	21.2
Ace Chains, Australia	**2.6**	2.6	**12.3**	10.1	**0.5**	0.4
Renold Chain, India	**7.4**	7.3	**19.6**	21.0	**1.7**	1.9
Renold Tooth Chain, Germany	**1.3**	1.2	**15.7**	13.1	**0.5**	0.5
					21.7	24.0

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) 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	Computer software £m	Total £m
Cost					
At 1 April 2019	0.3	4.2	0.2	17.2	21.9
Exchange adjustment	–	0.2	–	–	0.2
Additions	–	–	–	2.5	2.5
Recategorisation (Note 9)	–	–	–	1.3	1.3
Disposals	–	–	–	(0.1)	(0.1)
Disposal of subsidiary	–	–	–	(0.1)	(0.1)
At 31 March 2020	**0.3**	**4.4**	**0.2**	**20.8**	**25.7**
Exchange adjustment	–	**(0.2)**	–	**(0.2)**	**(0.4)**
Additions	–	–	–	**0.8**	**0.8**
At 31 March 2021	**0.3**	**4.2**	**0.2**	**21.4**	**26.1**
Accumulated amortisation and impairment					
At 1 April 2019	0.3	2.7	0.2	12.1	15.3
Exchange adjustment	–	0.1	–	–	0.1
Amortisation charge	–	0.9	–	1.9	2.8
Recategorisation (Note 9)	–	–	–	(0.3)	(0.3)
Disposals	–	–	–	(0.1)	(0.1)
Disposal of subsidiary	–	–	–	(0.1)	(0.1)
At 31 March 2020	**0.3**	**3.7**	**0.2**	**13.5**	**17.7**
Exchange adjustment	–	**(0.2)**	–	**(0.1)**	**(0.3)**
Amortisation charge	–	**0.7**	–	**1.9**	**2.6**
At 31 March 2021	**0.3**	**4.2**	**0.2**	**15.3**	**20.0**
Net book amount					
At 31 March 2021	–	–	–	**6.1**	**6.1**
At 31 March 2020	–	0.7	–	7.3	8.0

The acquisition of the Tooth Chain business in January 2016 brought significant benefit to the Group in terms of new customers, relationships and technical 'know-how'. These benefits have been valued under IFRS 3 using estimates of useful lives and discounted cash flows of expected income. The values are being amortised as follows:

CUSTOMER ORDERBOOK

Customer orderbook is amortised when the orderbook at the date of acquisition has been fulfilled. This is now fully amortised.

CUSTOMER LISTS AND TECHNICAL KNOW-HOW

Customer lists and technical know-how has been amortised over five years as the benefits crystallise over a longer period. This is now fully amortised.

No brand names were acquired as part of the acquisition.

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 properties	*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	Plant and equipment £m	Total £m
Cost			
At 1 April 2019	25.2	119.9	145.1
Exchange adjustment	0.3	2.1	2.4
Additions	0.3	6.3	6.6
Disposals	–	(1.3)	(1.3)
Recategorisation (Note 8)	0.1	(1.4)	(1.3)
Adoption of IFRS 16 – Transfer (Note 10)	(0.7)	(0.3)	(1.0)
Disposal of subsidiary	(0.5)	(1.3)	(1.8)
At 31 March 2020	**24.7**	**124.0**	**148.7**
Exchange adjustment	**(0.9)**	**(5.3)**	**(6.2)**
Additions	**(0.1)**	**2.3**	**2.2**
Disposals	–	**(2.2)**	**(2.2)**
At 31 March 2021	**23.9**	**118.6**	**142.5**
Accumulated depreciation and impairment			
At 1 April 2019	4.6	85.0	89.6
Exchange adjustment	0.1	1.7	1.8
Charge for the year	0.7	5.4	6.1
Disposals	–	(1.2)	(1.2)
Recategorisation (Note 8)	1.8	(1.5)	0.3
Adoption of IFRS 16 – Transfer (Note 10)	–	(0.1)	(0.1)
Disposal of subsidiary	(0.1)	(1.0)	(1.1)
At 31 March 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**
Net book amount			
At 31 March 2021	**16.6**	**31.2**	**47.8**
At 31 March 2020	17.6	35.7	53.3

The asset recategorisation between plant and equipment, land and buildings, and computer software has arisen due to the review of the fixed asset register in Germany as part of the implementation of a new accounting system. The revised classification is considered to better represent the nature of the underlying assets.

Property, plant and equipment pledged as security for liabilities amounted to £31.6m (2020: £36.6m).

FUTURE CAPITAL EXPENDITURE

At 31 March 2021 capital expenditure contracted for but not provided for in these accounts amounted to £0.2m (2020: £3.3m).

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 months 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 2019	–	–	–
Adoption of IFRS 16	7.0	2.5	9.5
Adoption of IFRS 16 – Transfer (Note 9)	0.7	0.3	1.0
Exchange adjustment	–	–	–
Additions	2.6	0.8	3.4
Disposals	(0.1)	(0.2)	(0.3)
At 31 March 2020	**10.2**	**3.4**	**13.6**
Exchange adjustment	**(0.1)**	**(0.0)**	**(0.1)**
Additions	**1.4**	**0.2**	**1.6**
Disposals	**(0.3)**	**(0.3)**	**(0.6)**
At 31 March 2021	**11.2**	**3.3**	**14.5**
Accumulated depreciation and impairment			
At 1 April 2019	–	–	–
Adoption of IFRS 16 – Transfer (Note 9)	–	0.1	0.1
Exchange adjustment	–	–	–
Charge for the year	1.3	1.2	2.5
Disposals	(0.1)	(0.2)	(0.3)
At 31 March 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**
Net book amount			
At 31 March 2021	**8.6**	**1.5**	**10.1**
At 31 March 2020	9.0	2.3	11.3

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

10. Leasing and right-of-use assets continued

LEASE LIABILITIES

	2021 £m	2020 £m
Maturity analysis – contractual undiscounted cash flows		
Less than one year	**2.8**	3.0
One to two years	**1.5**	2.6
Two to five years	**5.5**	5.3
More than five years	**8.9**	10.6
Total undiscounted lease liabilities at 31 March	**18.7**	21.5
Less: Interest allocated to future periods	**(3.3)**	(4.4)
Lease liabilities included in the Consolidated Balance Sheet	**15.4**	17.1
Current	**2.5**	3.0
Non-current	**12.9**	14.1

AMOUNTS RECOGNISED IN PROFIT OR LOSS

	2021 £m	2020 £m
Interest on lease liabilities	**(0.5)**	(0.5)
Variable lease payments not included in the measurement of lease liabilities	**–**	–
Income from sub-leasing right-of-use assets	**0.6**	0.6
Expenses relating to short-term leases and leases of low-value assets	**(0.1)**	(0.2)

AMOUNTS RECOGNISED IN THE CONSOLIDATED STATEMENT OF CASH FLOWS

	2021 £m	2020 £m
Repayment of principal under lease liabilities	**3.2**	3.3
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**	0.2
Total cash outflows for leases	**3.8**	4.0

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.

	2021 £m	2020 £m
Raw materials	**5.4**	6.4
Work in progress	**4.0**	4.6
Finished products and production tooling	**28.3**	35.1
	37.7	46.1

Inventories pledged as security for liabilities amounted to £28.1m (2020: £40.5m).

The Group expensed £54.8m (2020: £70.0m) of inventories during the period. In the year to 31 March 2021, £3.1m (2020: £0.9m) was charged for the write-down of inventory and £0.1m (2020: £0.9m) was released from inventory provisions no longer required.

12. Trade and other receivables

ACCOUNTING POLICY

Trade and other receivables are classified as loans and receivables and carried at amortised cost less any impairment. The carrying amount of other receivables is reduced by the impairment loss directly and a charge is recorded in the Income Statement. For trade receivables, the carrying amount 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.

	2021 £m	2020 £m
Trade receivables[1]	**27.1**	31.0
Less: Loss allowance	**(0.4)**	(0.5)
Trade receivables: net	**26.7**	30.5
Other receivables[1]	**2.5**	3.4
Prepayments	**1.1**	1.9
	30.3	35.8

[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 25(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 day terms. The average credit period on sales of goods is 62 days (2020: 59 days). See Note 25(D) for the Group's credit risk policy.

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:

Notes to the Consolidated Financial Statements

12. Trade and other receivables continued

	Trade receivables – days past due					
At 31 March 2021	**Not past due**	**<30 days**	**30–60 days**	**60–90 days**	**>90 days**	**Total**
Expected credit loss rate, %	**0.2%**	**0.1%**	**–**	**0.2%**	**28.7%**	**1.3%**
Estimated gross carrying amount at default, £m	**0.1**	**–**	**–**	**–**	**0.3**	
Lifetime expected credit loss, £m						**0.4**

	Trade receivables – days past due					
At 31 March 2020	Not past due	<30 days	30–60 days	60–90 days	>90 days	Total
Expected credit loss rate, %	–	0.3%	–	4.6%	35.2%	1.5%
Estimated gross carrying amount at default, £m	–	–	–	–	0.4	
Lifetime expected credit loss, £m						0.5

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	**2021 £m**	2020 £m
At 1 April	**0.5**	0.5
Net remeasurement of loss allowance	**–**	–
Amounts written off as uncollectable	**(0.1)**	–
At 31 March	**0.4**	0.5

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:

	2021 £m	2020 £m
Cash and cash equivalents	**19.9**	15.6
Less: Overdrafts (Note 14)	**(2.6)**	(0.5)
Net cash and cash equivalents	**17.3**	15.1

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.

	2021 £m	2020 £m
Amounts falling due within one year:		
Overdrafts[1] (Note 13)	**2.6**	0.5
Capitalised costs	**(0.3)**	(0.2)
Current borrowings	**2.3**	0.3
Amounts falling due after more than one year:		
Bank loans[1]	**35.7**	51.9
Capitalised costs	**(0.2)**	(0.5)
Non-current borrowings	**35.5**	51.4
Preference stock[1]	**0.5**	0.5
	36.0	51.9
Total borrowings	**38.3**	52.2

1 Gross borrowings before deducting capitalised costs (Note 25(D)).

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 £27.7m (2020: £9.7m). The Group also benefits from a UK overdraft and a number of overseas facilities totalling £5.5m (2020: £4m) with availability at year end of £1.0m. The Group pays interest at LIBOR plus a variable margin in respect of the core banking facility. The average rate of interest paid in the year was LIBOR plus 1.85% for Sterling, Euro and US Dollar denominated facilities (2020: LIBOR plus 1.95% for Sterling, Euro and US Dollar denominated facilities).

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. In recognition of the current macroeconomic uncertainty, the Group's banks have amended covenant test structure, replacing the existing tests with minimum rolling 12-month EBITDA, tested on a quarterly basis for the period to March 2021, and minimum available liquidity tests. From March 2021, the tests revert to the previous net debt to EBITDA and EBITDA to net finance charges, but with greater flexibility (i.e. 3.5 times net debt to EBITDA versus original 2.5 times) until September 2021 when the original covenant tests resume.

SECURED BORROWINGS

Included in Group borrowings are secured borrowings of £38.3m (2020: £52.4m). 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 2021, there were 580,482 units of preference stock in issue (2020: 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.

	2021		2020	
	Current £m	**Non-current £m**	Current £m	Non-current £m
Trade payables[1]	**13.2**	**–**	18.1	–
Other tax and social security[1]	**1.9**	**–**	2.3	–
Other payables[1]	**1.4**	**5.4**	1.4	5.3
Accruals	**15.0**	**–**	15.8	–
	31.5	**5.4**	37.6	5.3

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.

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

	Business restructuring £m	**Total provisions £m**
At 1 April 2020	**0.7**	**0.7**
Arising during the year	**0.9**	**0.9**
Utilised in the year	**(0.2)**	**(0.2)**
At 31 March 2021	**1.4**	**1.4**

Allocated as:	**2021 £m**	2020 £m
Current provisions	**1.4**	0.7
Non-current provisions	**–**	–
	1.4	0.7

BUSINESS RESTRUCTURING

During the year ended 31 March 2021, provisions were recognised in relation to business reorganisation and redundancies in Switzerland and site environmental costs in France.

All restructuring provisions are expected to be utilised within 12 months.

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 three 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	
	2021 £m	2020 £m	**2021 £m**	2020 £m	**2021 £m**	2020 £m
Accelerated capital allowances	**–**	–	**(1.0)**	(1.3)	**(1.0)**	(1.3)
Pension plans	**18.4**	17.4	**–**	–	**18.4**	17.4
Tax losses	**1.8**	2.4	**–**	–	**1.8**	2.4
Other temporary differences	**0.8**	0.6	**(3.1)**	(3.3)	**(2.3)**	(2.7)
Tax assets/(liabilities)	**21.0**	20.4	**(4.1)**	(4.6)	**16.9**	15.8
Net off (liabilities)/assets	**–**	–	**–**	–	**–**	–
Net deferred tax assets	**21.0**	20.4	**(4.1)**	(4.6)	**16.9**	15.8

The net deferred tax asset recoverable within one year is £2.8m (2020: £0.8m) and recoverable after more than one year is £14.1m (2020: £15.0m).

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

2021	**Opening balance £m**	**Exchange adjustments £m**	**Recognised in income statement £m**	**Recognised directly in other comprehensive income £m**	**Closing balance £m**
Accelerated capital allowances	**(1.3)**	**0.1**	**0.2**	**–**	**(1.0)**
Pension plans	**17.4**	**(0.2)**	**0.2**	**1.0**	**18.4**
Tax losses	**2.4**	**(0.3)**	**(0.3)**	**–**	**1.8**
Other temporary differences	**(2.7)**	**0.4**	**–**	**–**	**(2.3)**
	15.8	**(0.0)**	**0.1**	**1.0**	**16.9**

On 3 March 2021 the Chancellor announced an increase in the UK corporation tax rate from 19% to 25% with effect from 1 April 2023. As the rate change was not substantively enacted at the balance sheet date, all deferred tax at 31 March 2021 is recognised at the prevailing 19% rate. Renold UK holds a deferred tax asset of £14.7m at 31 March 2021 in respect of its defined benefits scheme liability. Applying historical contribution and scheme costs, the closing deferred tax asset for 31 March 2023 is estimated to be £14.2m. The impact of the rate change from 19% to 25% would result in an increase of the deferred tax asset from the estimated £14.2m to £18.6m, with a corresponding credit to the statement of other comprehensive income of £3.8m and a credit to deferred tax expense in the profit & loss account of £0.6m. At the balance sheet date, Renold UK holds no other recognised deferred tax balances that would require remeasurement.

2020	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	(1.5)	–	0.2	–	–	–	(1.3)
Pension plans	16.6	0.1	(0.0)	(0.7)	0.1	1.3	17.4
Tax losses	2.4	0.1	(0.1)	–	–	–	2.4
Other temporary differences	(1.6)	(0.1)	(1.0)	–	–	–	(2.7)
	15.9	0.1	(0.9)	(0.7)	0.1	1.3	15.8

During the year the Group reported an adjusted operating profit of £11.2m (2020: £13.4m). 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 £23.2m (2020: £22.2m) arising from unrecognised losses of £17.2m (2020: £16.1m) representing gross losses of £68.0m (2020: £62.8m) and other temporary differences of £6.0m (2020: £6.1m). 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 £1.9m), which expire after five years, the losses are not subject to time limits.

Notes to the Consolidated Financial Statements

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.

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 £3.3m for the pension fund in the current year (of which £2.8m was deferred, see below), 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 0.85% (that is, assets are expected to return an amount of 0.85% 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.

18. Retirement benefit obligations continued

Total cash costs for UK deficit repair payments and UK administrative expenses in the period were £1.1m (2020: £3.7m). The current year figure includes the £0.6m noted above in connection with the SLP, and a further £0.5m in respect of pension administration costs. The best estimate of contributions to be paid into the plan for the year ending 31 March 2022 is £3.2m.

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 a 12-month period to 31 March 2021. The Trustees supported this proposal and it was agreed that the deferred contributions will be repaid over a five-year period commencing 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.

Following the High Court judgement in the prior year, the Group has recognised a further £0.3m charge past service cost relating to GMP equalisation.

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 (2020: two) German pension schemes have a net liability of £22.9m (2020: £23.8m). The decrease in the net deficit most significantly reflects settlement of liabilities through pension payments and the positive impact of the change in the Euro foreign exchange rate. Total cash pension payments in the year were £1.3m (2020: £1.2m). The best estimate of pension payments for the year ending 31 March 2022 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 (2020: two) defined benefit schemes in the US have combined assets of £12.1m (2020: £10.5m) and liabilities of £13.6m (2020: £15.4m), giving a net deficit of £1.5m (2020: £4.9m). The decrease in the net deficit was driven by strong asset performance following the sharp declines in asset values at 31 March 2020 which were impacted by the Covid-19 pandemic. Total cash costs for contributions in the year were £0.2m (2020: £0.3m). The best estimate of contributions to be paid into the plan for the year ending 31 March 2022 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 (2020: £2.3m) and liabilities of £3.3m (2020: £3.0m) giving a net deficit of £0.5m (2020: £0.7m). Total cash costs for contributions in the year were £0.1m (2020: £0.1m). The best estimate of contributions to be paid into the plans for the year ending 31 March 2022 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 (2020: 15 years) for the UK pension scheme and 13 years (2020: 13 years) for the German schemes.

They can therefore be regarded as mature schemes.

Notes to the Consolidated Financial Statements

18. Retirement benefit obligations continued

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.

SIGNIFICANT ASSUMPTIONS

The principal financial assumptions used to calculate plan liabilities as at 31 March 2021 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	
	2021	2020	**2021**	2020	**2021**	2020
Rate of increase in pensionable salaries[1]	**–**	–	**–**	–	**2.00%**	2.00%
Rate of increase in pensions in payment and deferred pensions	**1.75%**	1.30%	**1.25%**	1.25%	**–**	–
Discount rate	**2.00%**	2.40%	**1.20%**	1.70%	**2.80%**	2.90%
Inflation assumption[2]	**2.70%**	2.00%	**1.25%**	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 (2020: CPI).

The predominant defined benefit obligation for funded plans within the Group resides in the UK (£213.8m of the £230.5m 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:

	2021	2020
Males		
Currently aged 45	**21.0**	21.7
Currently aged 65	**20.1**	20.7
Females		
Currently aged 45	**23.8**	24.1
Currently aged 65	**22.7**	23.0

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 (2020: S3PA series with a 17.5% uplift in mortality). 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 2021 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.

Assumption	Change in assumption	Impact on plan liabilities
Discount rate	Increase/decrease by 0.5%	Decrease by £14.2m/increase by £15.9m
Rate of inflation	Increase/decrease by 0.5%	Increase by £11.3m/decrease by £9.8m
Rate of mortality	Decrease/increase by one year[1]	Increase by £11.0m/decrease by £10.6m

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.

18. Retirement benefit obligations continued

The fair values of plan assets were:

	2021			2020		
	UK £m	Overseas £m	Total £m	UK £m	Overseas £m	Total £m
Medically underwritten insurance policies	**41.8**	**–**	**41.8**	40.5	–	40.5
Quoted equities	**43.6**	**8.4**	**52.0**	32.4	5.9	38.3
Hedge funds and diversified growth funds	**9.2**	**–**	**9.2**	8.8	–	8.8
Corporate bonds	**21.5**	**0.1**	**21.6**	19.6	0.1	19.7
Gilts and liability driven investments	**17.5**	**4.3**	**21.8**	17.3	4.9	22.2
Other	**2.7**	**2.1**	**4.8**	10.3	1.9	12.2
Total market value of assets	**136.3**	**14.9**	**151.2**	128.9	12.8	141.7

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 19R are derived allowing for the specific characteristics of the members covered by the policies. The IAS 19R 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. 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:

	2021			2020		
	UK £m	Overseas £m	Total £m	UK £m	Overseas £m	Total £m
Opening obligation	**(196.9)**	**(42.4)**	**(239.3)**	(211.2)	(43.1)	(254.3)
Current service cost	**–**	**(0.1)**	**(0.1)**	–	(0.2)	(0.2)
Past service cost	**(0.3)**	**–**	**(0.3)**	–	–	–
Interest expense	**(4.6)**	**(0.9)**	**(5.5)**	(4.9)	(1.0)	(5.9)
Remeasurement gains/(losses) by changes in:	**–**	**–**	**–**			
– Experience	**–**	**0.6**	**0.6**	2.0	0.5	2.5
– Demographic assumptions	**3.0**	**(0.2)**	**2.8**	–	–	–
– Financial assumptions and expenses	**(24.9)**	**(1.3)**	**(26.2)**	7.3	0.3	7.6
Benefits paid	**9.9**	**2.3**	**12.2**	9.9	2.4	12.3
Exchange adjustment	**–**	**2.2**	**2.2**	–	(1.3)	(1.3)
Closing obligation	**(213.8)**	**(39.8)**	**(253.6)**	(196.9)	(42.4)	(239.3)
The total defined benefit obligation can be analysed as follows:						
Funded pension plans	**(213.8)**	**(16.7)**	**(230.5)**	(196.9)	(18.3)	(215.2)
Unfunded pension plans	**–**	**(23.1)**	**(23.1)**	–	(24.1)	(24.1)
	(213.8)	**(39.8)**	**(253.6)**	(196.9)	(42.4)	(239.3)

The UK liabilities above include £41.8m that are fully insured (2020: £40.5m).

Notes to the Consolidated Financial Statements

18. Retirement benefit obligations continued

PENSION ASSETS

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

	2021			2020		
	UK £m	**Overseas £m**	**Total £m**	UK £m	Overseas £m	Total £m
Opening assets	**128.9**	**12.8**	**141.7**	138.6	13.8	152.4
Interest income	**3.0**	**0.3**	**3.3**	3.3	0.4	3.7
Remeasurement gains/(losses)	**13.7**	**3.5**	**17.2**	(6.2)	(0.8)	(7.0)
Employer contributions	**0.6**	**0.2**	**0.8**	3.1	0.1	3.2
Benefits paid	**(9.9)**	**(1.0)**	**(10.9)**	(9.9)	(1.2)	(11.1)
Exchange adjustment	**-**	**(0.9)**	**(0.9)**	-	0.5	0.5
Closing assets	**136.3**	**14.9**	**151.2**	128.9	12.8	141.7
Balance sheet reconciliation:						
Plan obligations	**(213.8)**	**(39.8)**	**(253.6)**	(196.9)	(42.4)	(239.3)
Plan assets	**136.3**	**14.9**	**151.2**	128.9	12.8	141.7
Net plan deficit	**(77.5)**	**(24.9)**	**(102.4)**	(68.0)	(29.6)	(97.6)

The net amount of remeasurement gains and losses taken to other comprehensive income is as follows:

	2021			2020		
	UK £m	**Overseas £m**	**Total £m**	UK £m	Overseas £m	Total £m
On plan obligations	**(21.9)**	**(0.9)**	**(22.8)**	9.3	0.8	10.1
On plan assets	**13.7**	**3.5**	**17.2**	(6.2)	(0.8)	(7.0)
Net gains/(losses)	**(8.2)**	**2.6**	**(5.6)**	3.1	-	3.1

The actual return on plan assets was £20.5m (2020: loss of £3.3m) which equates to 14.4% (2020: 2.2%) of plan assets.

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

	2021 £m	2020 £m
Operating costs		
Pension administration costs	**(0.5)**	(0.8)
Current service cost	**(0.1)**	(0.2)
Past service cost	**(0.3)**	-
	(0.9)	(1.0)

19. Called up share capital

At 31 March 2021, the issued ordinary share capital comprised 225,417,740 ordinary shares of 5p each (2020: 225,417,740).

	Issued	
	2021 £m	2020 £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	2021	2021	2021	2021	2021	2021	2020
Grant date	**24.07.20**	**24.07.20**	**24.07.20**	**28.08.20**	**30.09.20**	**13.11.20**	22.11.19
Share price at date of grant	**10.85p**	**10.85p**	**10.85p**	**8.65p**	**10.85p**	**11.85p**	18.80p
Exercise price	**0.0p**	**0.0p**	**0.0p**	**0.0p**	**0.0p**	**0.0p**	0.0p
Number of employees	**3**	**4**	**5**	**4**	**16**	**1**	18
Shares under option	**37,841**	**80,735**	**235,805**	**467,686**	**3,911,063**	**666,667**	4,208,883
Vesting period (years)	**-**	**0.9**	**1.9**	**3.0**	**3.0**	**3.0**	3
Expected volatility	**0%**	**90%**	**71%**	**63%**	**64%**	**65%**	43%
Option life (years)	**10**	**10**	**10**	**10**	**10**	**10**	10
Risk free interest rate	**0.77%**	**0.77%**	**0.77%**	**0.77%**	**0.77%**	**0.77%**	0.23%
Assumed dividends expressed as a dividend yield	**Zero**	**Zero**	**Zero**	**Zero**	**Zero**	**Zero**	Zero
Fair value per option	**10.85p**	**10.85p**	**10.85p**	**8.65p**	**10.85p**	**11.85p**	18.80p

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:

	2021		2020	
Executive share option schemes	**Number**	**Weighted average exercise price**	Number	Weighted average exercise price
Outstanding at 1 April	**13,942,856**	**2.2p**	14,903,546	2.3p
Granted	**5,399,797**	**0.0p**	4,208,883	0.0p
Exercised	**-**	**0.0p**	(165,089)	0.0p
Expired	**(2,387,698)**	**0.0p**	(3,702,102)	1.3p
Forfeited	**(246,907)**	**0.0p**	(1,302,382)	0.0p
Outstanding at 31 March	**16,708,048**	**1.8p**	13,942,856	2.2p
Exercisable at 31 March	**3,127,312**	**9.6p**	(3,089,471)	9.7p

The outstanding shares at 31 March 2021 relate to two executive share option schemes granted between 21 January 2013 and 13 November 2020, including the schemes granted in 2021 and 2020 as reported in the table above.

Notes to the Consolidated Financial Statements

20. Share-based payments continued

	2021		2020	
Range of exercise prices	**Weighted average exercise price**	**Number of shares**	Weighted average exercise price	Number of shares
Nil	**0.0p**	**15,563,010**	0.0p	12,797,818
20p to 30p	**26.2p**	**1,145,038**	26.2p	1,145,038

The weighted average contractual life remaining is 7.4 years (2020: 8.0 years).

Nil options have been exercised in the period (2020: 165,089). The total charge for the year relating to employee share-based payment plans, including accrual for related employer liabilities was £0.1m (2020: £0.7m credit), all of which related to equity settled share-based transactions. At 31 March 2021 a share option reserve of £0.8m (31 March 2020: £0.8m) was included in retained earnings.

The middle market price of ordinary shares at 31 March 2021 was 21.60p and the range of prices during the year was 4.50p to 24.40p.

Details of the share-based payment arrangements for Executive Directors are provided in the Directors' Remuneration Report on pages 82 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.

The capital redemption reserve represents the nominal value of the deferred shares repurchased and cancelled during the year ended 31 March 2018. The reserve is not distributable.

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 2021 amounted to £3.5m (2020: £3.5m).

Included in retained earnings is an amount of £3.5m (net of tax) (2020: £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.

22. Discontinued operations and sale of subsidiary

ACCOUNTING POLICY

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of, has been abandoned or meets the criteria to be classified as held for distribution to owners. Discontinued operations are presented on the income statement as a separate line and are shown net of tax.

In the prior year, the Group sold its shareholding in Renold Crofts (Pty) Ltd, the legal entity for what was previously the South African Torque Transmission business unit, for £0.1m consideration.

The results of the discontinued operations, which have been included as a single line item in the consolidated income statement, were as follows:

	2020 £m
Revenue	0.8
Expenses	(1.1)
Loss before tax	(0.3)
Attributable tax expense	-
Loss for the year generated by discontinued operations	(0.3)
Loss on disposal of discontinued operations (see below)	(1.2)
Net loss attributable to discontinued operations (attributable to owners of the parent)	(1.5)

23. Contingent liabilities and commitments

Performance guarantees given to third parties in respect of Group companies were £nil (2020: £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.

24. Additional cash flow information

Reconciliation of operating profit to net cash flows from operations:

	2021 £m	2020 £m
Cash generated from operations:		
Operating profit from continuing and discontinued operations	**10.5**	9.8
Depreciation of property, plant and equipment – owned assets	**5.5**	6.1
Depreciation of property, plant and equipment – right-of-use assets	**2.8**	2.5
Amortisation of intangible assets	**2.6**	2.8
Loss on disposals of plant and equipment	**0.1**	–
Equity share plans	**-**	(0.6)
Decrease/(increase) in inventories	**6.3**	(1.7)
Decrease in receivables	**4.2**	1.6
Decrease in payables	**(5.0)**	(4.4)
Increase in provisions	**0.7**	0.6
Cash contribution to pension schemes	**(2.1)**	(4.4)
Pension current service cost (non-cash)	**0.1**	0.2
Pension past service cost (non-cash)	**0.3**	–
Cash generated from operations	**26.0**	12.5

Reconciliation of net change in cash and cash equivalents to movement in net debt:

	2021 £m	2020 £m
Increase/(Decrease) in cash and cash equivalents (Consolidated Statement of Cash Flows)	**1.5**	(2.8)
Change in net debt resulting from cash flows:		
- Proceeds from borrowings	**(2.8)**	(7.5)
- Repayment of borrowings	**19.9**	4.2
Foreign currency translation differences	**(0.2)**	–
Non-cash movement on capitalised finance costs	**(0.2)**	(0.2)
Change in net debt during the period	**18.2**	(6.3)
Net debt at start of year	**(36.6)**	(30.3)
Net debt at end of year	**(18.4)**	(36.6)
Net debt comprises:		
Cash and cash equivalents (Note 13)	**19.9**	15.6
Total borrowings (Note 14)	**(38.3)**	(52.2)
	(18.4)	(36.6)

Notes to the Consolidated Financial Statements

24. Additional cash flow information continued

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those fo)r 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.

2021	Opening balance £m	Accrued interest £m	Financing cash flows £m	New leases £m	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.

2020	Opening balance £m	Adoption of IFRS 16 £m	Accrued interest £m	Financing cash flows £m	New leases £m	Non-cash changes[1] £m	Closing balance £m
Bank loans (Note 14)	48.1	-	2.1	1.1	-	0.6	51.9
Capitalised costs (Note 14)	(0.9)	-	-	-	-	0.2	(0.7)
Preference stock (Note 14)	0.5	-	-	-	-	-	0.5
Lease liabilities (Note 10)	-	17.0	0.5	(3.8)	3.4	-	17.1
Total liabilities from financing activities	47.7	17.0	2.6	(2.7)	3.4	0.8	68.8
Overdrafts (Note 14)	0.2						0.5
Less: Lease liabilities (Note 10)	-						(17.1)
Total borrowings (Note 14)	47.9						52.2
Add: Cash and cash equivalents (Note 14)	(17.6)						(15.6)
Total liabilities from financing activities	30.3						36.6

[1] Non-cash changes include the amortisation of capitalised finance costs and foreign exchange translation.

25. 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.

25. Financial instruments continued

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 25(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 32 to 39.

Notes to the Consolidated Financial Statements

25. 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 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 2**	**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	25(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 1**	**(0.5)**	**–**	**(0.5)**	**(0.5)**
Lease liabilities	10	**Level 2**	**(15.4)**	**–**	**(15.4)**	**(15.4)**
Forward foreign currency contracts: cash flow hedge	25(B)	**Level 2**	**–**	**(0.1)**	**(0.1)**	**(0.1)**
Total financial liabilities			**(76.1)**	**(0.1)**	**(76.2)**	**(76.2)**

	Note	At 31 March 2020 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 2	15.6	–	15.6	15.6
Trade and other financial receivables	12	Level 2	34.4	–	34.4	34.4
Forward foreign currency contracts: cash flow hedge	25(B)	Level 2	–	–	–	–
Total financial assets			50.0	–	50.0	50.0
Financial liabilities						
Trade and other payables	15	Level 2	(27.1)	–	(27.1)	(27.1)
Floating rate bank overdraft	14	Level 2	(0.5)	–	(0.5)	(0.5)
Floating rate long-term borrowings	14	Level 2	(51.9)	–	(51.9)	(51.9)
Preference stock	14	Level 1	(0.5)	–	(0.5)	(0.5)
Lease liabilities	10		(17.1)	–	(17.1)	(17.1)
Forward foreign currency contracts: cash flow hedge	25(B)	Level 2	–	(0.3)	(0.3)	(0.3)
Total financial liabilities			(97.1)	(0.3)	(97.4)	(97.4)

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.

25. Financial instruments continued

(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 2021, contracts with a nominal value of £12.9m (2020: £10.5m) 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)	
	2021 Rate	2020 Rate	**2021 £m**	2020 £m	**2021 £m**	2020 £m
Forward foreign currency contracts: cash flow hedge						
Sell US Dollar: Buy Sterling	**1.362**	1.292	**2.9**	2.8	**-**	(0.1)
Sell US Dollar: Buy Euro	**1.191**	1.138	**6.2**	7.3	**(0.1)**	(0.2)
Sell Sterling: Buy Euro	**0.884**	-	**1.6**	-	**-**	-
Sell Aus Dollar: Buy US Dollar	**0.781**	1.616	**0.3**	0.1	**-**	-
Sell Aus Dollar: Buy Euro	**0.639**	1.782	**0.5**	0.1	**-**	-
Sell Aus Dollar: Buy Sterling	**0.558**	-	**0.3**	-	**-**	-
Sell Aus Dollar: Buy Chinese Renminbi	**5.141**	0.228	**0.8**	0.2	**-**	-
Sell NZ Dollar: Buy Euro	**0.592**	-	**0.1**	-	**-**	-
Sell NZ Dollar: Buy Sterling	**0.514**	-	**0.1**	-	**-**	-
Sell NZ Dollar: Buy Aus Dollar	**0.923**	-	**0.1**	-	**-**	-
			12.9	10.5	**(0.1)**	(0.3)

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 (2020: £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 2021 was £6.5m (2020: £7.3m), 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 2021, £0.7m of exchange gain (2020: £0.4m loss) 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.

Notes to the Consolidated Financial Statements

25. Financial instruments continued

(C) MATURITY OF FINANCIAL LIABILITIES

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

	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 – outflow	**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 related to the deferred element of the construction costs for the new Chinese factory in Jintan.

	2020				
	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]	21.8	–	–	5.3	27.1
Floating rate bank overdraft	0.5	–	–	–	0.5
Floating rate long-term borrowings[2]	1.3	1.3	54.5	–	57.1
Preference stock[1]	–	–	–	0.5	0.5
Lease liabilities	3.0	2.6	5.3	10.6	21.5
Forward foreign currency contracts: cash flow hedge	10.5	–	–	–	10.5
	37.1	3.9	59.8	16.4	117.2

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 related 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

	2021			2020		
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	**–**	**25.4**	**25.4**	–	40.0	40.0
– Preference stock	**0.5**	**–**	**0.5**	0.5	–	0.5
US Dollar	**–**	**8.3**	**8.3**	–	7.3	7.3
Euro	**–**	**4.3**	**4.3**	–	4.4	4.4
Other	**–**	**0.4**	**0.4**	–	0.7	0.7
	0.5	**38.3**	**38.8**	0.5	52.4	52.9

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.

25. Financial instruments continued

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 2021, the Group had a committed but undrawn revolving credit facility of £27.7m. The Group also benefits from a UK overdraft and a number of overseas facilities totalling £5.5m (2020: £3.4m) with availability at year end of £1.0m. Together with net cash of £17.3m, available funds at 31 March 2021 were £46.0m. 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 £33.8m at 31 March 2021. Cash management pooling, netting and concentration techniques are used to minimise borrowings. As at 31 March 2021, the Group had gross cash of £19.9m.

(E) CURRENCY AND INTEREST RATE PROFILE OF FINANCIAL ASSETS

Cash at bank and in hand by currency	2021 £m	2020 £m
Sterling	**6.9**	1.7
Euro	**8.7**	5.6
US Dollar	**1.5**	3.3
Other	**2.8**	5.0
	19.9	15.6

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.

(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	
	2021 £m	2020 £m	2021 £m	2020 £m
Effect on equity of currency forward contracts	**(2.2)**	(2.0)	**1.0**	1.3
Effect on equity of net investment hedge	**1.3**	1.5	**(0.7)**	(0.8)

Notes to the Consolidated Financial Statements

25. Financial instruments continued

(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:

	Increase in basis points	Effect on profit before tax 2021 £m	2020 £m
Sterling	+150	**(0.3)**	(0.6)
US Dollar	+150	**(0.1)**	(0.1)
Euro	+150	**(0.1)**	(0.1)
		(0.5)	(0.8)

(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:

	2021 £m	2020 £m
Expiring within one year or less, or on demand	**2.1**	1.0
Expiring between one and two years	**–**	–
Expiring between two and five years	**26.6**	12.1
	28.7	13.1

The facilities expiring in one year or less, or on demand, are primarily annual facilities subject to review at various dates during the year ended 31 March 2022.

(I) CAPITAL MANAGEMENT

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to 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 2021 and 31 March 2020.

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.

	2021 £m	2020 £m
Net debt (Note 24)	**18.4**	36.6
Total capital	**(6.1)**	(0.4)
Capital and net debt	**12.3**	36.2
Gearing ratio	**150%**	101%
Adjusted EBITDA, £m (Note 27)	**21.4**	23.9
Net debt to adjusted EBITDA	**0.9 times**	1.5 times

26. Post balance sheet events

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 £0.6m, including £0.3m of deferred consideration. In the current year the business is expected to generate additional sales for the Group of c.£1.0m, and add c.£0.2m to Group operating profit. The business will be integrated into the Renold UK Service centre in Manchester.

As part of its long term financial planning the Company is reorganising 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 the Company can use these are 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 provides 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 described 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, would reduce the consolidated retained earnings deficit from £69.6m to £24.1m.

27. 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 presenting 'Adjusted' measures separately from statutory items on the face of the consolidated income statement. Amortisation of acquired intangibles, restructuring costs, discontinued operations and material one-off items or remeasurements are included in a separate row as management seek to present a measure of performance which is not impacted by material non-recurring items or items considered non-operational. See Note 2 for a breakdown and explanation of the items excluded from adjusted profit. 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	
• adjusted operating profit margin 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

Notes to the Consolidated Financial Statements

27. Alternative performance measures continued

APMs are defined and reconciled to the IFRS statutory measure as follows:

(A) ADJUSTED OPERATING PROFIT

	2021 £m	2020 £m
Statutory operating profit from continuing operations	**10.5**	10.1
Add back:		
Restructuring costs	**–**	2.4
Amortisation of acquired intangible assets	**0.7**	0.9
Adjusted operating profit	**11.2**	13.4

(B) ADJUSTED PROFIT BEFORE TAXATION

	2021 £m	2020 £m
Statutory profit before taxation from continuing operations	**5.9**	4.9
Add back:		
Restructuring costs	**–**	2.4
Amortisation of acquired intangible assets	**0.7**	0.9
Adjusted profit before taxation	**6.6**	8.2

(C) ADJUSTED EARNINGS PER SHARE

Adjusted EPS is reconciled to statutory EPS in Note 5.

(D) RETURN ON SALES AND OPERATING PROFIT GEARING

	2021 £m	2020 £m
Adjusted operating profit	**11.2**	13.4
Revenue	**165.3**	189.4
Return on sales %	**6.8%**	7.1%

	Year ended 31 March 2021			
	Chain £m	**Torque Transmission £m**	**Head office costs and eliminations £m**	**Consolidated £m**
Adjusted operating profit	**13.3**	**5.0**	**(7.1)**	**11.2**
Total revenue (including inter-segment sales)	**130.0**	**39.1**	**(3.8)**	**165.3**
Adjusted operating profit margin %	**10.2%**	**12.8%**	**–**	**6.8%**

	Year ended 31 March 2020			
	Chain £m	Torque Transmission £m	Head office costs and eliminations £m	Consolidated £m
Adjusted operating profit	13.8	5.3	(5.7)	13.4
Total revenue (including inter-segment sales)	149.0	46.1	(5.7)	189.4
Adjusted operating profit margin %	9.3%	11.5%	–	7.1%

	Year ended 31 March 2021			
	Chain £m	**Torque Transmission £m**	**Head office costs and eliminations £m**	**Consolidated £m**
Year-on-year change in adjusted operating profit	**(0.5)**	**(0.3)**	**(1.4)**	**(2.2)**
Year-on-year change in total revenue (including inter-segment sales)	**(19.0)**	**(7.0)**	**1.9**	**(24.1)**
Operating profit gearing %	**3%**	**4%**	**-**	**9%**

27. Alternative performance measures continued

(E), (F) & (G) REVENUE, ADJUSTED OPERATING PROFIT AND ADJUSTED OPERATING PROFIT MARGIN AT CONSTANT EXCHANGE RATES

	Year ended 31 March 2020			
	Chain £m	Torque Transmission £m	Head office costs and eliminations £m	Consolidated £m
External revenue from continuing operations	147.9	41.5	-	189.4
Inter-segment	1.1	4.6	(5.7)	-
Foreign exchange retranslation	(1.3)	(0.5)	-	(1.8)
Revenue at constant exchange rates	147.7	45.6	(5.7)	187.6
Adjusted operating profit	13.8	5.3	(5.7)	13.4
Foreign exchange retranslation	(0.2)	(0.1)	-	(0.3)
Adjusted operating profit at constant exchange rates	13.6	5.2	(5.7)	13.1
Adjusted operating profit margin at constant exchange rates %	9.2%	11.4%	–	7.0%

(H) EBITDA, ADJUSTED EBITDA (EARNINGS BEFORE INTEREST, TAXATION, DEPRECIATION AND AMORTISATION) AND OPERATING CASH FLOW

	2021 £m	2020 £m
Statutory operating profit from continuing operations	**10.5**	10.1
Depreciation and amortisation	**10.9**	11.4
EBITDA	**21.4**	21.5
Add back:		
Restructuring costs	**-**	2.4
Adjusted EBITDA	**21.4**	23.9
Inventories (see Note 24)	**6.3**	(1.7)
Trade and other receivables (see Note 24)	**4.2**	1.6
Trade and other payables (see Note 24)	**(5.0)**	(4.4)
Provisions (see Note 24)	**0.7**	0.6
Less: Restructuring cash spend (Note 16 - utilisation of restructuring provisions)	**0.2**	(0.9)
Movement in working capital	**6.4**	(5.3)
Purchase of property, plant and equipment (Consolidated Statement of Cash Flows)	**(2.3)**	(6.7)
Purchase of intangible assets (Consolidated Statement of Cash Flows)	**(0.8)**	(2.5)
Proceeds from property disposals	**0.2**	0.1
Net capital expenditure	**(2.9)**	(9.1)
Operating cash flow	**24.9**	9.5

(I) NET DEBT

Net debt is reconciled to the statutory balance sheet in Note 24.

(J) LEVERAGE RATIO

	2021 £m	2020 £m
Net debt (see Note 24)	**18.4**	36.6
Adjusted EBITDA	**21.4**	23.9
Leverage ratio	**0.9 times**	1.5 times

Notes to the Consolidated Financial Statements

27. Alternative performance measures continued

(K) GEARING RATIO

	2021		2020	
	£m	£m	£m	£m
Net debt (see Note 24)		18.4		36.6
Equity attributable to equity holders of the parent	(6.1)		(0.4)	
Net debt (see Note 24)	18.4		36.6	
Total capital plus net debt		12.3		36.2
Gearing ratio %		**150%**		101%

(L) LEGACY PENSION CASH COSTS

	2021 £m	2020 £m
Cash contributions to pension schemes	**0.8**	3.2
Pension payments in respect of unfunded schemes	**1.3**	1.2
Scheme administration costs	**0.5**	0.8
	2.6	5.2

Group Five Year Financial Review

	2021 £m	2020 £m	2019 £m	2018 £m	2017 £m
Group revenue	**165.3**	189.4	199.6	191.6	183.4
Adjusted operating profit	**11.2**	13.4	14.8	12.8	12.8
Operating profit	**10.5**	10.1	15.4	5.1	10.0
Profit before tax	**5.9**	4.9	10.4	0.9	5.7
Taxation	**(2.1)**	(1.5)	(3.5)	(3.6)	(1.9)
Profit/(loss) for the year from continuing operations[3]	**3.8**	3.4	6.9	(2.7)	3.8
Net assets employed					
Tangible and intangible fixed assets	**53.9**	61.3	62.1	55.6	56.5
Right-of-use assets	**10.1**	11.3	–	–	–
Lease liabilities	**(15.4)**	(17.1)	–	–	–
Working capital and other net assets	**31.2**	40.2	33.9	36.8	34.6
Operating assets	**79.8**	95.7	96.0	92.4	91.1
Goodwill	**21.7**	24.0	23.1	21.6	26.4
Net debt	**(18.4)**	(36.6)	(30.3)	(24.3)	(17.4)
Deferred and current taxation	**14.6**	14.8	15.5	15.2	16.4
Provisions	**(1.4)**	(0.7)	(3.3)	(7.9)	(7.7)
Net assets excluding pension obligations	**96.3**	97.2	101.0	97.0	108.8
Pension obligations	**(102.4)**	(97.6)	(101.9)	(97.4)	(102.0)
Total net (liabilities)/assets	**(6.1)**	(0.4)	(0.9)	(0.4)	6.8
Other data and ratios					
Return on capital employed (%)[1]	**10.2**	11.2	12.6	11.3	11.1
Return on sales (%)[2]	**6.8**	7.1	7.3	6.7	7.0
Capital expenditure (£m)	**3.0**	9.1	15.2	9.5	10.9
Basic earnings/(loss) per share (p) from continuing operations	**1.7**	1.5	3.0	(1.2)	1.9
Employees at year end	**1,739**	1,826	2,059	2,044	2,139

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.

Company Balance Sheet

as at 31 March 2021

	Note	2021 £m	(Restated*) 2020 £m
ASSETS			
Non-current assets			
Intangible assets	ii	**3.8**	4.4
Property, plant and equipment	iii	**0.2**	0.2
Right-of-use assets	ix	**0.8**	0.8
Investments in subsidiary undertakings	iv	**62.0**	62.0
Receivables	vi	**102.8**	119.5
Deferred tax assets	v	**3.7**	3.2
		173.3	190.1
Current assets			
Receivables	vi	**4.7**	4.6
Cash and cash equivalents		**4.6**	0.5
		9.3	5.1
TOTAL ASSETS		**182.6**	195.2
LIABILITIES			
Creditors: amounts falling due within one year			
Trade and other payables	vii	**(9.1)**	(5.1)
Lease liabilities	ix	**(0.2)**	(0.2)
Borrowings	x	**(0.4)**	(5.1)
Derivative financial instruments	viii	**(0.1)**	-
		(9.8)	(10.4)
NET CURRENT LIABILITIES		**(0.5)**	6.2
Creditors: amounts falling due after more than one year			
Trade and other payables	vii	**(62.5)**	(62.5)
Lease liabilities	ix	**(0.6)**	(0.7)
Borrowings	x	**(21.3)**	(35.8)
Preference stock	x	**(0.5)**	(0.5)
Retirement benefit obligations	xi	**(19.4)**	(17.0)
		(104.3)	(116.5)
TOTAL LIABILITIES		**(114.1)**	(126.9)
NET ASSETS		**68.5**	68.3
Capital and reserves			
Issued share capital	xii	**11.3**	11.3
Share premium account		**30.1**	30.1
Capital redemption reserve		**15.4**	15.4
Other reserves		**(0.1)**	-
Retained earnings		**11.8**	11.5
SHAREHOLDERS' FUNDS		**68.5**	68.3

*The results for the year ended 31 March 2020 and at 1 April 2019 have been restated to reflect prior year adjustments. Further details are set out in Note (xv).

The profit of Renold plc (registered number 249688) for the year ended 31 March 2021 was £2.0m (2020 (restated*): profit of £2.2m).

Approved by the Board on 16 July 2021 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 2021

	Share capital £m Note xii	Share premium account £m	Capital redemption reserve £m	Retained earnings £m	Other reserves £m	Total £m
At 31 March 2019	11.3	30.1	15.4	1.7	7.4	65.9
Impact of adoption of IFRS 16	–	–	–	(0.1)	–	(0.1)
At 1 April 2019 (as previously reported)	11.3	30.1	15.4	1.6	7.4	65.8
Effect of prior year adjustment	–	–	–	7.4	(7.4)	–
At 1 April 2019 (restated)*	11.3	30.1	15.4	9.0	–	65.8
Profit for the year (restated)*	–	–	–	2.2	–	2.2
Other comprehensive income (restated)*	–	–	–	0.9	–	0.9
Total comprehensive income for the year	–	–	–	3.1	–	3.1
Share-based payments	–	–	–	(0.6)	–	(0.6)
At 31 March 2020 (restated)*	**11.3**	**30.1**	**15.4**	**11.5**	**–**	**68.3**
Profit for the year	**–**	**–**	**–**	**2.0**	**–**	**2.0**
Other comprehensive income	**–**	**–**	**–**	**(1.7)**	**(0.1)**	**(1.8)**
Total comprehensive income for the year	**–**	**–**	**–**	**0.3**	**(0.1)**	**0.2**
Share-based payments	**–**	**–**	**–**	**–**	**–**	**–**
At 31 March 2021	**11.3**	**30.1**	**15.4**	**11.8**	**(0.1)**	**68.5**

*The results for the year ended 31 March 2020 and 1 April 2019 have been restated to reflect prior year adjustments. Further details are set out in Note (xv).

Details of share-based payment transactions are set out in Note 20 of the consolidated financial statements.

Included in retained earnings is £0.8m (31 March 2020: £0.8m) relating to a share option reserve.

The other reserves are stated after deducting £0.035m (31 March 2020: £0.018m) 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 2021 199,790 (31 March 2020: 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 was £0.035m (31 March 2020: £0.018m).

At 31 March 2021 the Company's distributable reserves comprised the retained earnings balance of £11.8m (31 March 2020: £2.0m). An order of the High Court confirming the Company's capital reduction (see Note XIV) became effective on 27 May 2021, increasing distributable reserves by £45.5m and, if applied to the Company balance sheet at 31 March 2021, would increase distributable reserves from £11.8m to £57.3m.

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 (xi).

Notes to the Company Financial Statements

(i) Profit for the year

Renold plc reported a profit for the year ended 31 March 2021 of £2.0m (2020: profit of £0.1m).

The Auditor's remuneration for audit and other services is disclosed in Note 2 to the consolidated financial statements.

The average monthly number of employees (excluding Executive Directors) during the financial year amounted to 34 (2020: 40), of which all are categorised as Head Office employees.

(ii) 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 2019	14.5
Additions	1.2
At 31 March 2020	**15.7**
Additions at cost	**0.5**
At 31 March 2021	**16.2**
Depreciation	
At 1 April 2019	9.9
Charge for the year	1.4
At 31 March 2020	**11.3**
Charge for the year	**1.1**
At 31 March 2021	**12.4**
Net book amount at 31 March 2021	**3.8**
Net book amount at 31 March 2020	4.4

(iii) 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 properties	*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.

Notes to the Company Financial Statements

(iii) Property, plant and equipment continued

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

	Property £m	Equipment £m	Total £m
Cost			
At 1 April 2019	0.2	0.3	0.5
Additions	–	–	–
At 31 March 2020	**0.2**	**0.3**	**0.5**
Additions	–	**0.1**	**0.1**
At 31 March 2021	**0.2**	**0.4**	**0.6**
Depreciation			
At 1 April 2019	0.1	0.1	0.2
Charge for the year	–	0.1	0.1
At 31 March 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**
Net book amount at 31 March 2021	**0.1**	**0.1**	**0.2**
Net book amount at 31 March 2020	0.1	0.1	0.2

FUTURE CAPITAL EXPENDITURE

At 31 March 2021, contracted capital expenditure not provided for in these financial statements for which contracts have been placed amounted to £nil (2020: £nil).

(iv) 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 (xvi) 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 or valuation – At beginning and end of year	**62.0**

The subsidiary undertakings of the Company at 31 March 2021 are set out in Note (xvi).

(v) Deferred tax assets

	Opening balance £m	Recognised in income statement £m	Recognised directly in other comprehensive income £m	Closing balance £m
2021 - Pension plans	**3.2**	**0.1**	**0.4**	**3.7**
2020 (restated)[2] - Pension plans	3.1	–	0.1	3.2

Unrecognised deferred tax assets amount to £1.3m (2020: £0.5m) arising from accelerated capital allowances.

(vi) Receivables

ACCOUNTING POLICY

Receivables are initially recognised at fair value. Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

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.

	2021		2020 (restated)[2]	
	Current £m	**Non-current £m**	Current £m	Non-current £m
Amounts owed by subsidiary undertakings[1]	**3.5**	**94.8**	3.6	111.0
Other debtors	**0.2**	**–**	0.2	–
Prepayments	**1.0**	**8.0**	0.8	8.5
	4.7	**102.8**	4.6	119.5

[1] 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 2020 and at 1 April 2019 have been restated to reflect prior year adjustments. Further details are set out in Note (xv).

(vii) Trade and other payables

	2021 £m	2020 £m
Amounts falling due within one year:		
Trade creditors	**0.7**	1.2
Other taxation and social security	**0.2**	0.2
Accruals	**1.4**	1.5
Amounts owed to subsidiary undertakings	**6.8**	2.2
	9.1	5.1

	2021 £m	2020 £m
Amounts falling due after one year:		
Loan from subsidiary undertakings	**62.5**	62.5

A 25-year loan of £62.5m was established with Renold International Holdings Limited in 2014. Interest, initially £2.5m per annum, increasing in line with RPI plus 1.5% capped at 5%, is payable for the period of the loan.

(viii) Derivative financial instrument

	2021 £m	2020 £m
Forward foreign currency contracts – cash flow hedge	**(0.1)**	–

At 31 March 2021, the Company had entered into forward contracts with a notional value of £1.6m to sell Sterling and buy Euros (2020: no contracts in place). The contracts were placed to cover purchases in Euros by the Group's operations.

Notes to the Company Financial Statements

(ix) 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 2019	–	–	–
Adoption of IFRS 16	0.9	0.1	1.0
At 31 March 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**
Accumulated depreciation and impairment			
At 1 April 2019	–	–	–
Charge for the year	0.1	0.1	0.2
At 31 March 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**
Net book amount			
At 31 March 2021	**0.7**	**0.1**	**0.8**
At 31 March 2020	0.8	–	0.8

(ix) Leasing and right-of-use assets continued

LEASE LIABILITIES

	2021 £m	2020 £m
Maturity analysis – contractual undiscounted cash flows		
Less than one year	**0.2**	0.2
One to two years	**0.2**	0.2
Two to five years	**0.5**	0.5
More than five years	**–**	–
Total undiscounted lease liabilities at 31 March	**0.9**	0.9
Less: Interest allocated to future periods	**(0.1)**	–
Lease liabilities included in the Consolidated Balance Sheet	**0.8**	0.9
Current	**0.2**	0.2
Non-current	**0.6**	0.7

(x) Borrowings

	2021 £m	2020 £m
Amounts falling due within one year:		
Overdrafts	**0.7**	5.3
Capitalised costs	**(0.3)**	(0.2)
Current borrowings	**0.4**	5.1
Amounts falling due after more than one year:		
Bank loans repayable in two to five years	**21.5**	36.3
Capitalised costs	**(0.2)**	(0.5)
Non-current borrowings	**21.3**	35.8
Preference stock	**0.5**	0.5
	21.8	36.3
Total borrowings	**22.2**	41.4

(xi) Pensions

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.

No contributions are outstanding at the year end.

(xii) Called up share capital

	Issued 2021 £m	2020 £m
Ordinary shares of 5p each	**11.3**	11.3

At 31 March 2021, the issued ordinary share capital comprised 225,417,740 ordinary shares of 5p each (2020: 225,417,740).

	Issued 2021 £m	2020 £m
Preference stock of £1 each[1]	**0.5**	0.5

[1] Included in borrowings – see Note (x).

Disclosures in respect of capital management can be found in Note 25 to the consolidated financial statements.

Notes to the Company Financial Statements

(xiii) Related party transactions

Other than payments made to Directors, which are set out in the Board Report on Remuneration on pages 92 to 97 and in Note 2(d) 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.

(xiv) Post balance sheet events

As part of its long term financial planning the Company is reorganising 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 the Company can use these are 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 provides 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.

An order of the High Court confirming the above described capital reduction became effective on 27 May 2021, increasing distributable reserves by £45.5m and, if applied to the Company balance sheet at 31 March 2021, would increase distributable reserves from £11.8m to £57.3m.

(xv) Restatement due to prior year adjustments

During the year, management identified that certain foreign exchange gains arising on retranslation of intercompany loans were not being appropriately recognised in the Company's financial statements. The impact of the adjustment is to decrease other reserves and increase retained earnings at 31 March 2020 by £9.8m (1 April 2019: decrease in other reserves and increase in retained earnings of £7.4m).

In addition, management identified that certain intercompany transactions between the Company and Renold Power Transmission Limited were not recognised as costs in the Company. The impact of the adjustment is to decrease retained earnings and current receivables at 31 March 2020 by £0.3m.

The split between current and non-current receivables due from subsidiary undertakings has also been restated to appropriately reflect the classification of long-term receivables. This resulted in amounts totalling £11.2m being reclassified from current receivables to non-current receivables as at 31 March 2020, which is in addition to the adjustment of £0.3m to current receivables as noted above.

	31 March 2020				1 April 2019		
	As previously reported £m	Adjustment to brought forward reserves £m	Adjustment (in-year impact) £m	As restated £m	As previously reported £m	Adjustment to brought forward reserves £m	As restated £m
Balance sheet							
Other reserves	9.8	(7.4)	(2.4)	–	7.4	(7.4)	–
Retained earnings	2.0	7.4	2.1	11.5	1.7	7.4	9.1
Receivables	16.1	–	(0.3)	15.8	7.0	–	7.0
Income statement							
Profit for the year	0.1	–	2.1	2.2	(6.7)	2.2	(4.5)
Other comprehensive income							
Exchange differences on translation of foreign operations	2.4	–	(2.4)	–	2.2	(2.2)	–

(xvi) 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 2021 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*
Renold International Holdings Limited*
Renold Europe Limited*
Renold Holdings Limited*
Renold Continental Limited

UNITED KINGDOM (DORMANT COMPANIES)
Anchor Chain and Power Transmission Co Limited
Hans Renold Limited*
John Holroyd & Company Limited*
Jones & Shipman Limited*
Renold Transmission Limited

UNITED KINGDOM (PENSION ENTITIES)	
Renold Pensions Limited* (dormant)	
Renold Group General Partner Limited*	3-5 Melville Street, Edinburgh, Scotland, EH3 7PE
Renold Scottish Limited Partnership	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	Brampton Renold SAS*	100 rue du Courbillon, 59175, Vendeville
Germany	Renold GmbH	Juliusmühle, 37574, Einbeck
	Renold Holding GmbH*	Juliusmühle, 37574, Einbeck
	Renold Automotive Systems Germany	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*	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

Notes to the Company Financial Statements

(xvi) Subsidiary undertakings continued

OTHER COUNTRIES

Australia	Renold Australia Proprietary Limited*	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*	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

* 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

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Auditor

Deloitte LLP

Broker and financial adviser

Peel Hunt LLP

Financial PR consultants

IFC Advisory Limited

Registrars

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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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