RENOLD

Engineered for growth

Renold plc Annual Report and Accounts
for the year ended 31 March 2023

Introduction

1

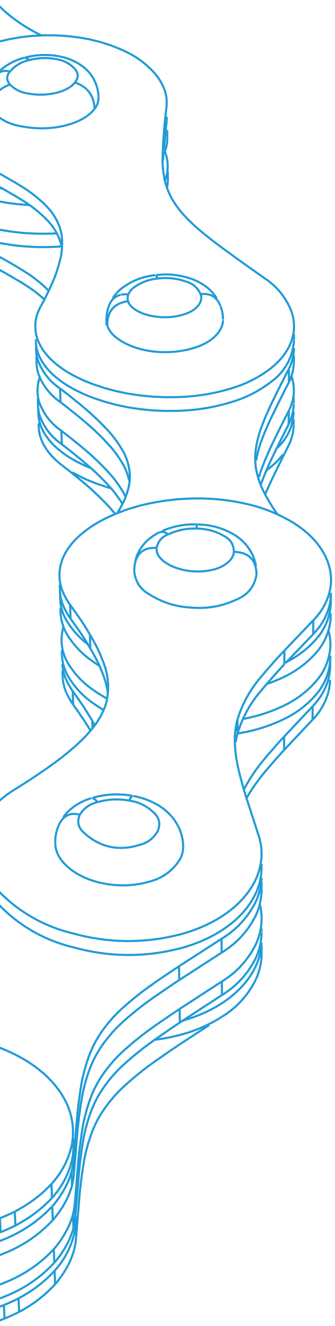
We are an international group delivering sustainable high-precision chain and power transmission products to customers worldwide.

2

Our record performance this year is testimony to the diligence of our talented employees and increased productivity and efficiency means we are well-positioned to capitalise on growth opportunities as they arise.

3

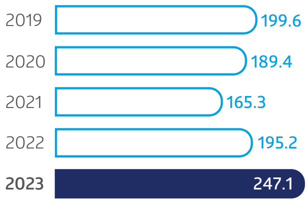
Our market-leading products can be seen in diverse applications from cement making to chocolate manufacturing, ethanol plants to steel mills, escalators to quarries; in fact, anywhere something needs to be lifted, moved, rotated or conveyed.



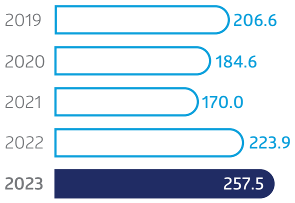
Contents

Highlights

£247.1m
Revenue reported



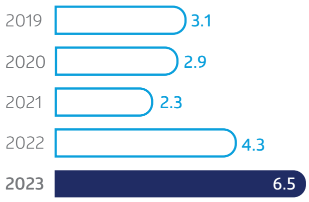
£257.5m
Order intake



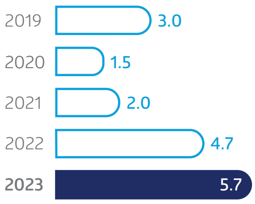
£24.2m
Adjusted operating profit[1]

£22.9m
Operating profit

6.5p
Adjusted earnings per share[1]



5.7p
Earnings per share



£99.5m
Order book

Operational highlights

- The Group delivered record results despite the difficult trading and macroeconomic backdrop, with the well-publicised inflation and global supply chain challenges
- Order intake of £257.5m (2022: £223.9m) up 15.0%
- Closing order book £99.5m up 18.3% against 31 March 2022
- Significant £8.9m long-term military contract win, following similar contract win of £11.0m in FY22
- Acquisition of Industrias YUK S.A. ("YUK") in August 2022, for €24m, increases the Group's access to the Iberian Chain and wider European Conveyor Chain markets. YUK is performing ahead of expectations
- Successful capital investment; improving efficiency and capability of manufacturing locations

This year has seen a record result for Renold, the strong financial performance for the year, combined with improved cash flow, has generated the freedom to exploit future organic and acquisition-related growth opportunities as they arise."

DAVID LANDLESS
CHAIR

Read more about our Chair's statement on pages 12 to 13

I am delighted with the Group's robust performance during the last financial year, which delivered record results and exceeded market expectations, reflecting the benefits of the strategic programmes implemented in recent years and the hard work of all our employees across the world in what has often been a challenging and rapidly changing environment.

Throughout the reported period the business performance has been on an improving trend and finished particularly strongly as supply chains eased in the last quarter. We expect the new financial year to be no less challenging and eventful, but we are starting the year from a positive position and with a belief in the excellent fundamentals of the Renold business upon which we are building."

ROBERT PURCELL
CHIEF EXECUTIVE

Read more about our Chief Executive's review on pages 22 to 25

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 alternative performance measures on page 163 of the financial statements.

Our investment case

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

1 Valued brand

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

Read more about our business model on pages 18 to 19

2 Strong financial record

Renold have demonstrated a strong financial track record. Our revenue at £247.1m is up 26.6% compared to the prior year and our adjusted operating profit at £24.2m is up 58.2% year on year.

Read more about our performance on pages 28 to 29

3 Positioned for growth

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

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

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

Read more about our STEP2 strategic plan on pages 20 to 21

4 Diverse portfolio

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

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

Read more about our market review on pages 16 to 17

Read more about our products and their applications on pages 6 to 9

5 Sustainable products

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

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

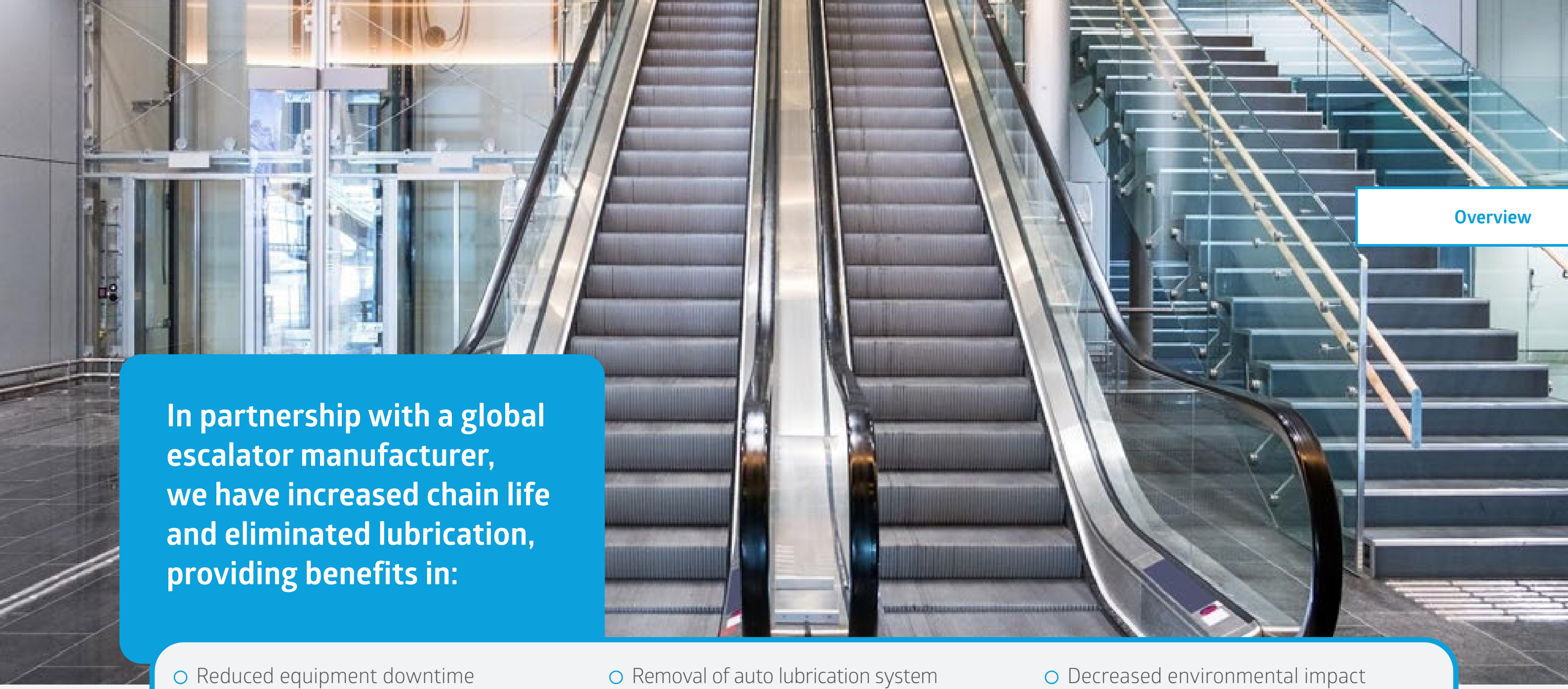
The consistent and reliable performance of our class-leading products for over a century has demonstrated to customers the value proposition we offer.

Read more about sustainability on pages 38 to 48

6 Global reach

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

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

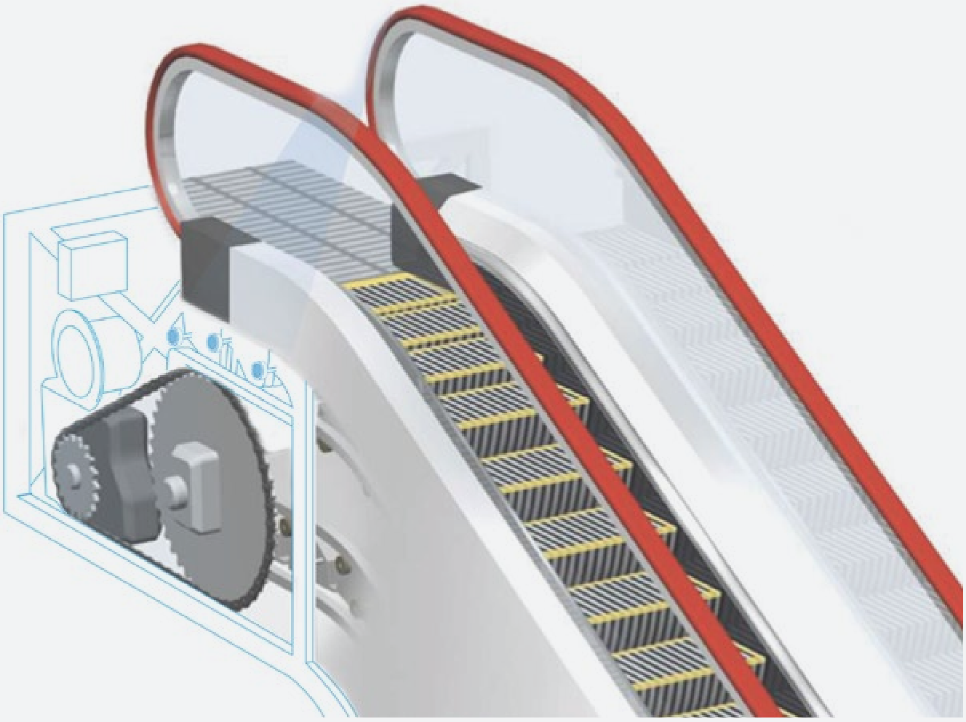


In partnership with a global escalator manufacturer, we have increased chain life and eliminated lubrication, providing benefits in:

- Reduced equipment downtime
- Extended maintenance interval
- Removal of auto lubrication system capital cost
- Lowest total cost of ownership
- Decreased environmental impact
  - Energy
  - Lubricant
  - Material usage

Using our existing SYNO™ technology we delivered a solution that eliminates the need for onerous and frequent relubrication on both the drive and handrail chains operating the escalator. Prior to this, daily manual lubrication at the site or an auto lubrication system was required. The increased cost of the SYNO™ chain solution is more than offset by removing the relubrication practices costing many times that of the chain.

Delivering extraordinary customer value



We have provided a product for the step chain lasting greater than twice that of the previous supplier. The increased cost of our solution is more than recovered through the increased chain life and associated benefits. Additionally, the costs to replace a worn chain are often as much as the chain itself, so more than doubling the maintenance interval provides significant further financial benefit.

Our solutions deliver numerous sustainability impacts as well as a cost reduction; our chain gives a reduction of lubricant and energy required to maintain the system. Increased chain life reduces the raw material usage by more than half when compared to lower specification products and the removal of lubrication reduces the risk of fire within the system which is an important design consideration. The delivery of these compounding benefits is not easily replicated by others.

Group at a glance

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

Our international network includes eight 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 1,854 people around the world in the last year, with 56% of our staff engaged in direct production activities.

Chain

£27.2m
Adjusted operating profit[1]

13.4%
Return on sales

1,576
Employees at 31 March 2023

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, Spain and Australia in addition to local service capabilities in a number of other markets. We operate at the leading edge of technology, with innovative products designed to meet customers' exacting standards.

Read more about our Chain division on page 28

Torque Transmission

£5.4m
Adjusted operating profit[1]

11.1%
Return on sales

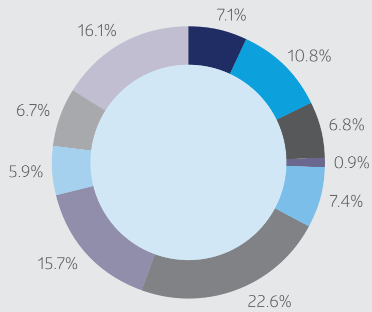
267
Employees at 31 March 2023

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.

Read more about our Torque Transmission division on page 29

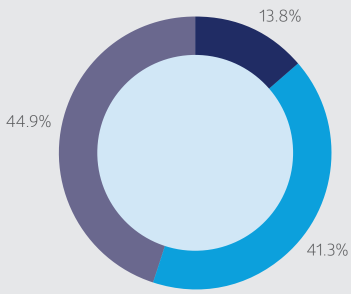
The sectors we operate in



Revenue by sector

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

The customers we serve



Revenue by customer type

- End users
- Original equipment manufacturers
- Distributors

1 Divisional operating profit for the year, calculated on a statutory basis, was £26.5m for Chain (2022: £20.5m) and £5.4m for Torque Transmission (2022: £4.1m).

Map key:
Manufacturing and sales company
Sales and/or distribution location

Global presence, local markets

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

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

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

Americas

42%
of global sales

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

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

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

Europe

38%
of global sales

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

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

Asia Pacific

10%
of global sales

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

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

High Growth Economies

10%
of global sales

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

Our Indian business manufactures a broad range of transmission and conveyor chain, with 85% of output destined for the local market. Our new Distribution Centre in central India provides further opportunity for growth through increasing rapid response times.

Our products

Renold is an international Group delivering precision, highly engineered, industrial chain and other power transmission products and solutions to our customers worldwide.

Chain

If something needs powering, moving or lifting it's likely to need a chain somewhere in the process to get the job done. Renold are experts at that.

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

Our range of roller chains means that for most requirements there is a Renold solution. Our premier brand, Renold Synergy, offers unbeatable wear and fatigue performance, while our all-purpose range of standard chain provides affordable reliability. Continuous research, development, innovation and ingenuity has led to the production of more specialised solutions such as Hydro-Service, with its superior corrosion-resistant coating, and the Syno range which sets a new benchmark for chains requiring little or no lubrication.

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. Renold offers many adapted and specials for thousands of industrial applications including:

- Small and large pitch (4mm up to 635mm) chain
- Adapted transmission chain
- Hollow bearing pin chain
- Nickel plated chain
- Zinc plated chain
- Extended pitch chain
- Sidebow chain
- Cranked link chain
- Bush chain
- Oilfield chain

Our high specification tooth chain business (sometimes known as silent chain) produces a wide range of inverted tooth chain for drives and for conveying applications. Offering a high degree of economic efficiency and reliability, tooth chain applications are wide-ranging and include glass production and automobile assembly lines.

Exploded view of a transmission chain

Essential Components Unveiled

The inner plate, outer plate, bearing pin, bush and roller - they form the building blocks of a roller chain.

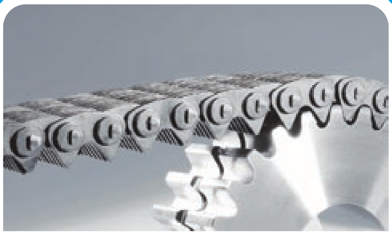
Presented are the details that compose the core of every roller chain. Each chain is meticulously crafted with key components: the inner plate, outer plate, bearing pin, bush, and roller. Together, they form the backbone of this essential engineering element.

Synergy chain

Renold Synergy

Unmatched high performance roller chain, endorsed by engineers worldwide.

Years of meticulous research and rigorous testing have solidified Renold Synergy's unrivalled reputation as the ultimate roller chain in the market. With exceptional wear characteristics, fatigue resistance, and an impressive working life, this chain stands as a testament to its design and manufactured consistency. Engineers across the globe use Renold Synergy for its unmatched performance in tough conditions.



Tooth chain

Renold Tooth Chain

Unleashing performance and precision.

From drives to conveying, Renold tooth chain delivers an extensive array of inverted tooth chain solutions. Designed for excellence, these chains offer low-vibration, smooth running characteristics, high load capacity, and a quiet operation. With minimal pre-tensioning required, performance and capability are assured.

Read more about the performance of our Chain division on page 28

Torque transmission

Our Torque Transmission products transfer rotational movement. Examples include couplings transmitting torque in line from one rotating shaft to another, protecting critical components, often dampening vibration and allowing for shaft misalignment. Gears on the other hand allow the torque to be transmitted from rotating shafts in line or at right angles while also allowing a change in speed.

We are experts in providing bespoke couplings and gear solutions across industries worldwide, such as marine propulsion, power generation, rail and escalator transit systems, metals and materials handling.

Our solutions deliver durability, reliability and long life for demanding industrial applications. Our Hi-Tec rubber in compression coupling offers customers many advantages, including fail safe, maintenance free and vibration dampening operation. 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 roller coasters.

We offer service and maintenance in a number of locations from our own teams of engineers, with services provided in our facilities or in the field.

We are able to offer many standard and bespoke solutions for a large variety of applications including:

- Rubber in compression, marine propulsion couplings
- Rubber in compression, generator set couplings
- Clutches
- BTL series bridge scraper drives for the water industry
- Transit escalator drive solutions
- Worm gear units
- Helical and bevel helical gear units

Our high-quality power transmission products and application-specific solutions are supplied globally to a wide variety of industries. Application knowledge and engineering expertise, together with international manufacturing and service, ensures that we can provide the required solutions. Our skilled engineers work closely with customers to provide a range of solutions for critical, demanding applications. Products that are proven to stand the test of time and offer customers a more sustainable solution, whether that be through longer life, being maintenance free or having a higher efficiency.

Industrial coupling

Gearflex Coupling

Deceptively simple but comprehensively engineered to provide unrivalled power and misalignment capabilities. Shown is the inner and outer hub, with a gear tooth profile meticulously designed by our in-house design engineers, the outer hub 'floats', providing a coupling that delivers leading performance in the most demanding of environments.

Rubber in compression coupling

DCB-GS Coupling

Reliability when it matters most. Reinforcing customers' brand value through its ultra-reliable, high quality and intrinsic fail-safe rubber in compression design. For applications where failure is not an option this is the go to product for customers who must deliver.

Worm gear unit

Gearing Solutions

Renold Gears is world renowned for the design and manufacture of gearing solutions including worm, bevel and helical gears.

Our customers may need a standard product available off the shelf or a custom solution. Custom solutions being designed by our experienced engineering team to meet specific application requirements be it due to space constraints, environmental conditions or a demanding specification.

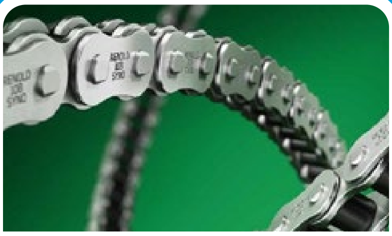
Our dedicated service team can provide installation and commissioning support together with fast gearbox refurbishment of all makes and types of industrial gearboxes.

Read more about the performance of our Torque Transmission division on page 29

Our products and their applications

Chain

Low maintenance transmission chain



Renold Syno Nickel Plated chain
Renold Sovereign with wax

Low maintenance conveying applications

Renold Syno Nickel Plated chain offers a multitude of advantages that contribute to operational efficiency, cost savings and most importantly a much reduced environmental impact. Customers can utilise Syno chain in applications requiring clean conveying of goods, with Syno having a much reduced need for lubrication, giving enhanced cleanliness. As a result, machines can operate continuously without the need for maintenance and due to the reduced lubrication, Syno offers the additional advantage of reduced oil consumption and environmental impact. This not only results in cost savings, but demonstrates customers' commitment to environmental sustainability.

In conveying applications with high load requirements and potential dust or debris, such as pallet conveying or cardboard movement, Renold Sovereign, with wax lubrication is increasingly used. The unique characteristics of the Sovereign chain not only offers high resistance against abrasives, but the specific design of the chain bearing area means that the chain will run without re-lubrication in a highly loaded condition longer than any other technology available on the market. The addition of a special high specification Renold wax lubricant prevents dust collection on the chain surface and therefore the need for re-lubrication.

Power transmission lifting chain

Renold XL series leaf chain

Rough terrain forklift trucks

Renold leaf chain, manufactured in accordance with the latest edition of ISO4347, is composed of interlaced plates securely connected by hardened pins. Unlike roller chains, leaf chains do not engage with sprockets due to their unique design. These chains possess a superior strength-to-weight ratio, making them indispensable in numerous industries such as construction, agriculture, manufacturing, and various lifting and reach applications.

Renold leaf chain stands out due to its exceptional quality, employing top-notch materials and incorporating a meticulously refined design. Furthermore, our manufacturing processes encompass stringent control over component production and assembly, ensuring the highest standards are met. To enhance performance, we use in-house heat treatment.

The advantages of Renold leaf chain are manifold and include:

- Increased wear resistance, reducing the frequency of maintenance.
- Higher breaking loads, offering a greater safety factor and reliability.
- High fatigue strength, allowing it to endure rigorous operating conditions.

Anti-corrosion transmission chain

Renold stainless steel chain

Food applications

Renold's stainless steel chain is meticulously crafted using high-grade materials, making it an exceptional choice for a wide range of challenging environments. Specifically designed to excel in acidic or alkaline conditions, direct food contact scenarios, water exposure, and extreme temperature settings ranging from -40°C to +400°C, our stainless steel chain exhibits remarkable resistance to corrosion.

Renold's stainless steel chain plays a crucial role in the transport and handling systems within the food industry. It is selected for its ability to meet the stringent requirements of these applications, which include:

- Excellent corrosion resistance through special materials ensuring long-lasting performance in highly demanding environments.
- World class wear performance achieved through specific manufacturing processes enabling stainless steel materials to perform close to a standard carbon steel chain.
- Designed to withstand extreme temperature variations, enabling reliable performance in diverse food manufacturing processes, maintaining consistent operation even in challenging thermal conditions.

Torque transmission

Gears and gearboxes

Transit escalator drive

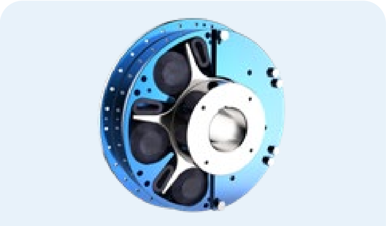
Metro system escalator

Renold design and manufacture a complete range of gearing solutions. We have particular experience and knowledge of providing drives for use on the world's most demanding metro systems, meaning that we are often requested 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



Rubber in compression coupling

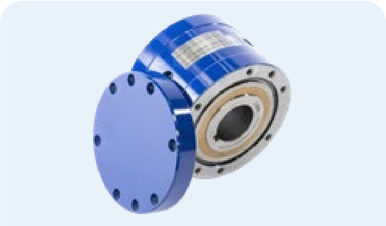
Rubber in compression

Renold are the world leader in rubber in compression technology for torque transmitting couplings. Used in the most demanding applications where failure is not an option, from the most modern naval warships and submarines to critical fire suppression systems and extreme off-road vehicles.

The intrinsic fail-safe nature combined with the ultra-reliable and high-quality couplings bring a unique offering to our customers and the market. In addition, the low maintenance technology delivers the lowest cost of ownership for the end users delivering lifelong value.

With Renold's internal engineering know-how the team are capable and willing to support customers in their most exacting project needs to protect equipment from vibration and provide the misalignment capability needed for even the most extreme applications.

Clutches



Sealed for life stainless steel backstop clutch

General industrial

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

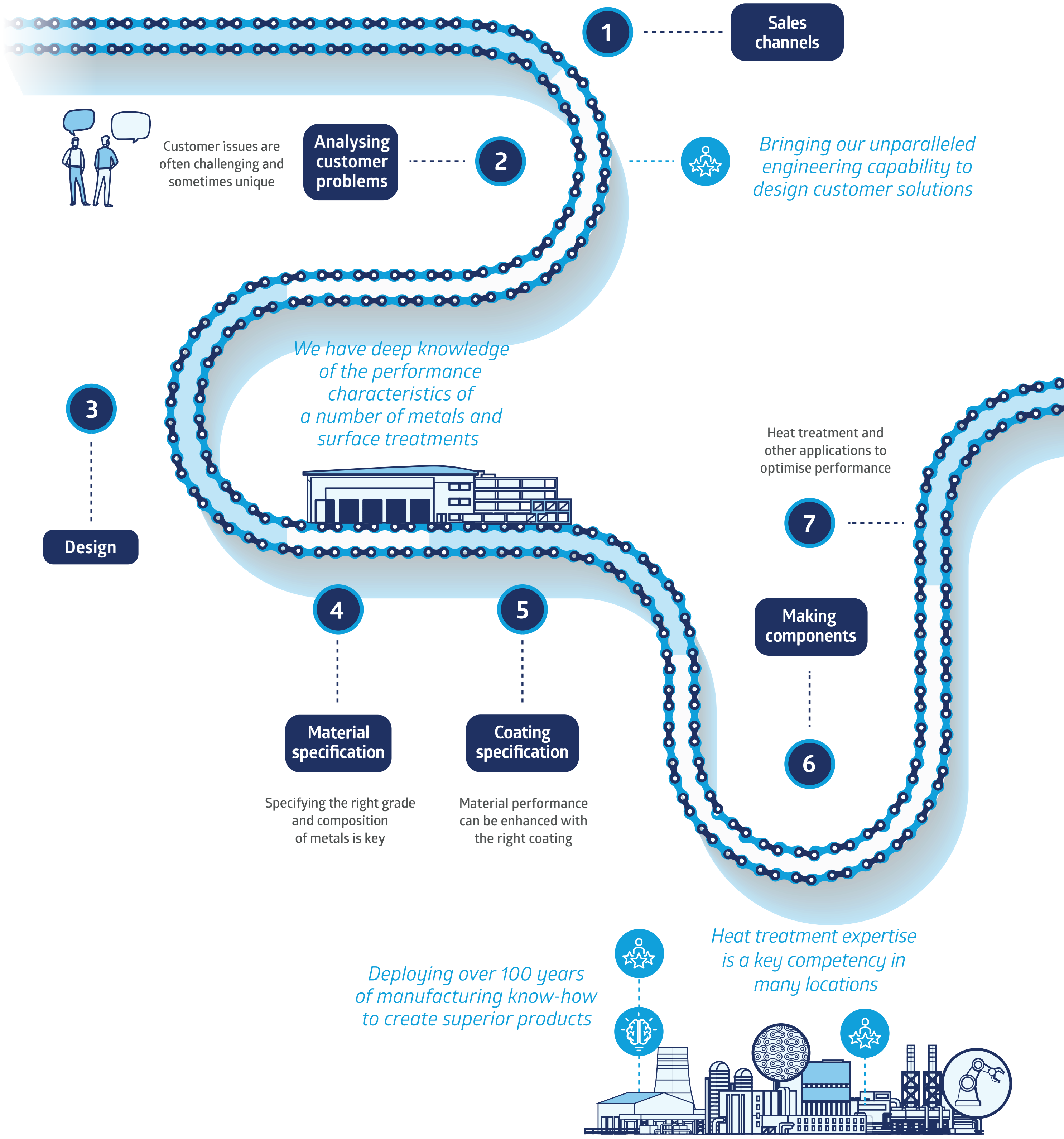
Our solution has drastically extended the expected life of the clutch, reduced downtime in the customer's factory and ensured hygienic food production.

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

Our customer journey

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

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



Key:

Knowledge

Skills and facilities

Service

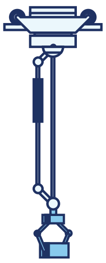
Logistics

Read more about these key attributes in the value-generation cycle section of our business model on page 18

8

Assembling components

Automated assembly processes reduce lead times



Wide range of stocked products and daily shipment options

Shipping

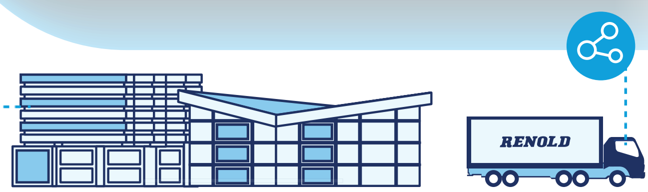
9

10

After-sales service

Ongoing performance monitoring, field support and technical advice

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



Chair's statement

> 2023 was an excellent year for Renold in which we delivered a record financial performance and completed a significant strategic acquisition."
>
> **DAVID LANDLESS**
> CHAIR

I am pleased to report that 2022/23 was an excellent year for Renold in which we delivered a record financial performance and completed a significant strategic acquisition in Europe.

I have also been impressed by the flexibility and adaptability of our people across the world, who have delivered an outstanding result despite the complexities resulting from the Russian invasion of Ukraine and challenging international supply chain and trading conditions.

Our turnover continued to grow strongly through the significant commercial and operational benefits delivered by the execution of our organic growth strategy, while the Group's acquisition strategy bore fruit in the year, and it is pleasing to see that our new acquisition, Industrias YUK S.A. ("YUK") performed ahead of our initial expectations.

Markets and trading performance

Over the year, Group revenue increased by 26.6% to £247.1m (2022: £195.2m), and adjusted operating profit improved by 58.2% to £24.2m (2022: £15.3m).

Return on sales improved by 200bps to 9.8% (2022: 7.8%), as the Group demonstrated its ability to successfully recover inflationary cost increases, whilst also benefiting from cost reduction and efficiency programmes, and the benefit of operational gearing.

Encouragingly, Group order intake at £257.5m was 15.0% ahead of the equivalent prior year period, and 16.8% ahead excluding the previously announced £8.9m long-term military contracts (2022: £11.0m), with YUK contributing £10.5m or 4.5% to the increase. The order book at 31 March 2023 of £99.5m was 18.3% ahead of the prior year figure.

Net debt increased during the period to £29.8m (31 March 2022: £13.8m) as the Group invested €20.0m to satisfy the initial cash consideration for the acquisition of YUK, whilst managing the impact of organic sales growth and inflation on working capital.

Strategic developments

During the year, the Renold strategic change programmes across the Group once again delivered meaningful benefits, particularly in standardising and simplifying the business.

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

The continuing review of capabilities across the Group has identified opportunities for the upgrade and development of existing manufacturing processes across our international footprint to create higher specification, higher performance products. This review will also facilitate standardisation across more product lines, which, in turn, will enable us to benefit more comprehensively from our geographic footprint and economies of scale. In addition, flexibility between manufacturing locations will aid increasing customer expectations for supply chain diversification for risk mitigation and a changing tariff environment, improving even further our value proposition.

Sustainability

During the year, the Group continued to develop a long-term sustainability strategy, including reduced energy consumption, raw material waste, packaging use and carbon dioxide emissions, whereby Renold is ensuring sustainability is one of its guiding principles. Renold is focussed on making a difference through real actions which, over a period of time, will deliver discernible benefits for the environment, our customers and the business. Our leader for sustainability is helping the Board to develop policies and strategies in this area, aimed at reducing the Group's environmental impact and enhancing social development whilst also ensuring that the Company maintains its existing commitments to its communities and stakeholders. Renold is well positioned to contribute to a more sustainable future; our technical, product development and commercial teams are actively developing a more efficient and environmentally sustainable product offering which helps customers to reduce their carbon footprint by providing highly engineered chains that give longevity and life cycle benefits, or by being cleaner through reducing the need for product lubrication.

The Board

The Chair of the Board is primarily responsible for the composition of the Board and for ensuring high standards of governance. As Chair, I place great importance on the breadth of relevant experience, diversity and complementary skills amongst the Group's Directors and management and on the continued development of the strategy for the Renold business. With this in mind, we welcomed Vicki Potter to the Board as a Non-Executive Director during the financial year. Vicki has broad operational and HR experience in multinational engineering and manufacturing companies. She is currently the Chief Human Resources Officer and Customer Services Director for Oxford Instruments plc; a global FTSE 250 technology and manufacturing business.

Going forward, the Board will continue to ensure that effective succession plans are in place.

Dividend

The Board fully recognises the importance of dividends as part of the overall value creation proposition for shareholders. However, the Board has carefully reviewed its capital allocation priorities, and believes that both organic and inorganic investment opportunities that are available to the Group will deliver higher levels of shareholder return over the medium term than the payment of dividends in the near term. The Board will continue to review this approach over the coming periods. As such, the Board is not recommending the payment of a dividend on the ordinary shares of the Company for the year ended 31 March 2023.

Summary

The Group has performed well in the face of significant economic and social turmoil and continuing inflationary pressures on materials, energy and labour that the war in Ukraine and the pandemic have caused. These pressures will undoubtedly remain in the new financial year. However, the strong financial performance for the year, combined with positive operating cash flow, has generated the freedom to exploit future organic and acquisition-related growth opportunities. I would like to thank all our employees around the world for their diligence and commitment, which have been key to delivering the strong results for the Group.

DAVID LANDLESS
CHAIR

11 July 2023

5-Axis CNC multi tasking turning centre in one of our sites in the USA.

Case study

Agriculture

What is it used for?

Renold products improve automation and mechanisation processes in the agricultural industry.

Why Renold?

Renold supplied a specially designed and constructed hollow pin conveyor chain for transporting freshly collected vegetables in a purpose-built harvesting machine. The producer's process guarantees fresh vegetables, of an optimum quality collected with the highest possible efficiency, and the use of this chain was selected to guarantee the maximum reliability of the equipment during the all-important harvesting season.

Strategic report

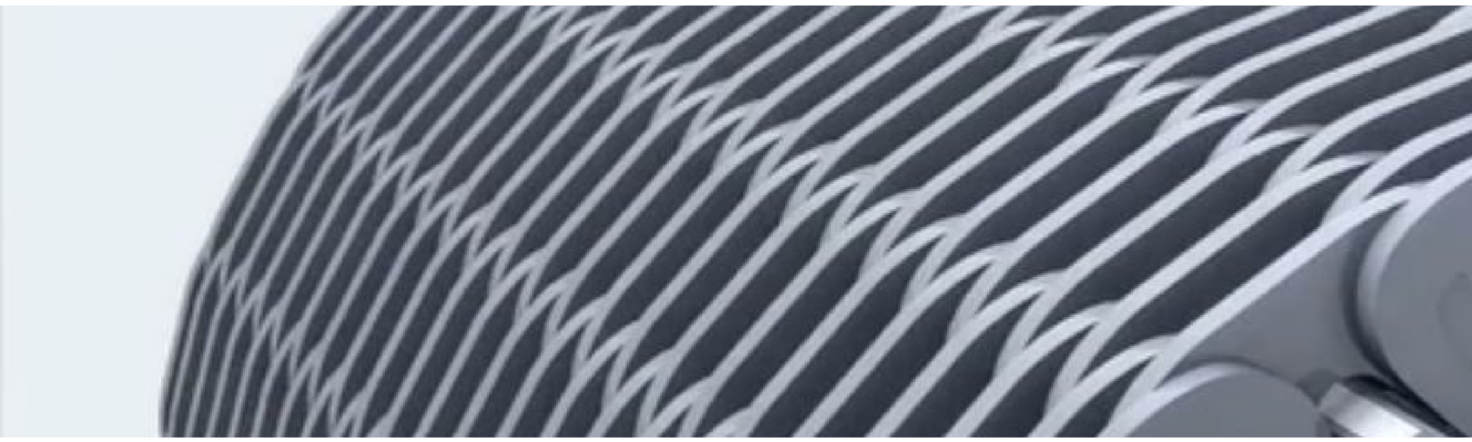
Market review

Market trends

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

Market trend	Impact on us	Our response and opportunities
Supply chain	Global supply chain disruption has been widely reported and documented for almost all industries, although by the end of the financial year the situation had begun to normalise. Renold has also been impacted by difficulties in material supply and moving product between markets.	Renold has managed this issue well. We have strategically built a number of manufacturing facilities around the world which are increasingly standardised and can help each other when supply chains are difficult. This also means that they can be used by customers to spread supply chain risk or to manufacture closer to a customer's location.
Trade landscape	There have been many international trading difficulties in recent years in areas such as tariffs and Brexit. This has an impact on flows of goods and the relative competitiveness of markets or factories.	Renold manufactures product in many geographic regions and has carefully built its presence to reduce trading risk. We therefore have the ability to move manufacturing between facilities to give customers the best possible outcome when the trading environment alters.
Sustainable products	Renold and its customers are working hard to minimise their environmental impact and to make as positive of a contribution to society as possible. Sustainability is a growing trend that Renold is embracing.	Renold is working in many ways to improve product sustainability. We look to reduce energy consumption in their manufacture and ensure that we don't use any troubling chemicals or processes. We produce products that are intrinsically energy efficient compared to our competitors and have a long life so don't consume resources through frequent remanufacture and replacement.

Tooth chain application:
glass conveyor chain.



Market trend	Impact on us	Our response and opportunities
Customer behaviour	Customers are always very demanding, as are we. Faster service, more sustainable products and more specialist products that are easily available are just some of the trends that we are seeing.	We are committed to continuous improvements in our service offering through the Renold STEP2 Service Programme. Renold's developing Service Centre Programme, faster manufacturing and product standardisation are all aimed at giving the customer what they want more quickly.
Global economy	The global economy has rebounded strongly from the impact of the pandemic and the war in Ukraine. Requirements to have shorter supply chains and greater certainty of supply are making customers ask questions about who and where they buy from.	Renold has rebounded with the economy but has also benefited from the move to reshore supply chains or production. Adjusting to this, we foresee a growing demand in developed markets for automation related products as markets adjust to this new normal operating model.
Inflation	Inflation is a global and growing issue. Renold customers are looking for ways to reduce costs and increase certainty.	Renold offers a range of premium, high specification products with long lives and low maintenance costs. In adopting our products, customers realise that they save costs and this helps them offset inflation which is inherent in the market.

Business model

The Renold business model is focused on our ability to leverage 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 and stretching targets. Our approach combines new skills for 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.

Robust financial position

We have demonstrated a strong track record of financial results which has allowed for further investment into our product pipeline through research and development.

Our value-generation cycle

Knowledge

Of customers, products and solutions

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

Skills and facilities

The ability to conceive and deliver solutions

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

Logistics

The right product in the right place

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

Service

We continue to deliver and expand our unique service offering

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

Our business model is underpinned by our values

Operate with integrity

Value our people

Read more about our Customer Journey on pages 10 to 11

Read more about Sustainability on pages 38 to 48

Our business model creates short and long term value for our customers

End users

14%
End users sales

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

OEMs

41%
OEMs sales

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

Distribution

45%
Distribution sales

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

...and for our other stakeholders

Our people

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

Our investors

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

Our partners

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

Our local communities

- We run multiple community projects, driven by our local teams to meet local needs. These projects include:
  - Supporting the construction of three smart classrooms in Gudalur, India
  - Annual food drive for community kitchens in Morristown, USA and Montreal, Canada
  - Sponsorship of shared community cargo electric bicycle and trailer in Holtensen, Germany

Our environment

- Renold meets all local legislative requirements in the markets we operate in
- We apply uniform standards wherever we can and will require higher standards than locally required in many instances
- Renold consider the sustainability of all commercial decisions taken, see Sustainability on pages 38 to 48.

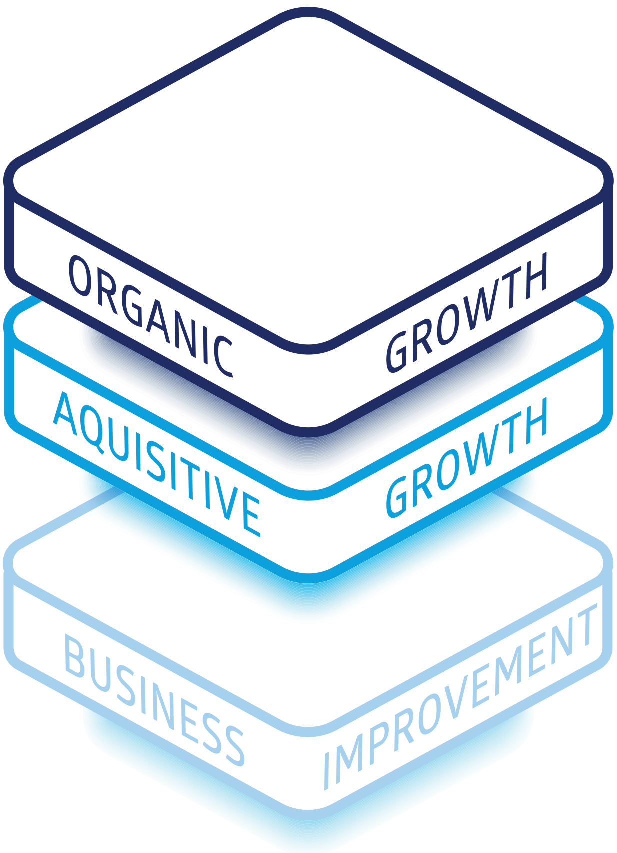

Work together to achieve excellence


Accept accountability


Be open-minded

STEP2 Strategic plan

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



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

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

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

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

1

Strategic plan – STEP2

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

Organic growth through focus and product development

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

Focussed approach to products, applications and geographical markets.

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

Increasing ability to sell our entire product range globally.

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

Helping customers achieve their sustainability goals.

Objectives

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

Renold has developed a detailed organic growth strategy to expand market share in specific product and application niches of the market, these include:

- Technical advances aimed at stretching the market upwards
- Strengthening market penetration focussed on in-filling product gaps
- Range extension into adjacent products

The acquisition of Industrias YUK in August 2022, brought to the Group a number of benefits, including:

- Strengthening the Group's Conveyor Chain offering to the wider European market
- Increasing the Group market share in the Iberian market
- Manufacturing synergies through diverting external purchases to Group supply
- Adding new product areas into the Group product portfolio

The Group business improvement strategy progressed significantly during the year, focused on improving competitiveness, volume and margin growth, and involved:

- Simplification of product ranges
- Standardisation of components to drive up batch sizes, resulting in manufacturing productivity improvements
- Automation of production techniques

The standardisation of the Group IT systems continued during the year

2

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

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

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

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

Strong track record with recent bolt-on acquisitions.

3

Business improvement through flexibility and route to improved margins

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

Investment in automation and the upgrade of existing facilities.

Continued implementation and enhancement of Group business systems capabilities.

Geographic manufacturing footprint diversification; improving flexibility between locations.

Chief Executive's review

"I am delighted with the Group's robust performance during the last financial year, which delivered record results and exceeded market expectations, reflecting the benefits of the strategic programmes implemented in recent years and the hard work of all our employees across the world in what has often been a challenging and rapidly changing environment."

ROBERT PURCELL
CHIEF EXECUTIVE

1. See alternative performance measures on page 163 for definitions of adjusted measures and the differences to statutory measures.
2. Operational gearing is defined as the year-on-year change in adjusted operating profit, divided by the year-on-year change in revenue.

The strong momentum that the Group achieved in the previous financial year continued in financial year 2023, despite the economic headwinds experienced due in part to the Russian invasion of Ukraine, the subsequent impact on European energy prices and the tail-end pandemic-related economic issues.

In August 2022, the Group acquired YUK for €24m, which increases the Group's access to the Iberian Chain and wider European Conveyor Chain markets. The business is performing ahead of the Board's expectations at the time of the acquisition.

Group order intake during the year was £257.5m, an increase of 15.0% on a reported basis and 7.8% at constant exchange rates over the prior year. Encouragingly, the Group has now seen order intake grow for each of the last six sequential half year reporting periods. Excluding the recently announced £8.9m long-term military contract, and the £11.0m military contract announced in the prior year, order intake for the year increased by 16.8%, or 9.2% at constant exchange rates. YUK contributed £10.5m (or 4.5%) of Group order intake. The resultant year end order book of £99.5m gives the Group a strong foundation upon which to build in the new financial year (31 March 2022: £84.1m).

The growth in Group revenue to £247.1m was also encouraging, representing a year-on-year increase of 26.6% on a reported basis and 18.8% at constant exchange rates. Excluding the impact of the YUK acquisition, turnover increased by 21.2%, or 13.5% at constant exchange rates. Final quarter revenues at £70.0m were particularly strong and were £17.0m (32.1%) ahead of the comparable quarter last year, with North America especially delivering a particularly strong performance.

Group adjusted operating profit[1] at £24.2m (2022: £15.3m) was 58.2% ahead of prior year on a reported basis, and 46.4% ahead on a constant currency basis. Profitability was particularly strong in the second half of the financial year, where the Group reported a return on sales of 11.2%. The incremental operating profit gearing[2] was a creditable 17.1%, despite the impact of the widely reported economic headwinds, impacting raw material availability and inflation. The operating profit gearing was helped significantly by the swift action to pass on cost inflation. Statutory operating profit increased to £22.9m (2022: £16.2m).

The Group continued to benefit from the impact of the significant efforts undertaken in the year, and previous years, to lower the fixed cost base, increasing flexibility and operational leverage. The Group has successfully managed a period of significant supply chain disruption to materials and transportation, in terms of availability, lead times and increased input costs. Cost increases have been successfully recovered through selling price increases as well as cost reduction, simplification and standardisation programmes. We expect cost pressure on material, labour, energy and transportation to persist in the current financial year.

Renold continues to drive increased performance through specific projects aimed at better levels of operational efficiency and productivity, through automation, improved design and standardisation of products, better utilisation of machinery and people, including more flexible working practices, and leveraging the benefits of improved procurement strategies. The Group's capital investments returned to more normal levels following a period of lower spend in the prior year as a result of the pandemic, and have concentrated on increased automation within all of our facilities. The Group's operational capabilities are steadily improving as consistent levels of investment come to fruition, and we continue to develop our in-house technologies and investments, allowing us to produce higher specification and better performing chain that maintains our market leadership.

The strong focus on cash management remains a key priority for management. Closing net debt was £29.8m (31 March 2022: £13.8m), with the increase attributable to the £17.8m of initial acquisition cash consideration paid during the year for YUK. Excluding this acquisition consideration, the level of net debt reduced during the year by £1.8m and in the second half of the year by £4.2m. The resulting net debt to EBITDA ratio of 0.8x (2022: 0.5x) affords significant headroom against the Group's banking covenants and, in turn, provides greater flexibility and funding capabilities to transact quickly on investment decisions, both organic and through acquisitions, to drive growth, efficiency and productivity.

Activity in the Chain division continues to be robust, with H2 external order intake showing a 17.4% improvement over the strong levels seen in H2 of the last financial year. Output has also continued to improve with H2 constant currency turnover increasing by 22.3% in comparison to the

Warehouse in our newly acquired Industrias YUK S.A. site in Valencia, Spain.

same period last year. In a similar vein the adjusted profitability of the Chain business in H2 has increased by 69.5% at constant rates, when again compared to the equivalent period in the last financial year, and return on sales for the year at 13.4% (2022: 11.9%) continues to show progress.

The Torque Transmission division is generally a longer lead time, later cycle business. External order intake continued to grow, with the H2 order intake some 44.7% higher than the equivalent prior year comparator. Excluding the impact of the long-term military contract of £8.9m announced in January 2023, underlying order intake improved by 14.2%. Similarly, turnover has improved, with sales in H2 30.3% up on the prior year equivalent figure, as the base load work that the military contracts provide is taken to turnover. The return on sales for the division was 11.1% (2022: 10.1%).

Current operating environment

The volatile operating environment the Group has faced over recent years abated a little in financial year 2023. The effects of the Covid-19 pandemic, especially in the UK, Europe and the US, were less marked, only to be replaced with new economic uncertainties brought about by the war between Russia and Ukraine.

During the year Covid-related disruption to our Chinese facilities, located in the wider Shanghai region, delayed inventory shipments to other companies in the Group, and at times staff absenteeism in the facility approached 50% which has negatively impacted costs, productivity and service levels from the factory. At other facilities, and following government guidance, the enforcement of our Covid protocols and health measures to try to protect all our staff were relaxed.

Towards the end of the financial year, the impact of previously reported extended shipment times and increased freight costs throughout the world abated, allowing the Group to make inroads into clearing the overdue order backlog. Accordingly, the Group recorded a record turnover of some £70.0m in the final quarter of the financial year. The availability of trucks, drivers and container freight services has improved in both reliability and expense, but still remain far from pre-pandemic norms. The upward pressure on goods in transit inventory levels also abated, which together with utilisation of the buffer stocks built up in H1 ahead of potential German energy rationing, allowed the Group to achieve positive cash generation in H2 of £4.2m.

As reported in the previous financial year, whilst recognising the human tragedy unfolding during the war between Russia and Ukraine, ceasing trading with sanctioned regions has little direct impact on the Group; sales to Russia and Ukraine during FY22 were low at c.0.5% of Group turnover. The Group continued to support our agents and distributors in the non-sanctioned parts of Ukraine, but obviously maintained close scrutiny on the levels of credit risk to which the Group is exposed.

Sustainability

Renold intensified its focus on Group projects during the year and significant efforts were made to collate energy and carbon-related statistics from throughout the Group to gain a proper base line from which to measure progress in both energy and carbon reduction projects. A full inventory of the Group's energy intensive fleet of heat treatment facilities was undertaken, and the Group's technical and operational management have started to formulate a strategy, working with the Group's equipment suppliers, to reduce the environmental footprint of our heat treatment processes as the age of equipment approaches the point where replacement is required. This exercise has already had initial success as our German facilities adopted more energy-efficient working practices during the year, which allowed the number of furnaces continually operating at the plant to be reduced by 25%.

The Group Sustainability Committee drove a packaging project which is aimed at producing new standard transmission chain packaging designs which are made from recycled material and are themselves fully recyclable. All adhesives, inks and labels used in these new designs, which will be common across the world, are also recyclable. The new designs have been produced in such a way that they have significantly reduced the amount of packaging lines that individual plants are required to keep in stock.

At a regional level, our businesses across the world have been asked to develop their own sustainability project roadmaps, seeking to ensure that our efforts are relevant to the highly diverse regions within which we operate. We will continue to build on the considerable momentum we have gained, delivering ever more local successes.

Chief Executive's review

Finally, our technical, product development and commercial teams are actively developing a more efficient and environmentally sustainable product offering for our customers, whether that be in terms of product life and replacement cycle, or through being cleaner by reducing the need for product lubrication. More information on our progress and plans can be found in the Sustainability section of the Annual Report.

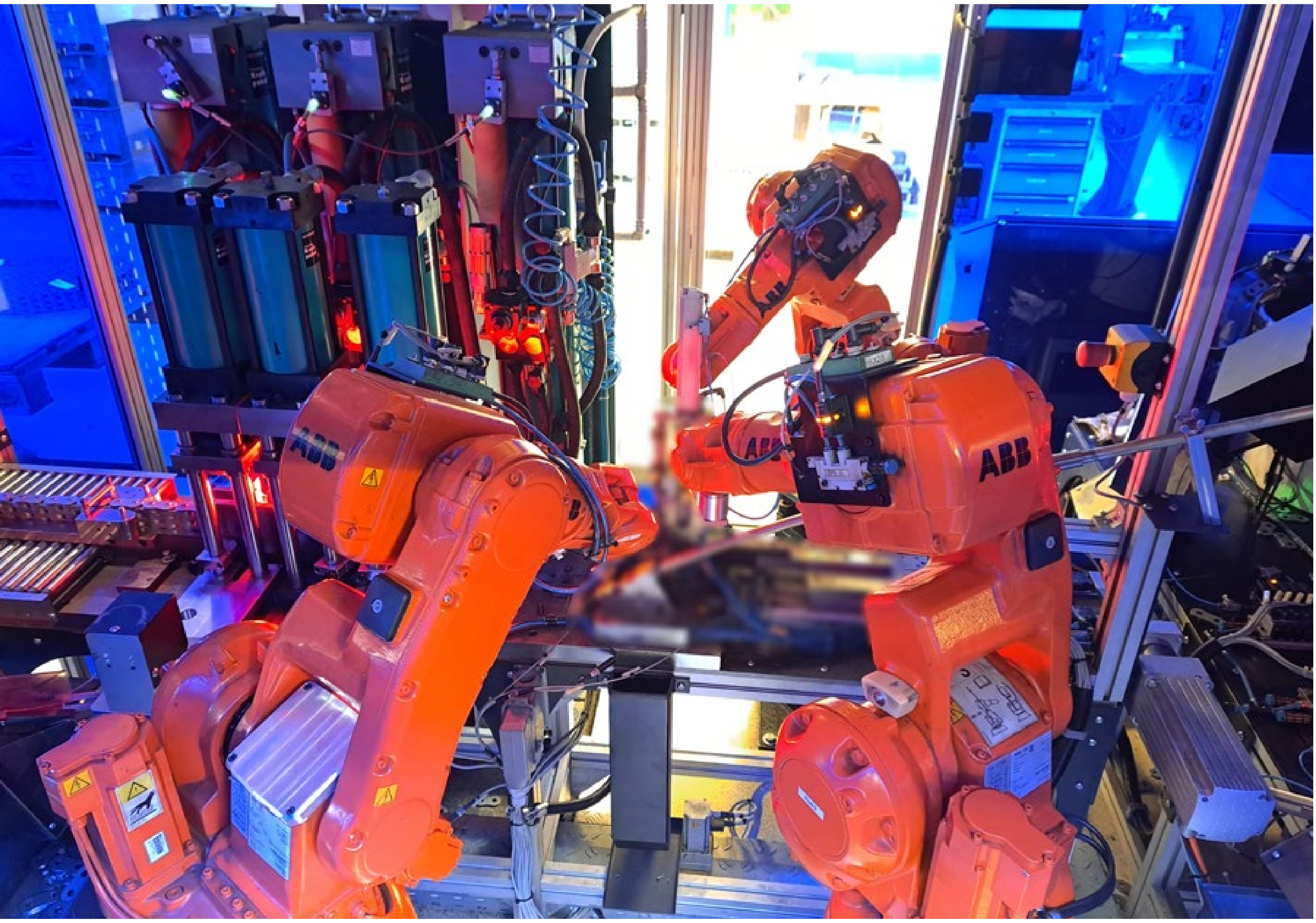
Strategic Plan – STEP2 progress

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

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

During the year, Renold took the first significant step in the acquisitive growth phase of our strategy. In August 2022, Renold acquired the business of YUK, a Valencia-based manufacturer and distributor of high quality conveyor chain ("CVC") and ancillary products. The acquisition not only provides the Group with high quality European-based CVC manufacturing capability, but also substantially increases the Group's access to the Iberian market where historically we have been under represented. The acquisition will allow Renold to leverage YUK's strong CVC market position in Spain and Portugal to expand sales of the Group's existing range of premium European transmission chain ("TRC") products, and enable sales of YUK products throughout Renold's extensive European sales network beyond Iberia.

Robots at work in our facility in Einbeck, Germany.



Organic growth and business improvement is a fundamental driver in the Group strategy moving forward. Renold is consistently enhancing its operational capabilities through upgrading equipment and processes across the world. Capital expenditure was £8.4m in the period, a considerable increase on the prior year and we expect it to rise again in the new year. We have made good progress in difficult circumstances, as supply chain issues have affected our equipment suppliers as much as ourselves.

We have a clear vision of where our Chinese factory fits into our global supply chain and our expectations for growth in the Chinese market itself. External order intake in China grew by 33.6% year on year, while external sales revenue increased by 12.9%. We are constantly upgrading capabilities in the facility and we will be offering higher specification Chinese-made product into the domestic market as well as across the world.

In our Indian business, efforts continue to fully integrate the business into the Group supply chain. Investments in production capabilities, including new press equipment equivalent to the equipment available in our US and European factories, is providing improvements in product quality and uniformity. India offers a very attractive market in its own right and an interesting and effective alternative to our Chinese chain manufacturing site. India provides the Group with an alternative supply base as customers' supply chains flex, driven by an increasing level of concern about international trade tariffs and the concentration of supply from a single region.

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

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

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

With the ongoing recovery of our markets, the financial benefits of these improvements will increasingly come to the fore. Renold is well positioned to capitalise on these developments in the years ahead.

Macroeconomic landscape and business positioning

The underlying fundamentals of the Group and the markets we serve provide confidence that Renold is well placed to continue to develop and deliver sustainable profitable growth. Many of these intrinsic qualities have remained consistent over many years but we are now proactively building on these fundamentals. They include:

- **Valued and recognised brand with well-respected engineering expertise**

  The Renold brand has been built up over our 150-year history and is trusted by customers to deliver exceptional products due to our world-class engineering and product knowledge.

- **Global market position and unique geographical manufacturing capability**

  The global market position of Renold has existed for many years, but following significant strategic investments in the Chain division the geographic manufacturing footprint and capabilities we have are unique, permitting us to service customer demand with increasing levels of flexibility – a critical factor in a rapidly changing market environment.

- **Relatively low cost, but business critical products**

  Chain and Torque Transmission products are fundamental elements of the systems into which they are incorporated. Our products are often a small proportion of the cost of the entire system, but critical to its operation.

- **Broad base of customers and end-user markets**

  Renold products are used in an extremely diverse range of end applications, sectors, markets and geographies, resulting in a huge spread of customers and industries served. Markets and applications will change and vary in the ever-altering environment we operate in but, with its wide spread of products, geographies, applications and customers, Renold is well positioned.

- **High specification products delivering environmental benefits for our customers**

  Renold products have always been high specification premium products which deliver exceptional benefits to customers. Whether through greater efficiency leading to lower power usage, longer life providing lower lifetime usage of materials and energy in their manufacture and logistics, or lower lubrication requirements, Renold products are well placed for an increasingly environmentally aware marketplace. Our products are capable of helping our customers meet their sustainability objectives whilst saving them money.

Outlook

I am pleased with the Group's strong performance over the year, which reflects the benefits of the strategic developments completed over prior years and the hard work that all our employees across the world have contributed during a most difficult period. Our employees have responded excellently to the challenges we have faced, and I thank them for their dedication and commitment to the Group and our customers during these extraordinary times.

Throughout the reported period the business performance has been on an improving trend and finished particularly strongly as supply chains eased in the last quarter. We expect the current financial year to be no less challenging, but we remain vigilant in the environment within which we operate; however, we started the new financial year from a positive position with good momentum and confidence in the capabilities and fundamentals of the Renold business and the markets we serve.

ROBERT PURCELL
CHIEF EXECUTIVE

11 July 2023

Our key performance indicators

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

Strategic objectives

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

KPI result change

(from prior year)

- Improvement
- Unchanged
- Deterioration

Read more about our strategy on pages 20 to 21.

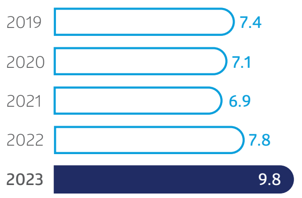
Profit measures B D E

Why it's important to Renold

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

Return on sales (%)

Adjusted operating profit divided by revenue.



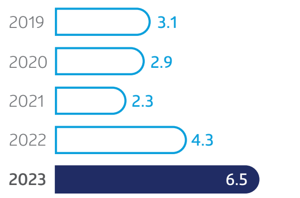
Commentary:

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

Change: Improvement

Adjusted earnings per share (p)

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



Commentary:

EPS progression is in line with the improvement in the strength of the underlying business, coupled with a value enhancing acquisition.

Change: Improvement

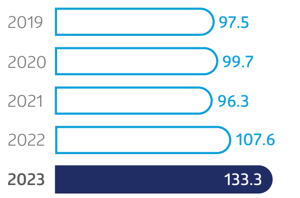
Efficiency measures B D E F

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)

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



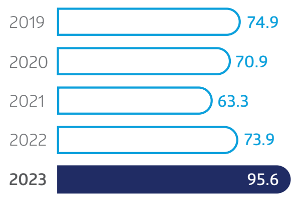
Commentary:

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

Change: Improvement

Total overheads (£m)

Costs that are, in theory, fixed or very inflexible. Controlling these costs allows us to adapt to business change and to enhance our operational gearing.



Commentary:

Overheads are tightly controlled, with proactive actions to offset the impact of inflation. Increase is partly due to acquisition in the year, coupled with increasing discretionary spend in light of activity levels and commercial opportunities.

Change: Unchanged

Capital and cash measures E G

Why it's important to Renold

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

Cost of servicing legacy pensions (£m)

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

2019	5.5
2020	5.2
2021	2.6
2022	5.5
2023	**6.5**

Commentary:
Pension cash costs have increased, largely due to known £1.0m additional pension payment when Group adjusted operating profit exceeds £16.0m. This commenced 1 April 2023.

Change ↘

Average working capital ratio (%)

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

2019	23
2020	23
2021	24
2022	18
2023	**17**

Commentary:
Tight working capital control maintained; delivering working capital ratio reduction despite step change in activity.

Change →

Leverage ratio

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

2019	1.3x
2020	1.7x
2021	0.9x
2022	0.6x
2023	**0.9x**

Commentary:
Overall leverage increased slightly as a result of the acquisition part way through the year, however, EBITDA growth continued and strong working capital control resulted in reduction in underlying leverage.

Change →

Net debt (£m)

Total borrowings less cash balances.

2019	30.3
2020	36.6
2021	18.4
2022	13.8
2023	**29.8**

Commentary:
Good trading cash generation achieved, which partly offsets the full net debt increase attributable to the acquisition made in the year.

Change →

Health and safety measures A F

Why it's important to Renold

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

Lost time accident frequency rate

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.

2019	15
2020	9
2021	6
2022	10
2023	**5**

Commentary:
After a disappointing performance in 2022, we are now back on track and have continued the longer term improving trend of LTAF reduction.

Change ↗

Reportable injury rate

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.

2019	1,909
2020	1,014
2021	598
2022	1,406
2023	**1,056**

Commentary:
A 50% reduction in the overall number of lost time accidents is reflected in the decrease in reportable injury rate above.

Change ↗

Lost time days

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

2019	1,126
2020	340
2021	168
2022	467
2023	**199**

Commentary:
Although we have achieved an improvement on the previous year, this remains an area for further improvement and management focus.

Change ↗

Safety improvements

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

2019	1,350
2020	1,254
2021	1,321
2022	1,699
2023	**1,519**

Commentary:
We are pleased to have continued the higher level of safety improvements reported, reflecting the continued commitment and effort of all employees.

Change →

Our performance

Chain performance review

Turnover grew markedly during the year, with total Chain turnover increasing 27.1% year-on-year to £202.4m; 19.3% at constant exchange rates. In August 2022 the Group acquired YUK and during the period of ownership YUK contributed turnover of £10.5m, representing 5.2% of Chain turnover at actual exchange rates and 5.4% at constant exchange rates. The final quarter of the year saw a further step-up in activity for the Chain division, with Q4 turnover some 23.5% higher than the prior year comparator at constant exchange rates, as the impact of extended shipment times abated and both the US and European businesses were able to clear order backlogs. The increased revenue resulted in return on sales improving by 150 basis points, to 13.4% (2022: 11.9%). The operational gearing[1] on the increased activity at constant exchange rates was a creditable 21.8%, as the impact of increased prices, volumes and significant operational efficiency gains fell through to the bottom line. Adjusted operating profit was £27.2m (2022: £18.9m), £8.3m higher than the prior year level.

	2023 £m	2022 £m
External revenue	**201.5**	158.2
Inter-segment revenue	**0.9**	1.0
Total revenue	**202.4**	159.2
Foreign exchange	**(12.5)**	–
Revenue at constant exchange rates	**189.9**	159.2
Operating profit	**26.5**	20.5
US PPP loan forgiveness	**–**	(1.7)
Amortisation of acquired intangibles	**0.7**	0.1
Adjusted operating profit	**27.2**	18.9
Foreign exchange	**(1.6)**	–
Adjusted operating profit at constant exchange rates	**25.6**	18.9

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

Order intake in the Chain division increased by 18.6% year on year, with activity in both the US (+35.8%) and Australasia (+16.2%) showing a marked increase, especially during the final quarter of the year. External order intake in Europe grew by a headline rate of 5.8%, however, this is flattered by the YUK acquisition. Excluding the impact of YUK, underlying order intake in Europe fell 8.0% year-on-year, as the economic disruption of the Ukraine / Russia conflict was felt through the broader European economy, whilst European distributors destocked. In China, despite the Covid-related disruption during the year, external order intake grew by 33.6%, albeit from a low base. Order intake in India fell year-on-year by 6.3%, following a poor year in the agricultural market, coupled with a very tough comparator period.

Closing order books for the division finished the year at £60.9m (2022: £53.9m), some 13% ahead of last year which positions the Group well for the current financial year.

Chain Europe, which is our largest Chain business, saw a sharp increase in external revenues, which increased 25.0% over the prior year. Excluding the impact of the YUK acquisition, underlying revenues increased by 9.2%. Book and ship sales were depressed in H1, but recovered through the second half of the year due to distributor restocking, with Q4 sales 28.6% above the same prior year period and 26.1% above the average of the first nine months of the year. Targeted sales activity in key sectors saw both our OEM and End User business develop strongly, growing 13.5% and 29.8% respectively, with particularly strong growth in the areas of materials handling increasing 22.4% and manufactured products up 15.3%. Revenue progressively strengthened from the outset of the year, a trend which continued throughout each subsequent quarter.

The increased activity, together with the benefit of cost reduction activities, both in the current year and in the prior year, and new commercial initiatives, resulted in a substantial increase in underlying adjusted constant currency operating profit. Plans are in place to expand the Renold Service Centre footprint through the opening of a location in Turkey, close to Istanbul. The introduction of this new stock-holding location, together with the utilisation of the newly acquired YUK warehouse, should allow reduced delivery times and increased customer service, and hence sales, throughout the southern European region.

In the Americas, activity again increased markedly. External order intake at £92.3m was a record high, exceeding the £68.0m record achieved in the previous financial year by 35.7%. Turnover at £85.5m was 35.8% higher than the prior year comparator, driven by both significant input cost recovery work and an increase in projects related to the marine, food machinery, theme parks and utilities sectors. Sales to OEM customers grew steadily, especially in the escalator and forklift truck market, while increased sales of transmission chain products sold through distributors steadily increased. New business opportunities, especially in the ethanol, grain handling and forestry markets, were enhanced by the introduction of new products. Production capabilities were continually enhanced with further investment in automated equipment and development projects, and a large infrastructure project is being undertaken to see that the Morristown facility is positioned to take advantage of future growth opportunities. Underlying constant currency operating profit increased to a new record high.

In Australasia we continued to deliver revenue growth with the region being less impacted than our other markets by the commercial impacts of the pandemic and recorded revenue growth of 20.8%. Australia itself had a good year with revenue up 19.6%, with continued improvement seen in a number of sectors including mining and sugar. The recent trend of customers increasingly buying more domestically produced goods appears to be continuing, even though ongoing supply chain disruption to imported products appears to be reducing. Customers are increasingly seeing the benefits of our product-enhancing engineering capabilities that deliver real value through better performance and longer chain life. We continue to invest in the production capabilities of our Melbourne factory, with the recent purchase of further CNC equipment. Sales in New Zealand continued to grow strongly during the year, showing a 10.4% increase. Malaysia and Indonesia reversed the decline seen in the last financial year, recording growth rates of 35.3% and 24.5% respectively. Thailand was the only country in the region which recorded a decline in activity, showing a reduction in excess of 10%. We are continuing to expand our sales into more industries in South East Asia, with an initial assessment of commercial potential in Vietnam being undertaken.

Revenue in India grew by 13.1% during the year, helped in part by the opening of the first of a series of regional distribution warehouses in Nagpur to offer our customers and distributors much better and quicker supply. Plans are in place for a further three regional distribution centres to help give significantly improved delivery times to all parts of India over the coming years. Investment plans for the Indian operation include the introduction of state-of-the-art technology used elsewhere in the Group for the manufacture of many component types and assembly. Plans are also taking major steps forward for the introduction of the Group ERP platform, M3, which is expected to provide significant operational benefits within the current year.

Revenues in China grew by 7.9% during the year, driven primarily by a significant 12.9% improvement in domestic Chinese demand. Growth in intra-group demand from Europe and the US also increased significantly in the first half of the financial year, but slowed in the latter part of the year as intra-group order patterns were adjusted to take into account the improving delivery times to Western markets. Activities to correct stock holding patterns in our European and US warehouses, and the Covid-related disruption in the Chinese factory also subdued activity in the second half of the year. Efforts and investments to continue to improve the quality and specification of products manufactured in China bore fruit during the year, as product quality in the Chinese factory improved sufficiently to allow the transfer of the manufacture of several mid-tier Renold standard products and components to China. Manufacture of premium and high specification products will continue in our US and European facilities. During the year, our Chinese team initiated a project to upgrade certain component manufacturing processes to use state-of-the-art technology, while making significant investment in automated assembly lines to facilitate high volume sales growth in both domestic and overseas markets.

The Chain division continues to develop and evolve through investment in equipment, processes, training and development of our people, engineering and sales, and this provides us with an excellent base from which to build benefits derived from the many opportunities in this market.

Torque Transmission performance review

Divisional revenues of £48.8m were £8.4m higher than in the prior year (+20.8%) due to a recovery in demand in our North American markets. Our North American manufacturing and distribution business, based in Westfield NY, saw turnover grow by 35.8% year-on-year. In January 2023, the Group announced it had secured an £8.9m long-term agreement to supply large Hi-Tec couplings for the initial phase of a military contract for the Royal Australian Navy, an agreement which followed a similar military contract to supply the second phase of a contract for the Royal Navy in FY22. Progress on both these contracts was recorded during the year, and contributed to a 7.1% increase in the Renold couplings business.

Divisional adjusted operating profit at constant exchange rates increased by 24.4% to £5.1m in the year. Return on sales for the division was 11.1% (2022: 10.1%), an increase of 100bps during the year.

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

	2023 £m	2022 £m
External revenue	**45.6**	37.0
Inter-segment revenue	**3.2**	3.4
Total revenue	**48.8**	40.4
Foreign exchange	**(2.8)**	–
Revenue at constant exchange rates	**46.0**	40.4
Operating profit (and adjusted operating profit)	**5.4**	4.1
Foreign exchange	**(0.3)**	–
Adjusted operating profit at constant exchange rates	**5.1**	4.1

Order intake for the year increased 2.1% to £53.3m (2022: £52.1m), a reduction of 3.2% at constant exchange rates. Excluding the impact of the £8.9m long-term military contract, and £11.0m military contract announced in FY22, order intake increased by 7.8% or 1.1% at constant exchange rates.

The North American business unit benefitted from a significant increase in demand for gears and couplings supplied intra group from the UK, but also experienced a significant uptick in demand for own manufactured gear spindles and shakers, both in the US domestic market and internationally. Demand for gear couplings to the US mass transit market also strengthened significantly. Demand for group-supplied products in both the Chinese and Australian distribution and service centres also grew by 44.6% and 32.5% respectively, as supply chain issues encountered in the last financial year were resolved.

The Couplings business delivered a 6.7% increase in turnover year-on-year. As expected, turnover in the marine business, which manages the long-term military contracts, increased year-on-year by £0.8m, as work commenced on the second phase of the UK military contract, as well as the initial phase of the Australian military contract. Product mix improved markedly in the second half of the year as the lower margin initial phase of the contract was completed, and the higher margin phase of the work commenced. Product development in the couplings division continued with new designs for couplings that expand the performance envelope of current products whilst adding new features and benefits, while sales of the RBI rubber in compression product continued apace.

The Gears business made good progress in order intake, turnover and margin despite facing significant material and energy cost increases. Notable product developments during the year include new products aimed at the escalator market, especially relating to metro systems, and a number of specialist niche products aimed at the water treatment market. Demand from OEM customers, particularly for larger projects in the US and UK which are our key geographic markets, remained strong during the year.

The broad strength of the Torque Transmission division sales and margin performance reflects the later cycle nature of the division in comparison to Chain.

Finance Director's review

> Renold delivered a record performance during the year, with Group revenue increasing by 26.6% to £247.1m, order intake increasing 16.5% to £260.3m, and adjusted operating profit increasing 58% to £24.2m."
>
> **JIM HAUGHEY**
> **FINANCE DIRECTOR**

Renold delivered a record performance during the year, with Group revenue increasing by 26.6% to £247.1m. The business produced an adjusted operating margin of 9.8% (2022: 7.8%) and, following the acquisition of YUK in August 2022 for initial cash consideration of €20.0m, achieved a significant reduction in net debt of £4.2m during the second half to end the year to £29.8m (31 March 2022: £13.8m).

Orders, revenue and operating profit

	2023			2022		
Reconciliation of reported to adjusted results	**Order intake £m**	**Revenue £m**	**Operating profit £m**	Order intake £m	Revenue £m	Operating profit £m
Reported	**257.5**	**247.1**	**22.9**	223.9	195.2	16.2
US PPP loan forgiveness	**–**	**–**	**–**	–	–	(1.7)
New lease arrangements on sublet properties	**–**	**–**	**–**	–	–	0.7
Amortisation of acquired intangible assets	**–**	**–**	**0.7**	–	–	0.1
Acquisition costs	**–**	**–**	**0.6**	–	–	–
Adjusted	**257.5**	**247.1**	**24.2**	223.9	195.2	15.3
Impact of foreign exchange	**(16.1)**	**(15.3)**	**(1.8)**	–	–	–
Adjusted at constant exchange rates	**241.4**	**231.8**	**22.4**	223.9	195.2	15.3

Group order intake for the year increased by 15.0% to £257.5m (2022: £223.9m), or 7.8% at constant exchange rates, and included an £8.9m long-term military contract win, following a similar contract win of £11.0m in FY22.

Group revenue increased by £51.9m (26.6%) to £247.1m, or £36.6m (18.8%) at constant exchange rates. Activity steadily increased throughout the year as manufacturing facilities ramped up production in response to the increased order intake levels. The activity in quarter four was some 32% higher than prior year as the Group's US operations shipped some significant orders which repeat on a four-year cycle, and better lead times on the supply of Group product from China resulted in a reduction in overdue order backlog. Both divisions saw an increase in turnover, with the Chain division recording an increase at constant exchange rates of 19.3%, while the Torque Transmission division, which is a larger order and longer cycle business, increased by 13.9%.

The Group generated an adjusted operating profit for the year of £24.2m (2022: £15.3m), excluding the impact of adjusting items as detailed below. Reported operating profit for the year was £22.9m (2022: £16.2m). Operating profit margin, calculated on a statutory basis, was 9.3% (2022: 8.3%) and return on sales increased by 200 bps during the year to 9.8% (2022: 7.8%).

Adjusting items

Adjusting items for the year ended 31 March 2023 comprise acquisition-related intangible asset amortisation of £0.7m (2022: £0.1m), acquisition costs of £0.6m (2022: nil) and re-evaluation of prior year tax positions across the Group of £0.4m (2022: nil). Prior year adjusting items, which have not been repeated in the current year, include a £1.7m gain from the forgiveness of US Covid-related loans and a £0.7m charge from new lease arrangements at previously closed sites, including adjustments relating to the sublease of the closed Bredbury facility and the termination of a lease at a site in Rainham, Essex.

Foreign exchange rates

The majority of Renold's business is denominated in US Dollars and Euro's. The impact of the strengthening of these currencies against Sterling was to benefit Group revenues, profits and net assets in FY23 when translated back into Sterling in the consolidated financial statements.

Foreign exchange rates have remained volatile, with a 3% weakening of Sterling against the Euro and 6% weakening of Sterling against the US Dollar between March 2022 and March 2023.

Phasing of movements over the current and prior year mean the weighted average exchange rate used to translate the Euro and US Dollar varies to the movement in the closing rates. The weighted average exchange rates were 1.20 for the US Dollar and 1.15 for the Euro for the year ended 31 March 2023 (2022: 1.36 and 1.17 respectively).

FX Rates (% of Group sales)	31 Mar 22 FX rate	31 Mar 23 FX rate	31 Mar 23 Var %	2022 Average FX rate	2023 Average FX rate	2023 Var %
GBP/Euro (30%)	1.18	1.14	-3%	1.17	1.15	-2%
GBP/US$ (37%)	1.32	1.24	-6%	1.36	1.20	-12%
GBP/C$ (5%)	1.64	1.67	2%	1.71	1.60	-6%
GBP/A$ (5%)	1.75	1.85	6%	1.84	1.77	-4%

If the year-end exchange rates had applied throughout the year, there would be an estimated increase of £3.4m to revenue and £0.4m to operating profit.

Finance costs

Total finance costs in the year were £5.6m (2022: £3.8m).

Total loan finance costs include external interest on bank loans and overdrafts of £2.3m (2022: £1.1m), amortisation of arrangement fees and costs of refinancing and the transition of banking arrangements from LIBOR to SONIA during FY22, of £0.3m (2022: £0.3m), and £0.7m (2022: £0.5m) of interest expense on lease liabilities.

The increase in interest payable on external bank loans and overdrafts was driven by the acquisition of YUK for €24.0m during August 2023 (cash of €20.0m paid in the year), together with the impact of successive increases in the UK base rate during the second half of the financial year.

The net IAS 19 finance charge, which is a non-cash item, was £2.1m (2022: £1.8m).

Finance costs also include £0.2m (2022: £0.1m), resulting from the unwind of discounts on the deferred build costs of the Chinese factory.

During May 2023, the Group announced that it had reached agreement with its banking syndicate for the extension of its core banking facilities that were due to mature in March 2024, initially for a three-year term to May 2026 but with an option to extend the term for a further two years. The new £85.0m multi-currency revolving credit facility is increased from the previous level of £61.5m. There is an additional £20.0m accordion option which will allow the Company to access additional funding, subject to further bank/credit approval, in support of its acquisition programme; a key part of the Group's STEP2 strategy. Within the principal facility term the net debt/EBITDA covenant is improved from the previous level of 2.5x EBITDA to 3.0x EBITDA, with other key terms remaining unchanged.

Profit before tax

Profit before tax was £17.3m (2022: £12.4m).

Taxation

The total tax charge in the year of £5.5m (2022: £2.2m) is made up of a current tax charge of £4.2m (2022: £2.0m) and a deferred tax charge of £1.3m (2022: £0.2m). The increase in the current tax charge is attributable to an increase in Group profit generated in higher tax jurisdictions together with various adjustments to build the Group provision held for uncertain tax matters which reflects a best estimate of amounts to be paid in future tax years. For further details see Note 4.

The increase in the deferred tax charge is primarily attributable to accelerated tax loss utilisation and tax depreciation in excess of book in overseas jurisdictions.

During the year we have re-evaluated various tax positions across the Group for transfer pricing and deferred tax, relating to earlier years, and details of which can be found in Note 4.

The effective tax rate for the year was 32% (2022: 18%), with the increase attributable to the items set out above, coupled with the impact of non-recurring items which reduce profit but are non-taxable items. Excluding the non-recurring items, the effective tax rate on adjusted earnings was 27% (2022: 19%).

Earnings per share

Profit after tax of £11.8m was achieved for the financial year ended 31 March 2023 (2022: £10.2m). Adjusted earnings per share were 6.5p (2022: 4.3p), which excludes one-off items in the year noted above. Basic earnings per share were 5.7p compared to 4.7p for the year ended 31 March 2022.

	2023 £m	2022 £m
Adjusted profit after taxation	13.5	9.3
Effect of adjusting items, after tax:		
– US PPP loan forgiveness	–	1.7
– New lease arrangements on sublet properties	–	(0.7)
– Amortisation of acquired intangible assets	(0.7)	(0.1)
– Acquisition costs	(0.6)	–
– Tax adjustments relating to prior year	(0.4)	–
Profit after taxation	11.8	10.2
Basic adjusted earnings per share	6.5p	4.3p
Basic earnings per share	5.7p	4.7p

Finance Director's review

Balance sheet

Net assets at 31 March 2023 were £39.1m (31 March 2022: £7.0m). A net profit of £11.8m was delivered for the year which, together with the impact of the favourable valuation of the Group's pension liabilities and the retranslation of overseas operations, resulted in an increase in net assets of £32.1m.

The pension deficit, on an IAS 19 basis, decreased to £62.2m (31 March 2022: £87.1m). The net liability for pension benefit obligations was £57.1m (2022: £76.1m) after allowing for a net deferred tax asset of £5.1m (31 March 2022: £11.0m), largely reflecting the significantly increased yields on corporate bonds during the year which are used to discount future pension liabilities to present values. At the last triennial pension valuation, at 31 March 2022, the technical provisions deficit of the UK scheme, which is how the trustees and regulator evaluate the scheme, was only £5.9m; an improvement between triennial valuations of £3.2m. This compares to the IAS 19 deficit for the UK pension fund at the date of the triennial valuation of £64.1m. The difference primarily represents the valuation of the capital asset reserve (CAR), currently £44.0m, being the discounted value of guaranteed future cash contributions to the scheme for a fixed period of 25 years commencing in 2013.

Overseas schemes now account for £18.0m (28.9%) of the IAS 19 pension deficits and £17.7m of this is in respect of the German scheme, which is unfunded, with payments made as pensions fall due.

During the prior year, and as part of its long-term financial planning, the Company reorganised its balance sheet and reserves through the cancellation of the entire amount of its share premium account and capital redemption reserve. The share premium account and capital redemption reserve are non-distributable reserves and, accordingly, the purposes for which they can be used are restricted. The reduction of capital creates sufficient distributable reserves to provide the Board with greater flexibility with regard to how it manages its capital resources. An order of the High Court confirming the capital reduction became effective on 27 May 2021, increasing distributable reserves by £45.5m in FY22.

Cash flow and net debt

	FY23 £m	FY22 £m
Adjusted operating profit	24.2	15.3
Add back depreciation and amortisation	10.4	9.4
Add back loss on disposal of property, plant and equipment	0.3	–
Add back share-based payments	1.3	1.1
Adjusted EBITDA[1]	36.2	25.8
Movement in working capital	(10.5)	(0.2)
Net capital expenditure	(8.4)	(5.1)
Operating cash flow[1]	17.3	20.5
Income taxes	(2.7)	(1.7)
Pensions cash costs	(5.8)	(4.8)
Repayment of principal under lease liabilities	(2.9)	(4.2)
Finance costs paid	(3.3)	(1.8)
Consideration paid for acquisition	(18.0)	(0.5)
Own shares purchased	–	(4.9)
US PPP loan forgiveness	–	1.7
Other movements	(0.6)	0.3
Change in net debt	(16.0)	4.6
Closing net debt[1]	29.8	13.8

1. Adjusted EBITDA and operating cash flow are defined in alternative performance measures on page 163.

In the financial year the Group invested £18.0m in acquisitions, primarily YUK. When the acquisition consideration is excluded, the Group generated £2.0m of net cash during the year, of which a reduction of £4.2m occurred in the second half of the financial year. Closing net debt is £29.8m (31 March 2022: £13.8m). Net debt at 31 March 2023 comprised cash and cash equivalents of £19.3m (31 March 2022: £10.5m) and borrowings of £49.1m (31 March 2022: £24.3m).

Within the balance sheet working capital movement, inventory levels increased by £4.5m (2022: £9.5m). The increase was attributable to the Group replenishing stock levels to ensure increased levels of customer service despite supply chain difficulties. Receivables also increased by £2.8m (2022: £4.5m), in line with the increased level of turnover. Careful overall working capital management mitigated these increases.

Net capital expenditure of £8.4m (2022: £5.1m) was increased during the financial year, as the Group's strategic investment programmes gathered pace. The Group sees investments in support of our strategy, aimed at improving heat treatment facilities, broadening manufacturing capabilities, and product assembly automation, especially in our Indian and Chinese facilities, gathering pace in the coming year. Additionally, the installation of the standardised Group IT system continued as planned.

In August 2022 the Group acquired the entire share capital of YUK, a conveyor chain manufacturer based in Valencia, Spain. The total consideration was €24.0m, of which €4.0m is deferred and to be paid in two tranches of €2.0m each, payable 12 and 24 months following completion of the acquisition. Professional fees associated with the acquisition amounted to £0.6m. During the prior financial year, the Group acquired the conveyor chain business of Brooks Ltd, based in Manchester, UK, for a total consideration of £0.7m, of which £0.5m was paid during FY22, and the remaining £0.2m paid in the financial year.

Pension deficit recovery plan cash costs of £5.8m were higher than the prior year equivalent of £4.8m. The increase in contributions is a result of the agreement reached with the UK Pension Trustee in April 2020, whereby £2.8m of FY21 contributions due to be paid to the UK scheme were deferred in light of the potential impact of the Covid-19 pandemic. The deferred contributions are being repaid over the five-year period which commenced on 1 April 2022. In addition, the Group took the opportunity to close the Renold New Zealand pension scheme during the year, which resulted in a one-off pension payment of £0.3m. Going forward, the Group had previously agreed to increase pension contributions to the UK pension scheme by £1.0m per annum once Group adjusted operating profit exceeded £16.0m; additional contributions to the UK pension scheme commenced from 1 April 2023.

Corporation tax cash paid was £2.7m (2022: £1.7m), and was paid in accordance with normal payment on account rules in the countries where the Group has operations.

Net cash flow from operating activities, shown in a statutory format, was £16.7m (2022: £19.3m).

Debt facility and capital structure

During May 2023, the Group announced that it had reached agreement with its banking syndicate for the extension of its core banking facilities that were due to mature in March 2024 initially for a three-year term, to May 2026, with an option to extend the term for a further two years. The new, £85.0m multi-currency revolving credit facility will be increased from the previous level of £61.5m. Additionally, there is a £20.0m accordion option which will allow the Company to access additional funding in support of its acquisition programme as part of the Group's STEP2 strategy. The principal facility term, the net debt/EBITDA covenant, will be improved from the previous level of 2.5 times EBITDA to 3.0 times EBITDA, with other key terms remaining unchanged.

At 31 March 2023, the Group had unused credit facilities totalling £17.3m (31 March 2022: £40.1m) and cash balances of £19.3m (31 March 2022: £10.5m). Total Group credit facilities amounted to £65.9m (31 March 2022: £64.2m), all of which were committed. In May 2023, following the increase in facilities under the new banking arrangements, total committed facilities were £89.7m.

The Group has operated well within agreed covenant levels throughout the year ended 31 March 2023 and expects to continue to operate comfortably within covenant limits going forward.

The net debt/adjusted EBITDA ratio as at 31 March 2023 was 0.9x (31 March 2022: 0.6x), calculated in accordance with the old banking agreement. The adjusted EBITDA/interest cover as at 31 March 2023 was 13.7x (2022: 19.6x), 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 Chair's statement, the Chief Executive's review, the Finance Director's review and in the section on principal risks and uncertainties. Additional details of the Group's cash balances and borrowings and facility are included in Notes 13, 14 and 17.

The key covenants attached to the Group's multi-currency revolving credit facility at year end relate to leverage, net debt to EBITDA, maximum 2.5x, and, following agreement of new borrowing covenants by the Group in May 2023, net debt to EBITDA, maximum 3.0x, and interest cover (minimum 4.0x). The Group regularly monitors its financial position to ensure that it remains within the terms of its banking covenants, and has remained within those covenants for the whole of the financial year.

Given the current level of macroeconomic uncertainty stemming from inflation, global supply chain difficulties and geopolitical risks, and being also mindful of the risks discussed in the section on principal risks and uncertainties, the Group has performed financial modelling of future cash flows. The Board has reviewed the cash flow forecasts which cover a period of 12 months from the approval of the 2023 Annual Report, and which reflect forecast changes in revenue across the Group's business units. A reverse stress test has been performed on the forecasts to determine the extent of a downturn which would result in a breach of covenants. Revenue would have to reduce by approximately 28% over the period under review for the Group to be likely to breach the leverage covenant under the terms of its borrowing facility. The reverse stress test does not take into account further mitigating actions which the Group would implement in the event of a severe and extended revenue decline, such as reducing discretionary spend and capital expenditure. This assessment indicates that the Group can operate within the level of its current increased facilities, as set out above, without the need to obtain any new facilities for a period of not less than 12 months from the date of this report.

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

Treasury and financial instruments

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

To manage foreign currency exchange impact on the translation of net investments, certain US Dollar denominated borrowings taken out in the UK to finance US acquisitions are designated as a hedge of the net investment in US subsidiaries. At 31 March 2023 this hedge was fully effective. The carrying value of these borrowings at 31 March 2023 was £7.3m (31 March 2022: £6.8m).

At 31 March 2023, the Group had £0.5m (31 March 2022: £0.5m) 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 (83% of gross liabilities) and overseas (17% of gross liabilities) defined benefit pension obligations as shown below.

	2023			2022		
	Assets £m	Liabilities £m	Deficit £m	Assets £m	Liabilities £m	Deficit £m
UK scheme	**101.6**	**(145.8)**	**(44.2)**	134.4	(198.5)	(64.1)
Overseas schemes	**12.9**	**(30.9)**	**(18.0)**	15.4	(38.4)	(23.0)
	114.5	**(176.7)**	**(62.2)**	149.8	(236.9)	(87.1)
Deferred tax asset			**5.1**			11.0
Net deficit			**(57.1)**			(76.1)

The Group's retirement benefit obligations decreased from £87.1m (£76.1m net of deferred tax) at 31 March 2022 to £62.2m (£57.1m net of deferred tax) at 31 March 2023. The largest element of the decrease relates to the UK scheme where the deficit decreased from £64.1m to £44.2m primarily due to an increase in AA corporate bond yields, which reduces the present value of gross liabilities under IAS 19. This was partially offset by the impact of an increase in the UK inflation assumption. For the purposes of determining scheme pension payments, inflation is capped for the UK and the US schemes. The deficit of the overseas schemes decreased by £5.0m to £18.0m, reflecting increases in European interest rates, and changes in assumptions for discount and inflation rates. All defined benefit schemes, with the exception of one scheme for blue-collar workers in the US, are closed for future accrual.

UK funded scheme

The deficit of the UK scheme decreased in the year to £44.2m (31 March 2022: £64.1m), reflecting a number of changes in assumptions and factors.

The decrease in gross liabilities of £52.7m arose primarily from a combination of an increase in the rate used to discount the scheme's liabilities (discount rate of 4.85% compared with 2.75% in the prior year) and a reduction in the long-term inflation assumption (CPI of 2.85% compared with 3.25% in the prior year). Partially offsetting the reduction in liabilities was a £32.8m decrease in the value of the scheme's assets, which was primarily due to a reduction in value of the Scheme's investment in LDI.

The latest triennial actuarial valuation of the UK scheme, with an effective date of 5 April 2022, was agreed in April 2023 and identified a deficit of £5.9m; this compares favourably to the £9.1m deficit recorded at 5 April 2019. This is significantly lower than the IAS 19 deficit, largely as the actuarial valuation places a value on the Group's guaranteed future cash payments to the scheme under the central asset reserve structure established in June 2013. The Group had previously agreed to increase pension contributions to the UK pension scheme by £1.0m per annum, once Group adjusted operating profits exceeded £16.0m, additional contributions to the UK pension scheme commenced from 1 April 2023. It is expected that the actuarial valuation deficit of £5.9m can be recovered from these additional cash contributions, together with asset outperformance, above the prudent levels assumed in the valuation, over the remaining life of the scheme.

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

The next triennial valuation date will be as at 5 April 2025.

Overseas schemes

The largest element of the overseas schemes is the German unfunded scheme, with a total liability and deficit of £17.7m (31 March 2022: £22.4m). Other overseas funded schemes comprise a number of smaller arrangements around the world, with a combined deficit of £0.3m (31 March 2022: £0.6m). The combined deficits of all the overseas schemes decreased by £5.0m. During April 2022, the Board's decision to close the New Zealand defined benefit pension scheme was enacted by the scheme trustees.

For overseas pension schemes, the contributions in the year were £1.7m (2022: £1.4m).

JIM HAUGHEY
FINANCE DIRECTOR

11 July 2023

Pension insights

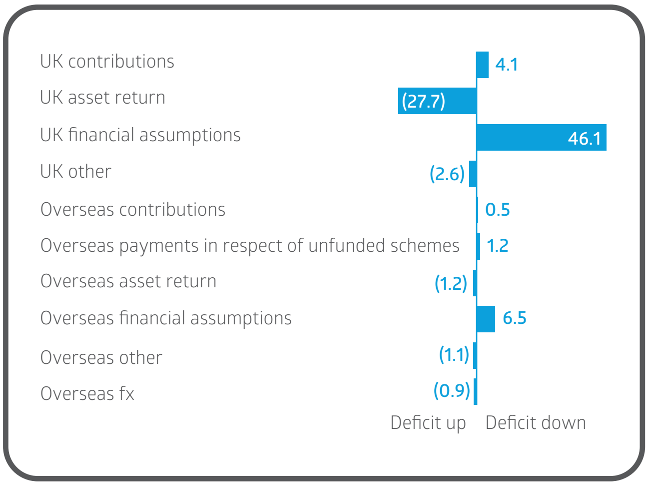
Drivers of pension deficit movement

The net pension deficit decreased by 28.6% in the year to £62.2m.

For the UK scheme, the most significant factor leading to the decreased deficit was an increase in the rate used to discount the gross liabilities, from 2.75% to 4.85%, contributing to the £46.1m decrease due to changes in financial assumptions.

For the overseas schemes, the unfunded German scheme's liability reduced by £4.7m, most significantly reflecting the increase in the discount rates used to discount the scheme's liabilities from 1.75% to 4.30%. In addition to this, the net liability of the US schemes decreased by £0.1m, also driven by an increase in the discount rate used to discount the scheme's liabilities.

The deficit remains highly sensitive to discount rates, and across all schemes it is estimated that an increase in the discount rate of 0.5% (with all other factors being equal) would reduce the net deficit by c.£7.3m.



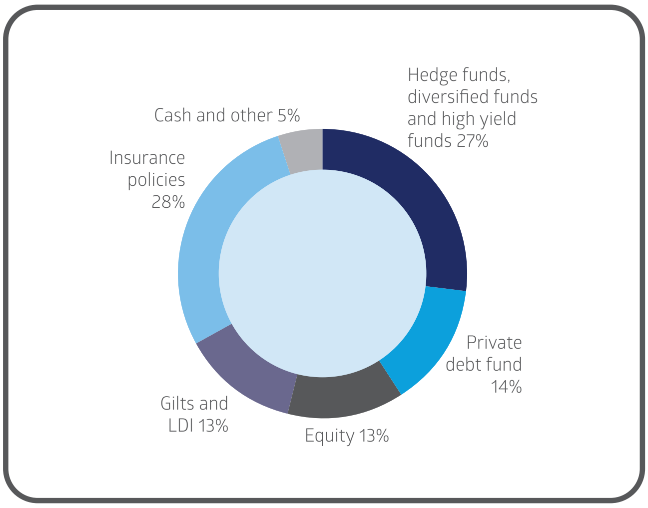
UK assets %

Given the relative maturity of the scheme, and following the medically underwritten insured buy-ins, 46% 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.£9.3m including cash lump sums on retirement).

Growth assets (including equities, hedge funds, diversified growth funds and high yield and private debt funds) represent 54% of UK assets. The overall target for UK portfolio returns is 3.3% over gilts. The actual UK return in the year ended 31 March 2022 was a loss of £27.7m (a 28.9% loss on assets excluding insurance policies).

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



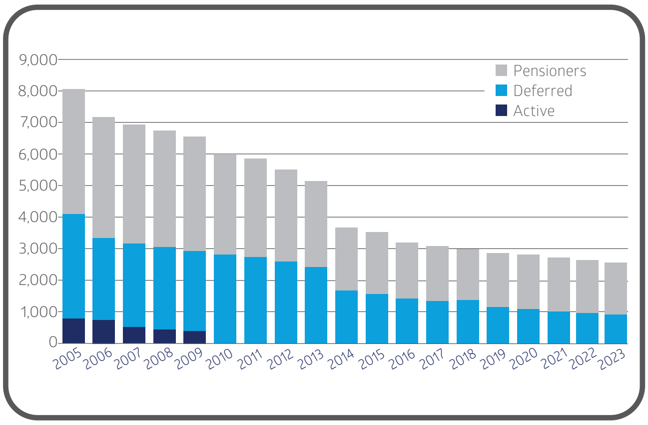
Trends in UK scheme membership

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

Total membership has fallen by 58% or 3,439 since 2010 or 69% 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 883 deferred members, a number are expected to have their benefits discharged as a lump sum on retirement.



Non-financial information statement

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

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

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

Stakeholder engagement

Directors' duties

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

	Our people	Our customers	Our partners	Our investors	Our local communities
Why it is important to engage	The calibre and capability of our people are critical to Renold's success. We want our people to be proud of working for Renold and we want to be in a position to attract and retain the best talent.	Our customers are ultimately the key users of our products, and without their continued support, we would not have the potential to grow and develop.	The Group is dependent on high-quality goods and services provided by our suppliers and as a result, long-term partnerships are sought for the benefit of all parties.	Our investors are the owners of our business and are critical to supporting future strategic development of the Group.	We recognise our responsibility to the communities in which we operate and our broader responsibilities to reduce the impact of our activities on our environment.
Stakeholders' key interests	○ Opportunities for development and progression. ○ Fair reward and recognition of performance. ○ Stable employment. ○ An inclusive and safe environment.	○ High-quality products, engineered to specific requirements. ○ A problem-solving capability that can resolve issues and improve performance. ○ A service level that can be relied upon to deliver.	○ Clear communication of requirements. ○ Fair and timely payment. ○ A partnership approach that seeks to provide long-term benefits to all parties.	○ A successful, clearly communicated strategy that is delivering results. ○ Delivery of sustainable improvement for the long term.	○ To interact in a manner that makes a positive contribution to the local areas within which we operate. ○ To provide sustainable product solutions to our customers.
Ways we engage	'Value our people' is recognised as a core value at Renold. Employees are encouraged to ask questions and raise issues at all levels of management. This continues through to Board site visits, where the Board make themselves available to answer questions directly with a broad base of employees. The Chief Executive and Group Finance Director present the annual results and half year results to senior management and to employees based at the Company's Head Office. Employees are encouraged to participate in a question and answer session after such presentations.	We regularly engage with our diverse customer base at various levels of the organisation, often directly through our sales teams, our technical engineering teams and our operational management teams. At Board level, the broad-based, geographically spread customer base does not support significant direct customer interaction. Through reports from local management teams, monitoring of customer service levels and explicit reports of product issues, the Board ensures customers continue to receive the high-quality products and levels of service that the Renold brand stands for.	Due to scale and geographic diversity, the Group generally operates localised supply chains in the territories in which it operates. This allows direct interaction between our supply-chain teams, our business unit management and local suppliers, ensuring short lines of communications and the ability to react quickly. We work closely with our banking partners to ensure that the Group is adequately funded.	The Board is available to all shareholders, particularly retail investors at the AGM, 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 feedback received following those meetings is considered by the Board. A Capital Markets Day was held in May 2023, where presentations were given by the Executive Directors and senior management to explain the operations and strategy to prospective shareholders.	The Group interacts with people in the communities in which we operate, supporting charity fundraising activities, education and development initiatives. This encompasses a range of activities from the graduate and apprenticeship schemes we operate, through to supporting infrastructure projects at schools in India. Read more about our involvement in community projects in Community sustainability on page 42.
Result of engagement	Re-invigorated our health and safety efforts, including recruitment of Group health and safety leadership.	Development of sustainable products going forwards, including lubricant-free and long-life products.	We are liaising with suppliers to ensure our product supplies are generated from sustainable, low carbon sources.	We have listened to the feedback from shareholders to formulate our sustainability, acquisition and growth strategy.	We are working closely with local communities to develop projects for their benefit.

Principal decisions made in the year:

Acquisition of Industrias YUK S.A.

Key stakeholder groups: our people, our banking partners, our investors

Industrias YUK S.A. was acquired in August 2022. During the acquisition we liaised with our banking partners to raise the appropriate funds required to purchase the company. Following the acquisition we commenced detailed on-boarding procedures to engage with the YUK employees to welcome them to the Group and to implement Renold policies, procedures and reporting requirements. Executive management also engaged with investors to explain the rationale for the acquisition and the resulting synergies.

Renewal of banking facilities

Key stakeholder groups: our banking partners and investors

During the year we commenced negotiations with our banking partners to renew and extend our current banking facilities, include increasing our available facilities from £62.5m to £85.0m, negotiating an additional accordion facility of £20.0m and extending our banking covenants to 3.0 times EBITDA. The banking facilities were finalised in May 2023 and the extension of our facilities was greeted favourably by our investors.

Sustainability

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

Introduction and ambition

Renold's ambition is to become an organisation with sustainability fully embedded in our business operating model. Our aim is to strike a balance between shareholder expectation and the needs and concerns of the environment, our employees, our customers and the communities within which we operate. We believe that this focus on sustainability, as well as being the right thing to do, will also contribute to lasting economic success for the Group, our customers and our stakeholders.

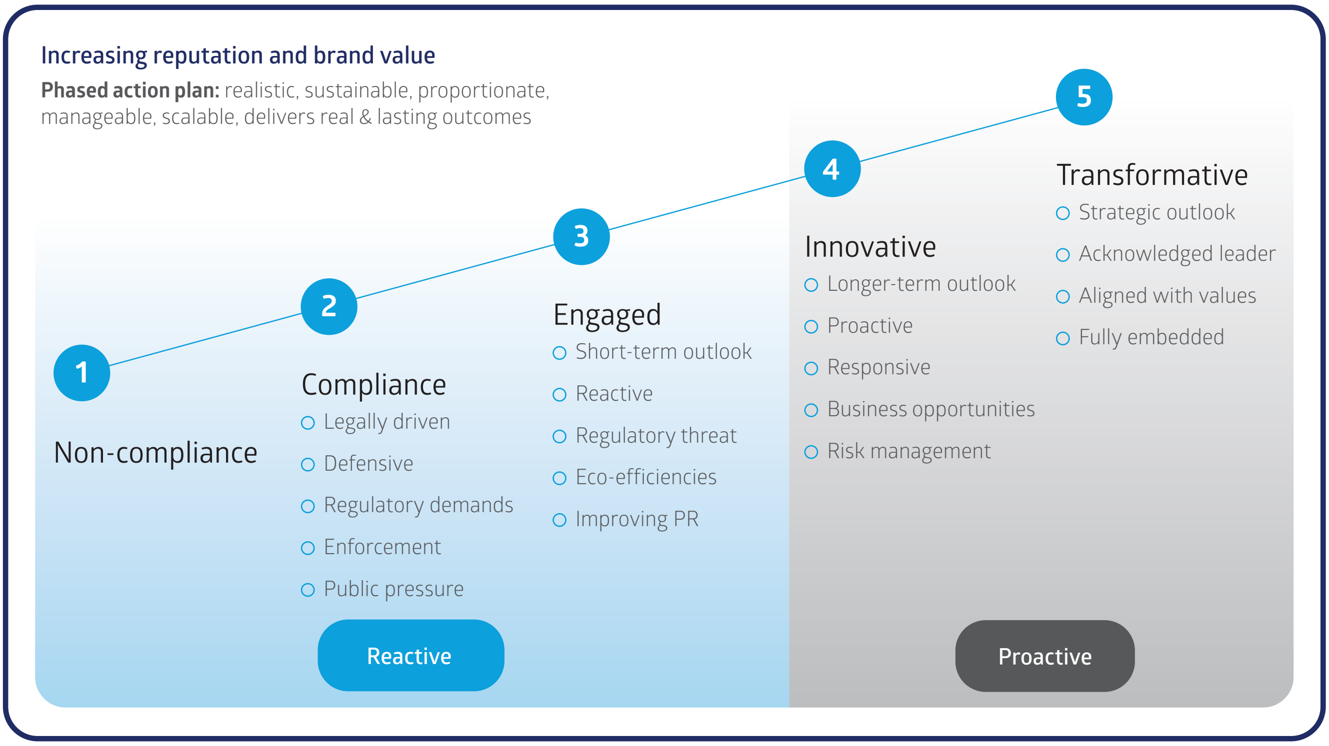
The Board and the senior executive team appreciate that global concern for sustainability should be a consideration in our decision-making and that, over time, we must identify those areas where we can improve what we do and deliver benefit to all our stakeholders.

Although significant progress has been made, the process of becoming a more sustainable company will be an extended one. We will strive to keep things simple, but to make a real difference through a focus on a few key objectives at a time. Over time, our approach to sustainability will evolve and grow into a more complete and sophisticated offering.

Once again, we have successfully advanced the agenda and built momentum in our efforts to meet this ambition.

Steps to sustainability – the progression

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



Approach, management framework and scope

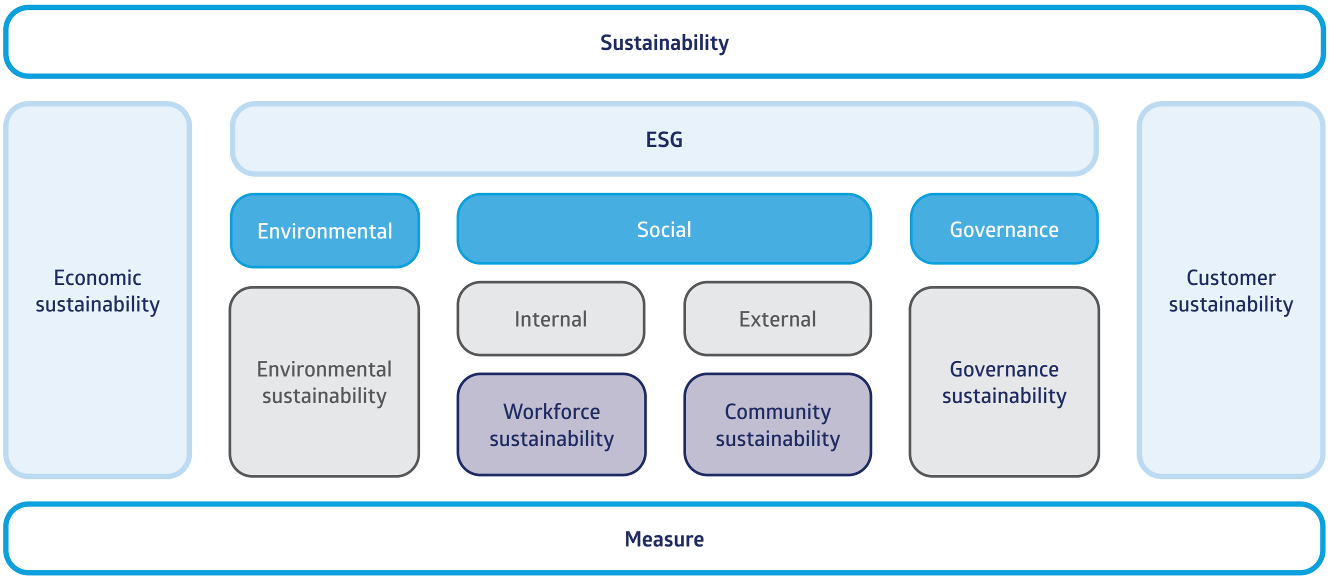
Renold has adopted a pragmatic approach to Sustainability and environmental, social and governance (ESG) matters.

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

The Sustainability Programme Leader updates the Board on progress periodically.

Our Sustainability Model, which has been in place for two years illustrates how ESG is embedded within a larger Sustainability Framework. This has been widely communicated throughout the business.

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



Two-pronged approach to drive sustainability activity

Consequently, Renold has adopted a two-pronged approach to driving Sustainability activity.

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

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

We have committed to including Sustainability in the regional strategic planning process. Most sites now have a sustainability road map, and regularly update and report on progress against it. Increasingly, Renold businesses are considering issues of sustainability when making business decisions are delivering outcomes that have a positive ESG impact.

Sustainability

Economic sustainability

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

In particular, we are careful to ensure that any actions we take to meet sustainability goals meet our underlying financial criteria.

Our criteria

- Predictable and sustainable financial performance
- Strong value proposition
- Stable investment infrastructure
- Strengthened balance sheet
- Valuable branding
- World class service
- Reduced costs
- Strong innovation
- High quality, stable employment

Areas for focus in FY24 and into the future:

The business has a well-established management philosophy and practice, which ensures that economic sustainability is continually assessed.

This includes:

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

Workforce sustainability

Our people are at the heart of everything that we do.

The impact of the pandemic and the subsequent seismic shift in the expectations of employees and the way they work is something that we continue to review and adapt our working practices to. As for most employers, identifying, recruiting and retaining strong talent is a core requirement.

Our scope

- Improve health and safety
- Transparent diversity and equality reporting
- Utilise diversity and equality data to drive any necessary change
- Stronger performance culture
- Predictable succession planning
- Effective employee engagement and wellbeing
- Demonstrable talent attraction and retention

5.3
Lost time accident frequency rate
(2022: 10.2)

1,056
Reportable injury
(2022: 1,406)

199
Lost time days
(2022: 467)

1,699
Safety improvements
(2022: 2,036)

Health and safety

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

Our focus on improving our health and safety performance continues as a strategic key priority and all Renold's locations across the world operate in accordance with a Group Health and Safety Management Framework (the Framework).

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

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

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

An independent programme of audits is in place, which requires all material sites to be audited within a 12-18 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 mitigating root causes and ensuring updated consistent practices are rolled out across all sites.

Although in previous years the normal operation of this audit process was frustrated by Covid-19 travel restrictions, we were able to re-introduce on-site health and safety audits and all major sites have been audited since Covid-19 restrictions were lifted.

Covid-19

With the opening up of China, all our regions are now free from significant governmentally imposed restrictions and lockdowns that were introduced to control pandemic infections.

Last year Renold reported the many initiatives and actions that were put in place to protect, educate and support our employees, their families and the communities that we operate in. We can be justifiably proud of our efforts and success in this area.

Although Covid-19 remains endemic and risks still exist, we are now able to divert some of the resource and effort that went into pandemic response into other activities and projects.

Safety improvement initiatives

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

- Redoubling our efforts to reduce lost time accident frequency and reportable injury rates.
- Development and implementation of a formal process of capturing and communicating 'lessons learned' following H&S incidents, to help reduce future risk and remove hazards.
- Improving the health and safety culture through employee engagement activities.

We continue to recognise improvements being made across the Group by delivering our annual Health and Safety Awards. The aim of the awards scheme is to encourage continuous improvement aligned to the Framework. Awards were made to many sites across the Group for the previous year and the application and submission process for the most recent period is now underway.

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 page 27 showing performance for the last five years to 31 March 2023.

Employee engagement and wellbeing

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

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

- We have, in some locations, been able to offer flexibility in work patterns and locations first trialled as a requirement of Covid-19 lockdowns. In addition to supporting an improved work-life balance and productivity, this initiative is expected to provide greater opportunities to attract and retain people from sections of the labour market that might have been unable to operate under our previous systems.
- In India, there have been many local programmes this year, including blood donation camps, road safety awareness programmes, operator medical check programmes and employee stress management workshops.
- In Germany the first aid training for approximately 80 employees was delivered, this year with additional defibrillator training. Workplace ergonomic analysis was also carried out and important remedial action taken where required such as the introduction of height adjustable desks, ergonomic seating equipment and improved IT equipment.
- In most regions and sites, employee performance and service is frequently recognised and celebrated.

Medical and health & safety training in Einbeck, Germany.

Employee Retention and Long Service

Renold is proud to be a responsible employer with a track record of recruiting, developing and retaining talent. Many of our employees have a long service history, something we officially recognise and celebrate across the Group when people reach significant milestones. We offer high quality, stable employment with competitive remuneration and benefits. We invest in the development of our employees across all our teams and we focus on career development and job enrichment.

The combined service of the four employees in the picture below is 190 years, with several starting as apprentices and attaining managerial or technical specialist positions. It is not unusual for employees to remain with the business for extended service periods and increasingly we are engaging with past employees who are seeking to return to Renold, which must be considered as a reflection of Renold's positive employee environment.

The combined service of the four employees in the picture is 190 years.

Sustainability

Community sustainability

Renold have a track record of identifying and supporting locally driven projects that increase our contribution to the communities within which we operate, particularly when these communities are those in which our own employees and their families live. We look for opportunities that are consistent with our values and make a real difference.

Once again Renold has made a significant contribution in this area in a manner that significantly supports these communities, not just through direct financial aid, but also through the involvement and engagement of our employees.

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

Our scope

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

This last year has seen the continued delivery of a number of significant community-based projects. A selection of these are outlined below, although many others were also supported by Renold and our employees, each making a difference to our communities.

- In the UK we continue to provide financial support of £15,000 per year to the Outward Bound Trust. This Trust is an educational charity that helps young people to defy limitations through learning and adventures in the wild. They aim to challenge young people to never give up, to change their perspective and to believe in themselves. Their idea is that young people are equipped with a stronger sense of self-belief, are able to cope better with stressful situations and interact more positively with others. The Trust encourages the development of the attitudes, skills and behaviours young people need to make positive changes in their lives. Renold identifies very closely with this goal and this is our fifth consecutive year supporting this organisation.
- Renold India's track record of supporting the community in which our factory is located has gone from strength to strength. This year we have supported the construction of three smart classrooms at a local school in a village near our factory. In addition, various tree planting and wildlife conservation projects were delivered along with a financial donation to the Tamil Nadu Covid Relief Fund.
- In our North American business locations, teams of employees once again participated in their annual food drive and competed to raise funds. This event has been taking place since 2019. This year, employees once again raised the bar; after matching donations from the Company, employees raised a total value of for $31,338 of non-perishable food items and cleaning supplies. These funds are given to local community kitchens in the Morristown and Montreal areas. In the years since this programme has been running Renold and its employees have raised more than $100,000 of value for these charities.
- In Einbeck, Germany, where we have a large Chain factory, Renold sponsored a shared community cargo bicycle and trailer for the nearby village of Holtensen. Inhabitants of the village can use the bicycle and trailer to travel to Einbeck and back to go shopping without producing any CO_2 emissions.

Areas for focus in FY24

- Our ongoing focus is to continue our existing work in our communities and go further. This year we are, once again, requiring that each of our regions identifies and delivers at least one significant project in their local communities. These projects will be monitored and reviewed through the Sustainability Steering Group.
- In particular, as we initiate these projects, we are challenging our businesses to involve our own employees more fully in the process.

These examples are representative of the many diverse activities that take place across our regions each year in support of the communities within which we operate. Most other sites are also able to demonstrate similar activity.

Renold sponsored community cargo bicycle and trailer for the village of Holstein, Germany.

Employees in North America hand over a cheque after their annual food drive.

Governance sustainability

We operate our business in an ethical and responsible manner and expect all our employees and business operations to conduct themselves with the highest levels of integrity, honesty and fairness.

The Renold Values and Behaviours continue to act as a standard to which we hold both ourselves and our employees.

Our scope

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

Business integrity and ethics

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

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

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

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

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

Human rights

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

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

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

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

Whistleblowing

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

Values and behaviours

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

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

The Values and Behaviours have also been incorporated into our Performance and Development Review Process. Across our global locations, we continue to align the requirement to embed organisational Values and Behaviours in the terms and conditions of employment.

Our values

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

Sustainability

Governance sustainability

Diversity

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

As at 31 March 2023, the Group employed 1,864 people including 262 in the UK. Of the total number of employees, 16% (2022: 15%) are female. The Group recognises that there remains a need to encourage and support more diversity throughout the employee population at all levels, including the Board.

The table below shows a breakdown of the gender of employees at different levels in the Group as at 31 March 2023.

	2023			2022		
	Male	Female	Total	Male	Female	Total
	5	1	6	5	–	5
Board of Directors	83%	17%		100%	–	
Executive Management Team (excluding Directors)	3	1	4	3	1	4
	75%	25%		75%	25%	
	23	6	29	20	5	25
Other Senior Managers[1]	79%	21%		80%	20%	
	1,540	285	1,825	1,511	272	1,783
Other employees	84%	16%		85%	15%	
	1,571	293	1,864	1,539	278	1,817
Total	84%	16%		85%	15%	

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

Areas for focus in FY24

- As we continue to pursue our longer-term acquisition strategy, we must be prepared to ensure that we can embed our governance standards across any new businesses we acquire, including our values and behaviours. This is unlikely to prove to be a rapid or straightforward process and upfront preparation is expected to be necessary.
- Regulatory framework, laws and reporting requirements are continually evolving and Renold must keep abreast of these developments and respond appropriately to them in order to remain compliant.
- We intend to identify relevant measures to assess our performance in the area of governance sustainability, gather this data and report these as appropriate.
- This year we are making a preliminary TCFD statement in the Annual Report. Renold are required to be formally compliant in the financial year ending March 2024. We have already undertaken substantial activity to prepare for this reporting requirement and this will continue at pace to ensure that we are in a position to properly report next year.

Customer sustainability

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

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

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

Our scope

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

Areas for focus in FY24

- Continuation of the work with our independent partners to test our theories and gather meaningful data to arrive at a definite assertion regarding our transmission chain sustainability benefits. We expect to receive solid data to calculate the CO_2 savings generated through our products by reduction of re-lubrication and extension of wear life.

Group-driven projects:

Chain lubrication project

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

Benefit:

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

Chain – lower emissions project

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

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

Renold chain = Less power usage = Kinder to the environment

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

Our initial investigations are proving promising. External testing show already that our standard power transmission chains will deliver a significantly higher efficiency when compared to lower specification competitor chains used in similar applications and running conditions. This leads to a measurable reduction of the CO_2 footprint of our customers.

> “Renold is well positioned to contribute to a more sustainable future. Our technical, product development and commercial teams are actively developing a more efficient and environmentally sustainable product offering which helps customers to reduce their carbon footprint by providing highly engineered chains that give longevity and life cycle benefits.”
>
> **DAVID LANDLESS**
> CHAIR

Syno chain eliminates the need for frequent relubrication resulting in reduced oil consumption.

Sustainability

Environmental sustainability

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

Our scope

- Reduced waste, emissions and pollutants, energy consumption, hazardous substances, travel and transportation
- Reduced climate change impact
- Supply chain environmental impacts reduced (both inward and outward)
- Ecologically sound materials and energy used
- Behavioural change enabling us to sustain the improvements we make

Group-driven projects

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

Energy project

Purpose: We are continuously working to establish and maintain a complete and accurate picture of the Group's energy usage through the collection of consistent data from all our units worldwide. We work with local and regional management to reduce the impact of our operations on the environment, either through absolute energy reduction or by decarbonising the energy we use. We establish longer-term energy reduction targets for the Group and drive the agenda for specifically targeted projects.

Progress: During the year we have achieved energy savings through a range of actions, including behavioural change and equipment improvements. We have also established:

- A monthly process to track the energy we use at our largest manufacturing sites, across a range of intensity measures.
- Half hourly energy data at several locations, which is received by management so that they can make 'real time' changes to reduce their energy consumption. We will continue to roll this out to further locations over the next year.
- A central register of all heat treatment equipment used across the Group, as this is one of our largest contributors to CO_2 emissions, with a plan to decarbonise the energy we use in this process over time.

Transmission chain packaging project

Purpose: Transmission chain packaging is an area that has been identified as having a significant number of packaging and labelling variants and it is expected that we will be able to consolidate the number of variants, potentially reduce the packaging volume used and increasingly procure from more environmentally friendly or recyclable sources. It is also expected that, as well as the environmental benefits, it will be possible to make some incidental cost savings as these plans are delivered.

Progress: Accurate data on the number of packaging variants and the process of identifying potential standardisation options is completed, resulting in over 90% reduction in variants. First set run of fully recyclable and disposable boxes as well as the branding labelling produced and additional design and adjustments underway. Discussions with suppliers on alternative options and materials to replace the usage of plastics used in our current packaging is ongoing (i.e. corn-based bagging material).

Solvents and other hazardous chemicals

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

Progress: A list of hazardous substances that we use across our sites has been compiled..

Locally driven projects

The development of local Sustainability road-maps, which was a focus last year, has seen a number of sites across the Group begin to bear down on environmental issues.

Energy usage

The Group energy project has provided local sites with the ability to analyse their energy usage in ways that previously were not possible. The ability to obtain a visual representation of energy usage every half hour and by extension have the capability to see the underlying 'base load' has proved invaluable.

Many sites have delivered projects to reduce energy consumption, including investment in more efficient, controllable and measurable electrical infrastructure, installation of more energy efficient equipment, transitioning to LED lighting and improving the insulation and draught proofing of buildings to name a few.

Notable examples of success include an annual reduction of 15% in the electrical energy usage in our Morristown factory in the USA through the installation of updated electrical infrastructure and LED lighting. In our Gears factory in Milnrow significant focus on understanding what drives the base load and making corresponding improvements such as running a 'switch off' campaign, fixing compressed air leaks, running a winter readiness programme, installing LED lighting and other initiatives is expected to drive a measurable improvement in energy usage in the coming year.

Waste, solvents and other hazardous materials

A number of sites across the Group have made real progress in identifying and driving down the levels of waste or eliminating hazardous materials. In our Bredbury assembly plant in the UK changes to the parts cleaning process has resulted in an 83% reduction in the quantity of cleaning products used. Changes to this process also reduced the usage of water by 16,500 litres per year and as an additional benefit also saved cost. Our chain factory in the USA has driven an 80% reduction in their VOC (volatile organic compounds) emissions through prolonged transition and substitution away from chemicals and materials considered hazardous. This has also allowed this site to fall below the threshold that requires the site to hold a hazardous waste permit. Our German factory in Einbeck has introduced a waste sorting programme which has resulted in a substantial and meaningful rise in the recycling rate and they are working with local waste recyclers to identify ways to reduce transportation costs.

Miscellaneous

Across the Group at a local level there are many smaller projects that individually are relatively modest, but in aggregate combine to move the dial. These include improved waste management projects, recycling projects, a reduction of hazardous material used, the appointment of local environmental 'champions' and the replacement of energy inefficient lighting and equipment to name a few.

In our chain factory in China the business has installed an e-bike charging station with the capacity to charge up to 60 e-bikes, encouraging our employees to travel to work by e-bike instead of cars. This scheme has been successfully adopted by employees.

Measures

Renold continues to comply with its obligations under the carbon reporting requirements. We systematically capture data through our integrated risk management web-based IT system and use that data to drive actions that reduced our energy consumption. This energy consumption data was regularly reviewed to target energy reduction opportunities and with the advent of the energy workgroup this has only increased. The main contributors to greenhouse gas (GHG) emissions continues to arise from our use of electricity and fuels, such as natural gas used in our heat treatment processes and fuel oil burnt on our premises.

The table on page 48 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. Overall, we have seen a trend of reduction in our energy usage driven by our focus on ongoing initiatives including low-energy lighting and more efficient production process arising from capital investment.

It is noteworthy that in addition to meeting our obligations under the carbon reporting requirements, our Group energy project has already seen us make tangible reductions to our energy usage and we expect this to continue and to increase as the project evolves.

Employee e-bike charging station for more than 60 e-bikes at our Chain factory in Jintan, China.

Sustainability

Areas for focus in FY24

We have come a long way in understanding the energy we use across the Group, and plan to continue this momentum over the next year. We have specific focus planned for the review of energy we consume in company vehicles and air-conditioning, as well as better identifying instances where our energy is already obtained from renewable sources. We will also roll out the availability of 'real time' energy data, as far as technically possible, across further operating locations, alongside enhancing our plan to decarbonise our heat treatment operations over the longer term.

Our Transmission Chain Packaging project already has design samples of new packaging prepared and these designs will require further revision and testing. Once a new design is finalised, proved and signed off we will be able to role this out across the regions and begin to run down our existing residual stocks of old packing variants. The expectation is that we will have standard transmission chain packaging converted to the new design, with recyclable materials in the box and labels, by the end of the current financial year.

Streamlined energy and carbon reporting programme (SECR)

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

We collect energy usage information from our operating locations on a monthly basis using our Energy Management System and all of our UK sites have been reported, together with our international operations.

We are continually enhancing the data that we collect, and where data is not yet available it is appropriately estimated; some UK and international transport data has been estimated based on approximated mileage for business purposes, and our international sales office usage has been estimated using benchmarks based on floor area. As a result of our efforts to enhance the data we collect, the level of estimated data has reduced from 9% in 2021 to 2% in 2023.

Our data shows a progressive reduction in emissions intensity over the past six years. The estimated energy savings that we are able to calculate for the Group were 1,631 tonnes CO_2e in 2023, however, not all projects could be measured and hence we believe the true energy savings to be much greater than this.

These measures demonstrate the success achieved from energy reduction initiatives such as:

- Behavioural change
- Equipment improvements
- Repairs to air leaks and compressor pressure reduction
- Lighting upgrades

Renold have self-generated 568,170 kWh and purchased 3,216,786 kWh of electricity from renewables in 2023. The acquisition of Industrias YUK in August 2022 has contributed to the amount of self-generation due to solar PV panels.

	2016	2017	2018	2019	2020	2021	2022	**2023**
Group GHG emissions (tCO_2e)								
Scope 1	8,097	9,104	8,258	9,044	7,563	5,734	7,475	**7,091**
Scope 2	18,012	19,264	17,667	17,689	17,578	12,666	13,679	**12,907**
Total Scope 1 and Scope 2[1]	26,109	28,368	25,925	26,733	25,141	18,400	21,154	**19,998**
Emissions Intensity[2]	158.1	172.9	151.9	148.0	149.5	125.3	119.9	**95.6**
Energy consumption (GWh)								
UK Scope 1 fuel usage				3.4	3.6	3.6	3.7	**3.0**
RoW Scope 1 fuel usage				44.9	36.6	26.7	35.7	**34.1**
Total Scope 1 fuel usage				48.3	40.2	30.3	39.4	**37.1**
UK electricity usage				3.7	3.5	2.7	2.9	**2.7**
RoW electricity usage				30.9	29.6	24.0	29.5	**28.5**
Total electricity usage				34.6	33.1	26.7	32.4	**31.2**
Total generated electricity						0.6	0.8	**0.6**

SECR Report	2022	**2023**
UK GHG emissions (tCO_2e)		
Scope 1	715	**607**
Scope 2	614	**526**
Scope 3[3]	7	**2**
UK total[1]	1,336	**1,135**
UK emissions intensity[2]	63.5	**50.0**
UK energy consumption (GWh)	6.7	**5.7**

Figures reported have been calculated and independently verified by Carbon Decoded, a specialist energy management consultancy.

1. Published international conversion factors were used where available. 2022 UK Government Conversion Factors were used for all UK calculations and where international conversion factors were unavailable. To support SECR reporting the financial control approach has been used, meaning that we report on energy used where the Group bears the majority of the financial risk and/or benefit from an operation.
2. The intensity measurement is calculated as total emissions reported, divided by revenue (£m) at constant exchange rates. The base exchange rate used is 2016, and therefore 2017 to 2023 revenue has been restated to remove the impact of exchange rate changes.
3. Scope 3 emissions relate to UK transport only, as required under SECR reporting. Transport reflects emissions from business travel in rental cars or employee-owned vehicles where we are responsible for purchasing the fuel.

Taskforce on Climate-Related Disclosures (TCFD)

Renold is listed on the Alternative Investment Market, which when coupled with our revenues, will require us to comply with the reporting required under the Taskforce for Climate-Related Financial Disclosures (TCFD) framework and regulation. This is a requirement for Renold for the financial year ending March 2024.

As we are aware of this impending requirement, Renold management has already commenced activity to work towards delivering this reporting requirement next year. This preliminary TCFD update illustrates how we intend to structure our reporting. It also outlines where Renold is in terms of our progress towards formal reporting and the activity that still remains to be completed in order to be compliant.

Governance

This section will describe the Board's oversight of climate-related risks and opportunities and outline management's role and responsibility in assessing and managing climate-related risks and opportunities.

- Renold has established a Sustainability Steering Group; this is chaired by a senior director who has been appointed to head up the Group-wide Sustainability Programme. The understanding of the requirement of TCFD and the oversight of the activity required to meet these requirements is being driven through this steering group.
- For sustainability matters this steering group regularly provides updates, through the Chair, directly to the Board.
- For matters relating to TCFD the steering group updates the Executive Risk Management & Monitoring Committee (ERMMC). The ERMMC in turn will report all business risks, including those related to climate, to the Board.
- Although these structures and processes are already in place and functioning effectively it remains necessary to formally document this governance structure for TCFD.

Strategy

This section will disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's business strategy and financial planning where such information is material.

- We have already trialled the inclusion of Sustainability and TCFD related matters into the formal structure of the business strategy planning process in the last year. It is our intention to build on and formalise this inclusion in the coming year.
- Preliminary activity to identify material climate-related risks and opportunities provisionally suggests that there are relatively few significant climate-related risks facing the Group. Where major risks do exist, they have already been captured in the risk management system, have been reviewed and, where possible, mitigated as part of the normal process of business risk management over the years.
- In actuality it is becoming increasingly apparent that there are likely to be some material advantages for Renold when operating in an environment where end users are increasingly focused on the Sustainability of product manufacture, quality, life and operational efficiency.
- Further work is required to identify and understand these risks and opportunities more fully.

Risk Management

This section will disclose how the organisation identifies, assesses and manages climate-related risks, the processes that underpin this and how any risks identified will be integrated into the overall risk management processes of the organisation.

- Renold have already taken steps to ensure that TCFD-related risks are captured in our risk management system in the same manner and with the same rigour as other business risks.
- Initial TCFD-specific reviews with each region of our business have also been carried out this year. Where climate-related risks are apparent, these are generally already captured in our risk management system.
- It remains to build on these initial reviews, making them more structured and comprehensive in the next year.
- It is expected that in time we will be able to run scenario assessments, assessing the level and type of risk that might arise in a number of different climate scenarios, for example climate impact given a particular level of global temperature increase in a specific timeframe.
- The senior management frequently and regularly discuss and review Sustainability and climate-related risk activity and report upon it.

Metrics and Targets

This section will describe the primary sustainability metrics and targets that Renold will use to assess and manage relevant climate-related risks and opportunities where such measurement is material.

- Our primary sustainability metrics will focus on our greenhouse gas (GHG) emissions.
- We already report our energy consumption data across Scope 1 and Scope 2 indicators and this reporting can be found on page 48.
- In the future we will build towards a more thorough report of Scope 3 emissions as it is required.
- Renold management has agreed with the Board the basis of a broader range of metrics and improvement targets that could be used to monitor our wider sustainability performance.

Our risks

Proactive risk management is a key business process at Renold and is used to help management create and protect value.

The Board of Directors has overall responsibility for the Group's risk appetite and risk management strategy. Roles and responsibilities for managing risk are clearly defined throughout all levels of the Group, as presented in the diagram below.

Board
- Overall responsibility for corporate strategy and risk management
- Defines the Group's appetite for risk
- Reviews effectiveness of Group's risk management framework and internal controls
- Sets direction for key focus areas (e.g. Health and Safety)

Audit Committee
- Reviews effectiveness of Group's risk management framework and internal controls with respect to financial risk
- Oversees effectiveness of Group Internal Audit

Executive Risk Management and Monitoring Committee
- Oversight of risk registers and their maintenance
- Monitor and review the effectiveness of the Group's risk management and internal control systems
- Review the Group's procedures to manage or mitigate Principal risks and to identify Emerging risks, to assist in the Board's assessment of Principal and Emerging risk
- Reviews climate-related financial disclosures and associated risk

Group Executive Management
- Management of the Group and delivery of the strategy
- Monitoring of key risks and compliance with relevant laws

Group Functions
- These include Finance and Treasury, Legal, HR and Business Systems, and are responsible for the integration of the risk management framework

Internal Audit and Risk Function
- Monitors compliance with the Group's internal controls and policies
- Facilitates the maintenance of risk registers and action plans
- Conducts internal audits on areas of significant risk

Divisional Management
- Oversight and review of operational risks
- Identify internal and external risk
- Responsible for the implementation of risk mitigation actions, internal controls and compliance with policies
- Responsible for compliance with relevant laws and regulations

Sustainability Steering Group
- Actively directs the sustainability agenda for the Group
- Oversees the Group's overall sustainability progress
- Participates in the identification of climate-related risks and the Group's response

Independent reporting line

Our approach to risk

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

Our process combines a 'bottom-up' and 'top-down' approach, which ensures that:

- All material risks have been identified, with input from several perspectives
- There is alignment between local management and central management
- Management take ownership of the risks within their individual operating unit
- Controls in place to mitigate risks at the operating unit level are appropriate

In order to maintain a robust risk management process, we actively share best practice across our operating locations, obtain guidance from the Internal Audit and Risk function, and utilise local 'on the ground' experience and knowledge of specific risk factors.

Risk workshops involving local and functional staff, along with the Internal Audit and Risk function, are also used to develop risk profiles and action plans.

Risks are assessed against the framework defined in our Group Risk Management Policy, which considers:

- The likelihood of a risk materialising; and
- The potential impact if the risk materialised – impact definitions cover a range of financial and non-financial criteria.

Our model also considers each risk from two different perspectives:

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

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

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 Audit Committee reviews matters relating to financial risk, and provides its recommendations relating to such risks to the Board. The Board reviews the Principal Risks and Uncertainties together with relevant mitigating controls.

Executive Risk Management and Monitoring Committee (ERMMC)

The Group Executive Risk Management and Monitoring Committee (ERMMC) is chaired by the Chief Executive and meets at least three times per year. The ERMMC comprises the Executive Directors and other senior members of the business, including the Group Business Systems Director, Group Director – People and Sustainability, Group Internal Audit, and the Group General Counsel and Company Secretary. Other members of Divisional and Functional management are invited to the Committee meetings by invitation, in order to present risk profiles for their areas of responsibility and the aligned action plans to mitigate risk.

A detailed risk management status report is presented to the ERMMC, which provides insight on newly identified material risks and updates on progress over delivery of mitigating actions. This report is compiled using a bottom-up and top-down approach; every site-level management team has the ability to report newly identified risks via the Group's risk management system, and these risks are reviewed and challenged for completeness by the Internal Audit and Risk function through a series of risk workshops.

Senior management across all business regions are invited to present to the ERMMC on a cyclical basis, or more regularly as required, and the ERMMC challenge the completeness of their local risk register and action identification. The ERMMC also review the consistency and accuracy of their risk scoring, along with their successful implementation of actions. Examples of areas discussed with senior management during the year include: business interruption, health and safety, climate change, cyber security, business terms and conditions, and availability and cost of energy and labour. The ERMMC is also provided with information in the form of reports on health and safety, climate-related financial disclosures, material litigation, insurance, data protection and whistleblowing on an ongoing basis.

All ERMMC minutes are reviewed and discussed by the Board and also the Audit Committee where financial related risk is concerned.

Internal Audit and Risk Function

The Internal Audit and Risk function is provided by an outsourced professional services firm, who facilitate the end-to-end risk management process and ensure consistency of approach across our operating regions and compliance with Group policy. The Board recognises its responsibility for risk management in the organisation and believes that the engagement of an outsourced provider further enhances the risk management processes undertaken by the Group. The identification of risk and the strategies put in place to deal with identified risk remain the sole responsibility of the Board.

How we manage risk

Having identified the risks the business faces, our Group policy then provides guidance on the expected level of response to those risks, depending on where they sit on the risk heat map.

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

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

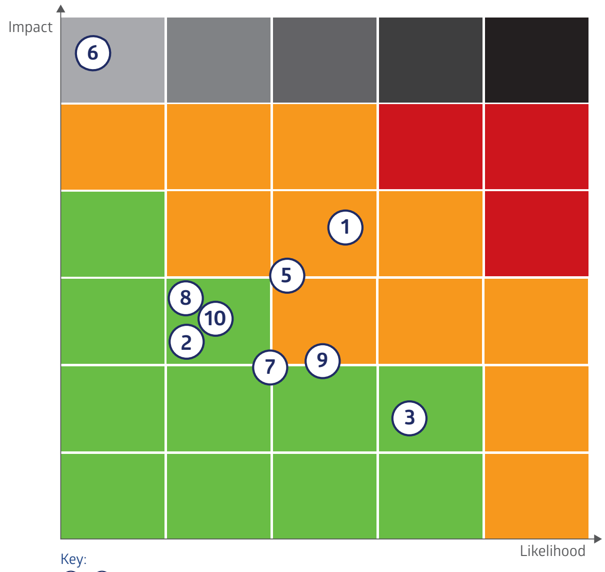
Where the reduction or removal of the risk is not possible, the Group formulates a management action plan to respond to the risk and mitigate the impact should the risk materialise (e.g. Business Continuity Plans).

Solar panels on the roof of our newly acquired facility in Valencia, Spain.

Principal risks and uncertainties

Governance and culture

The Board continues to carry out a robust assessment of the Principal Risks facing the business, and has concluded that an ongoing process of identifying, evaluating and managing the Group's significant risks has been in place throughout the year. A robust assessment of the Principal and Emerging Risks has been undertaken, with significant risks being 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 external factors such as wider market trends and the macroeconomic and geopolitical backdrop. This assessment is reflected in the Principal Risks and Uncertainties, being those which could have a material impact on the Group, as set out on pages 53 to 57 and as presented on the heat map below.



Key:
1 – 10 Residual risk after mitigation

1. Macroeconomic and geopolitical volatility
2. Strategy execution
3. Product Liability
4. Health and safety in the workplace[1]
5. Security and effective deployment and utilisation of IT systems
6. Prolonged loss of a major manufacturing site
7. People and change
8. Liquidity, foreign exchange and banking arrangements
9. Pensions deficit
10. Legal, financial and regulatory and legal compliance

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

The Board continues to monitor potential emerging or evolving risks on an ongoing basis. A new Principal Risk has been added this year; relating to Product Liability. This addition reflects the result of 'bottom up' site risk register reviews, output of the ERMMC where compliance with contractual sales terms is regularly flagged as a key control, horizon scanning which identified our increasing success of obtaining large multi-year supply contracts, and benchmarking against our peer group. Whilst Product Liability has been added as a Principal Risk, we believe that we have sufficient and robust controls in place such that this risk is mitigated to an acceptable level.

In addition, we have also combined two risks that were previously reported separately: Strategy execution and Corporate transactions/business development. This change reflects the Groups overall strategy, of which a core element focusses on acquisitions, and also that major restructuring exercises completed in previous years have come to an end.

The effect of climate change is an area that has been subject to additional focus during the year, across all levels of the business. Renold recognises the importance of considering climate risks and opportunities in our business decisions, and we have undertaken specific projects over the last 12 months in order to better and more formally understand the extent to which climate change impacts our business. We will continue to develop these processes over time, in order to continually aim to ensure the completeness of our risk management processes and to identify those topics that are most significant for our operations, such that we prioritise our risk mitigation efforts accordingly.

Climate change truly represents both risk and opportunity for the Group. For example, continued environmental activism around climate change has started to influence some consumers to reduce their carbon footprints, and there is the potential that this could start to impact some of the sectors we operate in, however, 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, this is also an opportunity for us.

We do not believe that climate change is a stand-alone Principal Risk, and instead believe that it should be assessed in an integrated way within our existing risk management processes. We recognise that the effect of climate change will have an impact, to a greater or lesser extent, across all of our existing Principal Risks, however, we do not believe this to have a material impact on our Principal Risk assessment at this time. As with all risks, we will continue to monitor the evolving situation over time

Strategic objectives

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

1. Macroeconomic and political volatility

Medium FY22 Increasing
Medium FY23 Unchanged

Detailed risk

Material changes in prevailing macroeconomic or geopolitical conditions could have a detrimental impact on business performance. We operate in 18 countries and sell to customers in over 100, therefore we are necessarily exposed to economic and geopolitical risks in these territories.

Link to strategic objectives

B E G

Potential impact

Potential touch-points include:

- Commodity prices which have a negative impact on demand in the whole supply chain.
- Changes to tariffs and import duties which can distort customer buying decisions.
- Foreign exchange volatility can impact customer buying patterns, leading to lower demand or the need to rapidly switch supply chains.

Mitigation and control

- Our diversified geographic footprint inherently exposes us to more countries where risks arise but conversely provides some degree of resilience and flexibility.
- Actions to lower the Group's overall break-even point also serve to reduce the impact of any global economic slowdown.
- A focus on 'predict and respond', e.g. sales forecasting and raw material price monitoring, leading to operational change such as sales price increases or cost reductions.
- Active monitoring of stock levels and customers in relevant geographies to identify any issues early.
- We have a good level of liquidity, with access to sufficient multi-currency debt facilities.

The FY23 risk trend is unchanged.

Renold has demonstrated the ability to manage costs in response to revenue shocks, protecting profitability and returns.

Rising interest rates and inflation increase the cost of borrowing, however, this is offset with some stabilisation of the high-cost inflation previously experienced on raw material, freight and energy prices.

Growth in the global economy, following stabilisation of the Covid-19 pandemic, presents opportunity though this growth may not continue.

Greater geopolitical risk with the war in Ukraine, and previous supply chain disruption during the pandemic, has resulted in customers shortening their supply chains and moving supply closer to their main operating locations. Renold benefits from manufacturing locations across several continents, which are often in close proximity to our customers' locations.

2. Strategy execution

Low FY22 Unchanged
Low FY23 Unchanged

Detailed risk

The Group's ongoing strategy requires the co-ordinated delivery of a number of complex projects.

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 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.
- When completing acquisitions, 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, or failure to deliver anticipated benefits during 'business as usual'.

Mitigation and control

- The Strategic Plan has been developed to deliver a sustained improvement in performance and to make that performance more stable and less exposed to revenue volatility.
- The Board reviews progress against the different strategic projects in each of its meetings. This is based on a regularly updated report from the CEO, which groups the individual projects into themes linked directly to our strategic objectives.
- Major projects are all managed in accordance with best practice project management techniques.
- External advisers are utilised where special expertise is required, where new capabilities are required, or where insufficient capacity is available 'in house'.
- 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), and integration, planning, execution and post integration appraisal which in turn feeds back to the business acquisition process.

The FY23 risk trend remains stable.

Stable management team, with appropriate skills and experience, are in place to deliver the well-defined Group Strategy. This is supported by a long-term credit facility which was renewed in May 2023.

The acquisition of YUK in August 2022 has performed ahead of expectations. This acquisition, coupled with the successful acquisition of the Brooks Conveyor Chain business in April 2021, demonstrates our ability to manage risk associated with our acquisition strategy well.

Principal risks and uncertainties

3. Product liability

Low
New risk in FY23

Detailed risk

A failure in one of our products results in serious injury, death, damage to property or non-compliance with product regulations.

The risk that products are not manufactured to contractually agreed specification or additional customers' requirements..

Link to strategic objectives

B C D G

Potential impact

- Non-compliance with quality standards
- Financial loss
- Reputational damage

Mitigation and control

- Standard Terms and Conditions of Sale are utilised, which are appropriately reviewed by in house Legal Counsel and external advisers as appropriate. These cap financial exposure and exclude consequential losses.
- Non-standard Terms and Conditions of Sale must be approved by senior executives in line with the Group Authority Matrix, following thorough legal and commercial review.
- Strict quality processes are adhered to, and our manufacturing locations maintain industry-relevant accreditations.
- Potential damages resulting from this risk are fully or partially covered through the Group's various insurance policies.
- Legal self-assessment checklists are completed by all operating locations and are reviewed by in house legal counsel, in order to identify any potential non-standard terms and conditions.

Product Liability has been included in our principal risks during the year. This reflects the output of our:

- 'Bottom up' site risk register reviews to identify common themes.
- Output of the ERMMC review process; compliance with contractual sales terms being frequently raised as a key internal control.
- Horizon scanning, which identified our increasing success of obtaining large multi-year supply contracts which are conducted on non-standard terms of sale.
- Benchmarking of risk against peer group.

Whilst the inherent impact and likelihood of this risk occurring would be high, we believe that we have sufficient and robust controls in place, such that the risk is mitigated to an acceptably low level.

4. Health and safety in the workplace

High FY22 Unchanged
High FY23 Unchanged

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

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.

Mitigation and control

- 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 largely returned to 'in person' site visits, following previous Covid-19 related travel restrictions.
- Continual hazard assessments to ensure awareness of risks.
- Live tracking of accident rates and root cause analysis via our Group reporting system, plus monthly Board reporting focused on a range of KPIs.
- Specific initiatives include the BAT (Be safe; Act safe; Think safe) safety logo and the Annual Health and Safety Awards Scheme to recognise success.
- Proactive identification and management of emerging risks.

The FY23 risk trend is unchanged. No matter what mitigating actions are undertaken, there remains a risk of death or serious injury. We therefore continue to assess the risk as the highest possible impact, but through the mitigation actions seek to reduce the likelihood. Significantly improving our health and safety performance continues to be our number one strategic objective.

5. Security and effective deployment and utilisation of information technology systems

Medium FY22 Increasing
Medium FY23 Unchanged

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.

The threat from cyber-attacks, and therefore security of our IT systems, is constantly evolving. The frequency of attacks is increasing, and the nature of such attacks are becoming more sophisticated. The risk to our Group, our supply chains and our customers is ever present.

Link to strategic objectives

B C D

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.

Mitigation and control

- Short-term maintain stability of existing hardware and legacy software platforms.
- Governance and control arrangements operating over the Group's ERP implementation programme.
- New ERP system is successfully implemented at several locations.
- Use of specialist external consultants and recruitment of experienced personnel.
- Phased implementation rather than 'big bang', along with project assurance and 'lessons learned' reviews to continuously improve the quality of successive rollouts.
- Steering Committee in operation with cascading project management disciplines.
- A range of preventative and detective controls to manage the risk of a cyber-attack, including technical solutions in addition to employee training programmes.
- Regular system maintenance and upgrades, including patching, to ensure known vulnerabilities are protected.

The overall risk for FY23 is unchanged.

Whilst we recognise that cyber threat is ever increasing, we have continued to invest in additional capability and controls designed to defend against such threats. There is a continued focus on managing and reducing the impact of any potential attack.

We have also successfully removed another one of our legacy ERP systems during the year.

6. Prolonged loss of a major manufacturing site

High FY22 Unchanged
High FY23 Unchanged

Detailed risk

A catastrophic loss of the use of all or a significant portion of a strategic production facility. The prolonged loss of certain larger plants has the ability to impact the viability of the Group. This could result from an accident, a strike by employees, a significant disease outbreak, major disruption to supply chains, fire, severe weather or other causes outside of management control.

Link to strategic objectives

A B C D E G

Potential impact

- In the short and long term, a related risk event could adversely affect the Group's ability to meet the demands of its customers.
- Specifically, this could entail significant repair costs or costs of alternative supply. A significant proportion of the Group's revenue is on relatively short lead times and a break in our supply chain could result in loss of revenue. All of this translates into lower sales and profits and reduced cash flow.

Mitigation and control

- Preventative maintenance programmes and new investments to reduce risk of interruption of manufacturing.
- A Group Fire Safety Policy mandating preventative, detective and containment controls.
- Alternative manufacturing capacity exists for a growing portion of the Group's product range, with this manufacturing capability spread across geographic territories.
- Inventory maintained to absorb and flatten out shorter-term raw material supply and production volatility risks.
- Comprehensive insurance policies to mitigate the impact of a number of these risks, albeit subject to carve-out of cover for specific risks (e.g. SARS and related disease outbreak) and claim limits.
- Amendments to operational processes, whenever and wherever required, to mitigate emerging risks and country-specific requirements.

The risk trend for FY23 is unchanged, largely as a result of already being classified at maximum risk levels.

We have continued to enhance the manufacturing capabilities at a number of our manufacturing locations through investment in equipment and additional training during the year, with the aim of reducing reliance on single geographical locations.

This is coupled with a Group-wide programme to continually maintain, develop and enhance our business continuity plans, such that the impact of business interruption is minimised in the event it occurs.

Principal risks and uncertainties

7. People and change

Medium FY22 Increasing
Low FY23 Reducing

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 C 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.

Mitigation and control

- Competitive reward programmes, focused training and development, and a talent retention programme.
- Ongoing reviews of succession plans based on business needs.
- Performance management and personal development programmes introduced alongside training initiatives.
- Management team strengthened with new capability from external hires and internal promotions.
- The Renold Values, launched in 2015, continue to be embedded and are linked to recruitment processes for new employees.

The FY23 risk trend is reducing.

The employment market remains competitive, however, we continue to attract and retain high calibre individuals.

Whilst industrial action across a range of sectors has been increasingly publicised during the year, we have tried to maintain positive relationships with our employees and have, where possible, worked in partnership to achieve mutually agreeable pay awards and working arrangements.

8. Liquidity, foreign exchange and banking arrangements

Low FY22 Unchanged
Low FY23 Reducing

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

B 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.

Mitigation and control

- The Group's primary banking facility was renewed in May 2023, with long-term financing agreed to May 2026 and an option to extend the term for a further two years. The new facility has increased to £85.0m from £61.5m, and the key net debt/EBITDA covenant was improved from 2.5x to 3.0x. The facility is fully available given current levels of profitability and we continue to maintain a positive relationship with our banking providers.
- Rolling foreign exchange forward contracts covering committed future cash flows.

The Group remained, with good headroom, within banking covenants throughout the year and retains a strong cash position.

The routine renewal of our committed debt facilities was successfully completed in May 2023, increasing both the amount of borrowing available and headroom on the net debt/EBITDA covenant.

As a result, the likelihood of this risk crystallising is lower and hence the FY23 risk trend is reducing.

9. Pensions deficit

Medium FY22 Unchanged
Medium FY23 Reducing

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.

Link to strategic objectives

E 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 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.

Mitigation and control

- We maintain a good relationship with pension trustees.
- Specialist professional advice is obtained to help us manage the associated liabilities and risks.
- The major UK pension cash flows (over 50% of all defined benefit pension cash costs) are stable, known and defined under the 25-year asset-backed funding scheme put in place during 2013. A further 25% of the annual cash flows are pensions in payment in Germany in a mature scheme that has passed its peak funding requirement.

The size of the reported balance sheet deficit has considerably lowered in the year, whilst cash contributions have remained known and stable. As such, the FY23 risk trend is reducing.

10. Legal, financial and regulatory compliance

Low FY22 Unchanged
Low FY23 Unchanged

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

B D

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.

Mitigation and control

- Communication and management of a clear compliance culture.
- Risk assessments and ongoing compliance reviews at least annually at all major locations.
- Published up-to-date policies and procedures with clear guidance and training issued to all employees.
- Monitoring of compliance with nominated accountable managers in each business unit.
- Financial control assurance and legal compliance is obtained through internal audit and a control self-assessment process.
- Self-certification from every operating region that internal controls have been complied with and that legal compliance has been maintained and is reviewed on at least an annual basis. All units and functions in the Group are subject to internal audit on a regular risk-based cycle. Any non-compliance reported is reviewed by the Audit Committee.

The FY23 risk trend is unchanged.

Viability statement

Longer-term viability of the Group

The Directors have assessed the prospects of the Group over a three-year period to March 2026. This is significantly longer than 12 months from the date of approval of the financial statements, the period used as the basis for assessing going concern.

Analysis of business prospects

The Board has considered the long-term prospects of the Group based on the strategy, market review, principal risks and uncertainties and business model as outlined previously within this report.

In the strategic review of the Group, the Board highlights a number of factors that underpin its long-term prospects and viability. These include:

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

Assessment of viability

In determining the appropriate period over which to assess viability, the Board has considered the Group's budgeting, forecasting and strategic planning cycles (covering the three-year period to March 2026), the timeframe within which risks are assessed and the maturation of the Group's core financing facility (maturing in May 2026, with an option to extend for a further two years). The Board therefore continue to be of the view that a three-year period is appropriate, taking into account the reliability of data as well as the predictability of events.

As in prior years, the Board and Audit Committee have continued to review and assess the Group's ongoing risk appetite, register of principal risks and uncertainties and progress on actions to mitigate the probability and impact of risks crystallising. The internal control structures and processes described on pages 50 to 52 also serve to mitigate exposure to single risk events that could threaten the Group's longer-term viability. Whilst all risks have the potential to impact longer-term viability, the principal risks deemed more relevant for a reasonable assessment of viability due to the potential to impact the Group's financial position are set out below:

Viability modelling	Link to principal risks and uncertainties
Scenario 1 The Board considered a number of events that could notably impact planned sales performance, either in a specific country due to a loss of use of a strategic production facility or across the entire Group. This included global disruption events more severe than the impact of the recent Covid-19 pandemic. **Assumptions** ○ Sales – reduction of 15% in FY24 with sales remaining at this level throughout FY25 and FY26. ○ Downside operating profit gearing of 25% on the sales shortfall (worse than the downside gearing of 8% experienced during the pandemic). ○ Mitigating actions – Reduction in expansionary capital expenditure outflows.	○ **Macroeconomic and political volatility** Uncertainty driven by global events is undoubtedly creating volatility. As an international manufacturing business, the Group is dependent on stable trading environments to deliver our products and the resulting shareholder value. Significant changes in global trading dynamics have the potential to undermine the Group's longer-term prospects. ○ **Prolonged loss of a major manufacturing site** The risk of the loss of use of all or a significant portion of a strategic production facility which would adversely affect the ability of the Group to meet the demands of its customers. Ultimately translating into lower sales, lower profits and reduced cash flow.
Scenario 2 The Board considered the Group's strategy and the impact of failing to co-ordinate and deliver on all of the projects. **Assumptions** ○ Return on sales reduced to and maintained at 6.0% over the period of the viability review. ○ Increase in the Group's working capital ratio to 25%.	○ **Strategy execution** The risk of the Group's inability to successfully implement the Strategic Plan which could lead to the Group continuing to experience volatile financial results and weak levels of cash generation, including failure to fully pass through inflationary increases in the cost base.
Scenario 3 The Board considered a requirement to inject additional contributions into the Group's pension schemes. **Assumptions** ○ Additional pension cash payments of £1m per annum.	○ **Pensions deficit volatility** The risk of short-term cash funding requirements for legacy pension schemes diverting investment away from the Group's operations.
Scenario 4 The Board considered a combination of scenarios 1 to 3 above.	○ **As above**

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

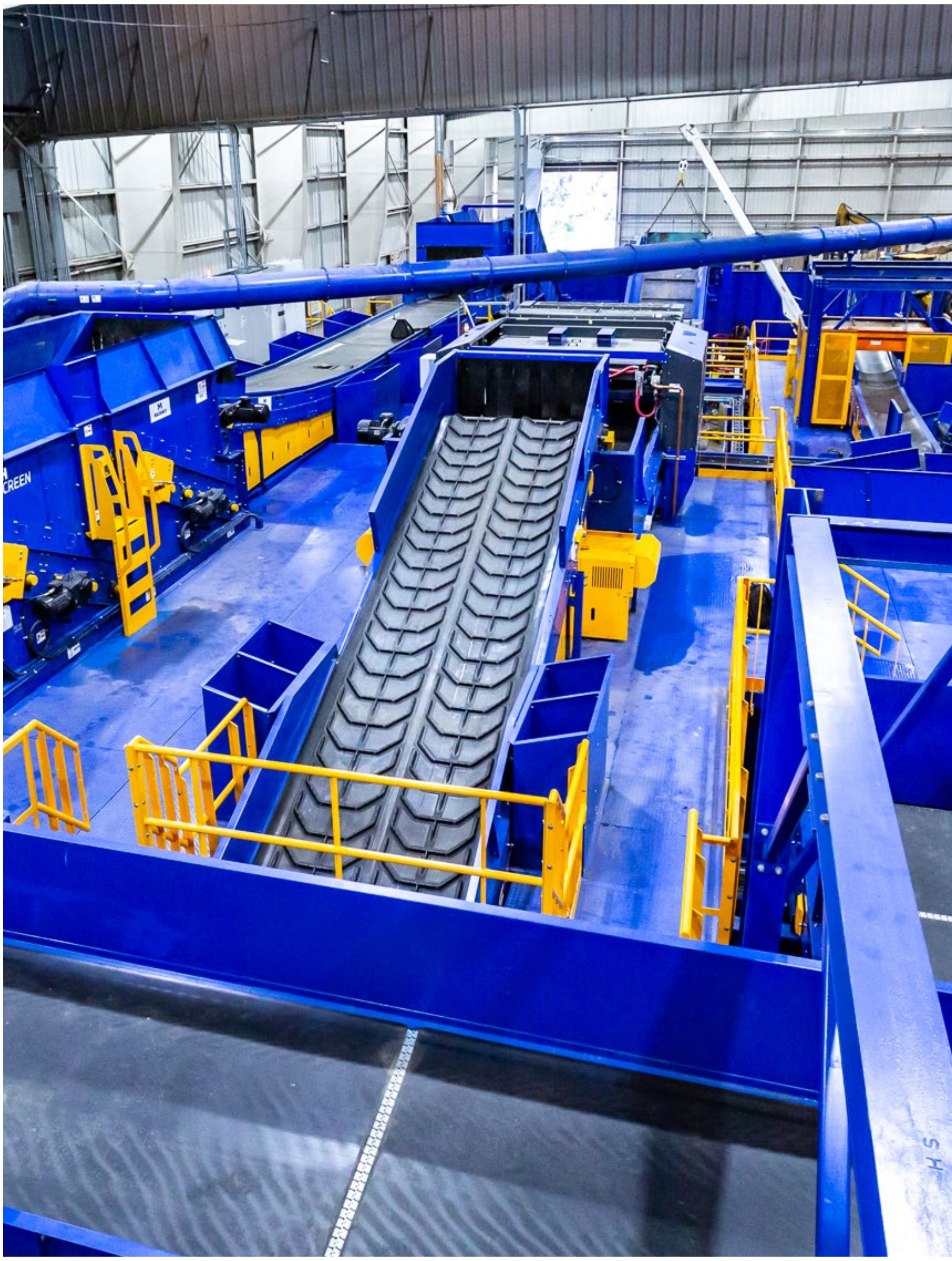
Reverse stress testing has also been applied to determine the level of fall in sales that would be required before the Group would be at risk of breaching its existing financial covenants or current liquidity headroom during the assessment period. The reverse stress test was conducted on the basis that only limited mitigating actions would be undertaken to reduce overheads during the period as sales declined and, on that basis, a fall in forecast sales of 40% (applied in the first year, with no subsequent growth in the three-year period) would be required before such a breach occurred. The Board considers the possibility of such a scenario to be remote and further mitigation, such as a reduction in planned capital expenditure, a possible extension of borrowing facilities and the potential to raise additional funds through share issues should be available if future trading conditions indicated that such an outcome were possible.

The Group maintains a conservative approach to borrowing. Whilst the banking covenants include a leverage limit of 3.0x Adjusted EBITDA, the Board generally seeks to operate within an internally imposed 2.0x leverage limit ensuring access to short-term borrowing to cope with short-term financial shocks.

Viability statement

Based on the outcomes of the viability assessment, the Board has a reasonable expectation that the Group would be able to withstand the impact of each of the above scenarios, in isolation and in a number of plausible combinations, should they occur in the course of the three-year assessment period. In each event, the Group would continue to operate and meet its obligations and liabilities as they fall due over the period to 31 March 2026.

Applications for Renold conveyor chain continue to develop in the rapidly growing recycling industry.



Case study
Glass Industry

What is it used for?
The shaped glass industry's requirements in terms of demand for maximum efficiency and reliability are becoming more and more challenging. Renold Inverted Tooth Chain was specified for use as a machine conveyor for glass production machines using the Narrow Neck Press & Blow (NNPB) process.

Why Renold?
Renold was chosen for the resistance of the chain to thermal shock, which, if not controlled carefully, can result in cracks appearing in the finished product. The production line can produce all manner of shaped glassware from drinking containers to perfume bottles and vials for medical purposes.

Governance

Chair's letter

> I believe that a diverse leadership team will build on the development of the successful business strategy and deliver a sustainable performance over the long term."
>
> **DAVID LANDLESS**
> CHAIR

Dear Shareholder,

On behalf of the Board I am pleased to present the Governance Report for the year ended 31 March 2023.

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 materially consistent with the governance regime in force during the Company's main market listing, namely the UK Corporate Governance Code 2016 (2016 Code). The QCA Code does not require a comply or explain approach to governance matters.

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

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

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

Board composition

The Chair of the Board is primarily responsible for the composition of the Board and for ensuring high standards of governance.

As Chair, I place great importance on the breadth of relevant experience, diversity, and complementary skills amongst the Group's Directors and management. I believe that a diverse leadership team will build on the development of the successful business strategy and deliver a sustainable performance over the long term. With this in mind, we welcomed Vicki Potter to the Board as a Non-Executive Director during the financial year. Vicki has broad operational and HR experience in multinational engineering and manufacturing companies. She is currently the Chief Human Resources Officer and Customer Services Director for Oxford Instruments plc, a global FTSE 250 technology and manufacturing business.

Going forward, the Board will continue to ensure that effective succession plans are in place.

Tone from the top

The Board continues to believe strongly in operating to the highest standards of ethical business conduct and in the importance of setting the right 'tone from the top'. These principles, which are core parts of the Group's

Our high performance chain has proven reliability on leisure rides in theme parks around the globe.

A new multi axis CNC pinion lathe with live tooling and automated bar feeder in our site in Westfield, USA.

culture, are reflected in the statement of our Values and Behaviours and Renold requires the same from all employees in the performance of their duties. These principles are consistent with the Group's objective to deliver organic revenue growth, at least in line with GDP, in an ethical and sustainable manner. The Board monitors and promotes a healthy culture through stakeholder engagement and responding to stakeholders' key interests, as discussed in Stakeholder Engagement on page 37.

We remain vigilant to developments in corporate governance and ethics, whether in legislation, regulations or codes of practice.

In addition to matters of corporate governance and ethics, the key priority for the Board is the delivery of the strategic plan. On page 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 11 am on 5 September 2023 at the Company's registered office, Trident 2, Trident Business Park, Styal Road, Wythenshawe, Manchester M22 5XB.

Shareholders will be invited to raise questions about the resolutions to be proposed at the AGM, and any other broader topics of interest or concern; details will be provided in the Notice of AGM itself.

On behalf of the Board, I would like to thank shareholders for their continued support and welcome you to participate at the 2023 AGM.

DAVID LANDLESS
CHAIR

11 July 2023

Compliance with Corporate Governance

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

The Board considers that the Company has complied with all provisions set out in the QCA Code that are applicable to it and, as we committed to doing when re-listing on AIM, has not materially departed from the standards of the 2016 Corporate Governance Code throughout the year ended 31 March 2023.

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

Board of Directors

Committee memberships key:

- A Audit Committee
- N Nomination Committee
- R Remuneration Committee
- E Executive Risk Management and Monitoring Committee

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

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

David Landless
Chair

Committee memberships:
N R

Appointment:
January 2017

Experience:
David, aged 63, was appointed to the Board as a Non-Executive Director on 9 January 2017, became Chair of the Audit Committee on 19 July 2017 and was appointed as Senior Independent Director on 13 November 2019. David became the Chair of Renold on 23 August 2021. As a fellow of the Chartered Institute of Management Accountants, David has significant experience at senior levels of international businesses in the industrials sector. He was most recently Group Finance Director of Bodycote plc from 1999 until his retirement on 1 January 2017. Prior to that, he held a range of finance roles for 15 years at Courtaulds in the UK and US, latterly as Finance Director of Courtaulds Coatings (Holdings) Limited, from 1997 to 1999. David is currently a Non-Executive Director of Ausurus Group Limited, which is the holding company for European Metal Recycling Limited as well as a Non-Executive Director and Chair of the Audit Committee of Innospec Inc. He was a Non-Executive Director of Luxfer Holdings plc from 2013 until June 2022, serving as Chair from May 2019 until March 2022.

Robert Purcell
Chief Executive

Committee memberships:
E

Appointment:
January 2013

Experience:
Robert, aged 61, joined the Group on 21 January 2013 as Chief Executive. Prior to joining Renold, Robert was Managing Director of Filtrona plc's Protection and Finishing Products Division. He has also held a Managing Director role at Low and Bonar plc within its technical textiles business. His early career was in operational management within Courtaulds plc, during which time he gained an MBA from the Cranfield School of Management.

Jim Haughey
Finance Director

Committee memberships:
E

Appointment:
October 2020

Experience:
Jim, aged 56, was appointed to the Board as Finance Director on 1 October 2020. He is a member of The Institute of Chartered Accountants in England and Wales and has significant experience at a senior level within international industrial businesses. He spent 15 years working in senior financial positions with FKI plc and Bridon Group, and spent eight years as Group financial controller at Bodycote plc. More recently he held the positions of Group Finance Director at Mpac Group plc and Finance Director of Drive DeVilbiss Healthcare.

Tim Cooper

Senior Independent Non-Executive Director

Committee memberships:

A N R

Appointment:

November 2018

Experience:

Tim, aged 64, was appointed as a Non-Executive Director of Renold in November 2018. He is Chair of the Remuneration Committee, a position he has held since November 2019. On 23 August 2021 Tim was appointed as the Senior Independent Director. Tim was an Executive Director of Victrex plc, a position he held from October 2012 until 30 September 2019. Tim joined Victrex in January 2010 as Managing Director of Victrex Polymer Solutions. Tim has over 30 years of international business management and commercial experience, having held senior leadership positions in a number of industries. Prior to joining Victrex, Tim was with Umeco plc, initially as Managing Director of Aerovac Systems Limited, but later becoming Group Managing Director of Umeco Composites Process Materials. He has been Managing Director of Tellermate plc and Avery Berkel Limited, having developed his international career with GEC, BP and Land Rover. Tim is currently the Senior Independent Non-Executive Director and Chair of the Remuneration Committee of Pressure Technologies plc.

Andrew Magson

Non-Executive Director

Committee memberships:

A N R

Appointment:

December 2020

Experience:

Andrew, aged 56, was appointed to the Board on 1 December 2020. On 23 August 2021 Andrew was appointed as Chair of the Audit Committee. Andrew, a Fellow of The Institute of Chartered Accountants in England and Wales, has career-long experience working in international industrial and manufacturing businesses owned by UK public companies. He was previously Group Finance Director of The Alumasc Group plc from 2006 until 2020. Prior to that, he was Group Financial Controller and Senior Corporate Finance manager at BPB plc as it grew to become a FTSE 100 company. Andrew spent his earlier career at PwC in London where he was a Senior Manager, gaining significant experience in Audit and Corporate Finance. Andrew is also Non-Executive Chair of Hardide plc and a Trustee of the Alumasc Group Pension Scheme and he chairs its Investment Committee.

Vicki Potter

Non-Executive Director

Committee memberships:

A N R

Appointment:

May 2022

Experience:

Vicki, aged 51, was appointed to the Board as a Non-Executive Director on 3 May 2022. She has broad management experience in international engineering and manufacturing companies. Vicki is currently the Chief Human Resources Officer and Customer Services Director for Oxford Instruments plc, a global FTSE 250 technology and manufacturing business. She has worked with Oxford Instruments since 2006, initially providing outsourced HR services across the group through her own consultancy business. Vicki joined Oxford Instruments permanently in January 2011 and was appointed to her current role and to the management board of Oxford Instruments in 2016. Vicki has a degree in Electrical and Electronic Engineering and an MA in Human Resources Management. Prior to working with Oxford Instruments, Vicki held engineering, project and operations management roles at Pepsico Inc. and ICI plc.

Andrew Batchelor

Group general Counsel and Company Secretary

Appointment:

July 2018

Experience:

Andrew, aged 58, was appointed to his role in July 2018. Andrew has extensive experience in private practice, becoming a partner with the law firm Edge Ellison, then continuing his career in-house as the General Counsel and/or Company Secretary to a variety of UK main market-listed companies. His previous roles include JD Sports Fashion plc, Promethean World plc and Itnet plc. Andrew has also held the roles of Head of Risk and General Counsel for the large private company retailer, Wilko.

Corporate governance report

Compliance with corporate governance

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

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

The Board considers that the Company has complied with all provisions set out in the QCA Code that are applicable to it throughout the year ended 31 March 2023.

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

Board composition, responsibilities and activities

Membership of the Board

We welcomed Vicki Potter to the Board in May 2022 as a Non-Executive Director. Vicki is a member of all standing Board Committees and brings with her a range of experience in HR, engineering and operations.

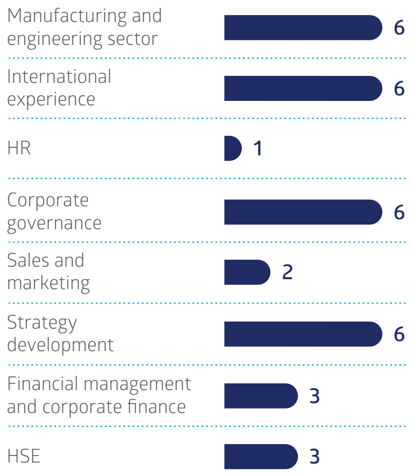
The Board continues to have a balance of Executive and Non-Executive Directors. Currently, the Board comprises a Non-Executive Chair, three Non-Executive Directors and two Executive Directors as shown below. The Board's consideration of its composition in the context of its diversity is set out in the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

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

Experience of the Board

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

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



Our brand new warehouse in Istanbul, Turkey.

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 Renold Group's approach to risk is set out on pages 50 to 52. 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. Whilst the Board is responsible for ensuring compliance with the FRC's 'Guidance on Risk Management, Internal Control and Related Financial and Business Reporting', the Audit Committee reviews internal financial controls and their effectiveness. Internal financial controls and the financial risk management processes are reviewed on a regular basis by the Audit Committee and the findings reported to the Board.

The ongoing process for the review of the system of internal controls by the Directors has been in place for the year ended 31 March 2023 and up to the date of approval of this report and the financial statements.

This review includes a focus on areas such as the operation of risk management and internal financial control systems, and their integration with the Group's strategy.

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

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

Further details about the composition and activities of the ERMMC and the Group's risk management framework, and the Board's oversight of the ERMMC can be found on pages 48 and 49 of the Strategic report.

Individual Directors' key responsibilities

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

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

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

Corporate governance report

Board and Committee membership and attendance

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

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

Routine announcements to AIM are approved by a Disclosure Committee which is constituted by any two Directors whilst ad hoc Board Committees are established from time to time to address specific projects.

The table below shows the number of meetings of the Board and its key Committees during the year and individual attendance by Board and Committee members at those meetings. Seven meetings have been held this year. In addition, the Board met for a separate full day to discuss the further evolution of the Group's Strategic Plan.

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

1 David Landless attended Audit Committee meetings or part thereof by invitation.

2 Robert Purcell and Jim Haughey attended Audit, Nomination and Remuneration Committee meetings or part thereof by invitation.

3 Vicki Potter was appointed to the Board on 3 May 2022.

Board focus during the year

During the year ended 31 March 2023, the Board has provided its main focus on the following matters:

	Overview	Activity in year	Strategic objective[1]
Governance and Risk	○ Implementation and review of compliance with the requirements of the QCA Code. ○ Ensure a sound system of internal control and risk management including review of the Group's risk profile.	○ Consideration of the Viability Statement and agreeing the Group's risk profile, principal risks and uncertainties. ○ 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. ○ Review of raw material and energy costs. ○ Establishing the Board's approach to environmental compliance and sustainability.	A
Strategy	○ Responsibility for approval of the Group's strategic aims and objectives and review of performance. ○ Approval of major capital projects and oversight of benefits expectation and delivery.	○ Board Strategy Day held to debate and discuss the Group's performance under the Strategic Plan. ○ Supporting the Chief Executive in the evolution of the Strategic Plan. ○ Review of customer service enhancement initiatives including the service improvement programme: 'STEP2 Service'. ○ Received presentations from Group senior management on operations and continued implementation of the Strategic Plan across the divisions and functions. ○ Approval of purchase of Company shares by the Employee Benefit Trust. ○ Approval of the Group's renewed long term revolving credit facility. ○ Approval of acquisition of the entire issued share capital of Industrias YUK S.A.. ○ Approval of a significant contract for the supply of couplings to the Australian Navy's Hunter programme.	B C D E F G
Leadership	○ Responsibility for the overall leadership of the Group and setting the Group's Values. ○ Setting the 'tone from the top'.	○ Monitoring health and safety performance. ○ Succession planning in relation to the Board and senior management including the recruitment process to appoint Vicki Potter as an additional Non-Executive Director. ○ Support to ongoing organisational development.	A C D F
Financial Stewardship	○ Approval of financial reporting and controls. ○ Approval of relevant policies. ○ Review of system of internal control.	○ Review and monitoring of the improvement to the financial control environment. ○ Approval of the annual operating and capital expenditure budgets. ○ Review of monthly business performance reports. ○ Review and approval of the half-year and full-year results and related announcements. ○ Specific approval for major capital investment projects. ○ Review of matters affecting the Group involving material litigation or disputes. ○ Approval of the Group's renewed long-term revolving credit facility. ○ Review of the UK Pension Scheme and associated contributions.	B D E G
Shareholder Relations	○ Ensuring a satisfactory dialogue with shareholders, including approval of key information to shareholders.	○ Received and discussed feedback from roadshows and presentations to shareholders. ○ Capital markets day held to present the Group operations and strategy to prospective investors. ○ Approval of Annual Report and Accounts and information to shareholders for the Annual General Meeting.	B E G

1 See key on page 26.

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 2024:

- Seeking opportunities for further acquisitions to support the Group's strategic aims.
- Working with the Group Head of People and Sustainability to continue to develop the Group's sustainability programme.
- Working to ensure the updated Group strategy is understood by existing and potential shareholders.
- Ensuring that the Group's cyber security risk management procedures are monitored to ensure that we maintain an externally assessed National Institute of Standards and Technology (NIST) score of 3.5 and Cyber Essentials Plus accreditation.
- Enhance succession plans for senior management roles.

Director induction and development

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

Remuneration advisers, PwC, have provided updates to the Remuneration Committee in relation to market trends in executive remuneration.

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

Non-Executive Director independence

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

Board evaluation and effectiveness

The Board recognises that evaluation of its performance is important in enabling it to realise its maximum potential. A formal process for evaluating the performance of the Board, its members and its Committees is conducted annually. This process gives the Directors the opportunity to identify areas for improvement both jointly and individually through the use of questionnaires and/or open discussion. An evaluation of the Chair is also carried out annually, led by the Senior Independent Non-Executive Director.

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

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

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

Election of Directors

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

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

The operator here is balancing an inter member for a rubber in compression flexible coupling on the dynamic balancing machine. All the components of the coupling will be balanced to ensure smooth running of the application at high speeds.

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

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

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

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

Group Management team
Implementation of the Group policies

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

Executive Committee
Business unit leaders

Functional leaders

Finance Director

Business unit teams

Functional teams

Corporate governance report

Key features of governance structures

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

- The Board has approved a Corporate Governance Compliance Statement, which contains terms of reference for the Board and each of the Board Committees. The terms of reference are available on the Company's website, www.renold.com. Internal controls are in place at both local and Group level.
- The ERMMC oversees, on behalf of the Board, that appropriate policies are implemented to identify and evaluate risks.
- An internal audit function which assists management and the Audit Committee in the fulfilment of the Board's responsibility for ensuring that the Group's financial and accounting systems provide accurate and up-to-date information about its current financial position while also permitting the accurate preparation of financial statements.
- An organisational structure which supports clear lines of communication and tiered levels of authority.
- A schedule of matters reserved for the Board's approval to ensure it maintains control over appropriate strategic, financial, organisational and compliance issues.
- The preparation of detailed annual financial plans covering profit and cash flow and the balance sheet, which are approved by the Board.
- The review of detailed regular reports comparing actual performance with plans and of updated financial forecasts.
- Procedures for the appraisal, approval and control of capital investment proposals.
- Procedures for the appraisal, approval and control of acquisitions and disposals.
- Access for all Group employees to a free-of-charge, independent whistleblowing hotline enabling them to report any concerns about theft, fraud or other malpractice in the workplace.

The Board and its Committees

- The Board delegates authority to various committees to deal with specific aspects of corporate governance.
- These committees are summarised on the prior page. Details about the structure and activities of each are set out in the separate committee reports. The committees communicate and work together where required.
- Committee membership may not be refreshed as frequently as would be the case for a company with a larger Board. However, the Board is satisfied that no undue reliance is placed on particular individuals.
- Terms of reference for each standing 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 2023 a review of internal control effectiveness was undertaken by the Board, with the specific responsibility for the monitoring of internal financial control being 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 Board of 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 Board has responsibility for overseeing internal control systems, with the Audit Committee being delegated the responsibility for overseeing and monitoring internal financial control systems including those listed above.

Fair, balanced and understandable reporting

The Annual Report and Accounts taken as a whole must be fair, balanced and understandable (FBU). The process for ensuring the Annual Report and Accounts meets the FBU requirement involves it being reviewed in the first instance by a Disclosure Committee and subsequently the Audit Committee and the Board. The Board's responsibility statement for the FBU requirement is on page 94.

Communications with shareholders

Communications with shareholders are given high priority and are made in a number of ways. The Board is accountable to shareholders and therefore, it is important for the Board to appreciate the requirements of shareholders and equally that shareholders understand how the actions of the Board and short-term financial performance relate to the achievement of longer-term goals. The Non-Executive Directors make themselves available to shareholders on request, can attend shareholder visits at Company sites and are available for discussions with analysts and the Company's joint brokers Peel Hunt and finnCap.

The reporting calendar is driven by the publication of interim and final results each year, in which the Board reports to shareholders on its management of the Company. Formal regulatory news service announcements are also made in accordance with the Company's reporting obligations. Comments on Group financial performance in the context of the business risks faced and objectives and plans for the future are set out in the Strategic Report on pages 15 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. The Company's financial public relations consultants, IFC Advisory, also interact with and provide feedback from the financial media, shareholders and potential investors. In addition, the Chief Executive and Finance Director meet with major shareholders and potential investors to discuss Group strategy and performance and update the Board as a whole at each meeting. The Board also receives reports prior to each Board meeting which set out the main changes to the composition of the Company's share register.

The Chief Executive and Finance Director attend presentations to investors and meetings with shareholders and analysts following the half year and full year results. Feedback from such meetings is provided to the Board. Brokers' briefings are also circulated to all Directors in order to ensure that Board members, and in particular Non-Executive Directors, develop an understanding of the views of major shareholders about their Company.

The Company held a Capital Markets Day in London on 10 May 2023 to present to shareholders and potential investors about the scope of the Group's operations and its strategic aims.

Annual General Meeting

The AGM will be held at 11 am on 5 September 2023 at the Company's registered office at Trident 2, Trident Business Park, Styal Road, Wythenshawe, Manchester M22 5XB.

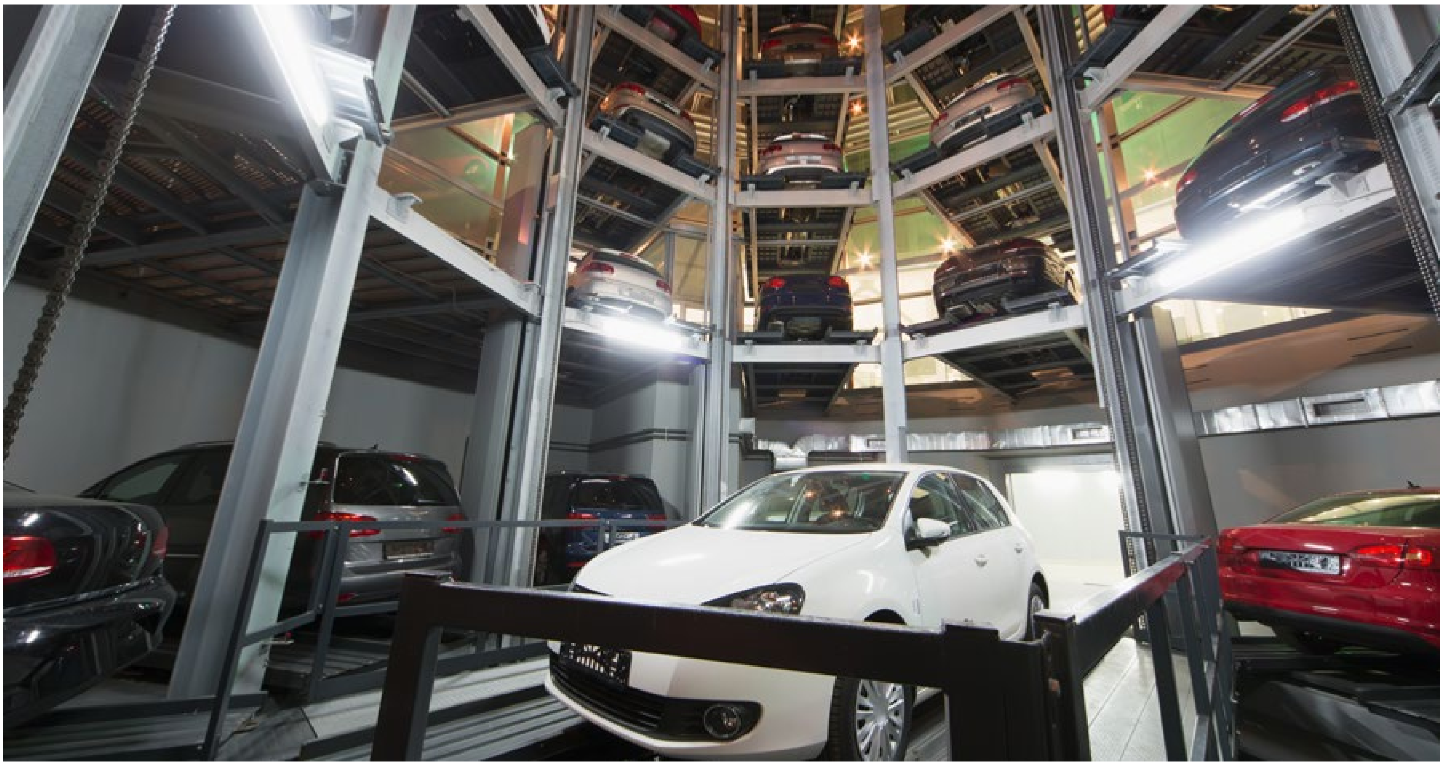
Notice of the AGM will be sent to shareholders at least 21 business days before the meeting.

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 Group website at www.investors.renold.com.

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

Renold Chains are used in the conveyor system transporting cars from the manufacturing plant of a global automaker into their customer centre storage towers.



Audit Committee report

> The main areas of focus for the Committee for the year included supporting the transition to our new internal and external auditors; reviewing the key judgemental areas in this year's financial statements; reviewing the quality of Renold's people resources in our finance functions globally; and supporting management to continually improve standards of internal financial control throughout the Group."

ANDREW MAGSON
CHAIR OF THE AUDIT COMMITTEE

Overview

The main objectives and key areas of focus for the Committee's work this year were:

1. To oversee a smooth transition to new external and internal auditors

   The Committee is pleased to report the seamless transition of responsibilities to our new external and internal auditors, BDO LLP and Mazars LLP, respectively, this year. The transition was well planned and executed and the handover between the audit teams was well co-ordinated and handled very professionally.

   The Committee also worked with management and Mazars to assist in scoping the internal audit work planned for the 2023/24 financial year, including consideration of key internal financial control risks, and in helping to ensure that internal audit work dovetails well with assurance obtained elsewhere from central and divisional management reviews and the external audit.

2. Support management in driving continuous improvements in accounting and internal financial control across the Group

   Particular areas of focus this year related to key risk items including:

   – further improvements to inventory valuation;

   – accounting for the acquisition of YUK and controls relating to the smooth integration of YUK into Renold;

   – re-evaluation of various tax positions across the Group with regard to transfer pricing and deferred tax;

   – the recognition of revenue and profit over time in relation to long-term contracts; and

   – oversight of the development of systems underpinning financial reporting and control.

   The Committee was satisfied with reports received from both management and auditors in these areas.

3. Reviewing the quality of Renold's people resources in our finance function globally.

4. Work with management and the Board to oversee the routine refinancing of the Group, which concluded in May 2023.

   Further disclosures relating to the recent successful refinancing exercise are provided on page 33.

5. Work with the Board to continue to refine the approach to business risk management, and further clarify the respective responsibilities of the Committee and the Board in this regard

   The key outcome of these discussions was to confirm the Board's overall responsibility for business risk management and control, with the focus of the Committee being on matters of financial reporting, financial risk management and internal financial control, including the oversight of external and internal audit. The Terms of Reference for both the Board and the Committee, which are available on www.renold.com, have been revised accordingly.

Key objectives and responsibilities of the Committee

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

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

We support the efforts of the executive team to continuously improve the internal financial control and risk monitoring environment.

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

Committee membership and expertise

The Committee consists of three members: Tim Cooper, Vicki Potter and myself. All of us are independent Non-Executive Directors. The Committee therefore complied with the requirements of the 2016 Code for a smaller company, this being to have at least two independent Non-Executive members.

Audit Committee members and meetings attended during the financial year

Name	Position	Meetings attended
Andrew Magson	Committee Chair and Non-Executive Director	6 of 6
Tim Cooper	Non-Executive Director	6 of 6
Vicki Potter	Non-Executive Director	6 of 6

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

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

Committee meetings

During the year ended 31 March 2023, the Committee met 6 times. The meetings were attended by the independent Non-Executive Directors (the members), the Company Secretary and, by invitation, the Chair of the Board, the Chief Executive, the Finance Director, the Group Financial Controller, Deputy Group Financial Controller and representatives of the Group's external and internal auditors. From time to time, other members of the Group's management team and other external advisers are invited to attend to present or respond to queries on particular areas of focus. The external and internal auditors have access to all Committee papers and minutes. The Committee meets privately at least once a year with representatives from both the external and internal auditors, which provides an opportunity for any matters to be raised in confidence which they consider should be brought to the attention of the Committee without the Executive Directors being present. Full details of Director attendance during the year are set out in the table of all Committee meetings on page 68 and in the table above.

Routine activities of the Committee during the year

In addition to the specific areas of focus described in the Overview section above, the Committee also carried out the following work under its Terms of Reference:

- Review, comment on, and recommend to the Board the Group's interim and full year financial statements for approval;
- Review and consider the appropriateness of the outcome of areas where significant judgements and estimates are required in the preparation of the financial statements, including those outlined on page 76;
- Consider the appropriateness of the going concern basis used to prepare the financial statements and the Board's statement on viability;
- Consider the appropriateness of presenting alternative performance measures and the clarity of disclosure relating to these measures;
- Consider and approve proposals from the external auditor regarding the approach to the audit strategy for the year ended 31 March 2023, including the proposed materiality level for the audit, and review of the findings of the audit;
- Review the results of internal audit activity for the year and consider, challenge and approve the scope of work proposed for the 2023/24 financial year;
- Review and update the Committee's terms of reference; and
- Review the Committee's effectiveness.

Significant issues considered in relation to the financial statements

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

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

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

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

Audit Committee report

Review matters	Relevant Measures	Relevance	Judgement required
Inventory valuation and provisioning	Inventory value Average working capital ratio	○ Net inventory value £61.8m (2022: £48.4m) ○ Average working capital ratio 17% (2022: 18%) For more detail see above and key sources of estimation uncertainty on page 115.	Moderate to high
Acquisition accounting for Industrias YUK S.A.	Fair values of consideration and net assets acquired	○ Note 26 to the financial statements.	Moderate, after taking advice from valuation professionals

Internal audit

This year has been the first under Mazars LLP's tenure as the Group's internal auditors and the Committee has been pleased that the transition from their predecessors has been seamless. The Committee works with management and the internal auditors to help define the internal audit plan. It does so having regard to other available sources of internal control assurance, including reviews by the central and divisional finance teams and the external auditors. The internal audit plan, which contains risk-based and cyclical audits and reviews, together with specific scope reviews focused on key risk areas or locations, currently focuses on internal financial controls.

The Committee receives and considers regular reports on internal financial controls from the internal auditors. These reports provide constructive feedback and recommendations for improvement. The Committee considers that the outsourcing of the internal audit function two years ago has improved the visibility of the operation of internal financial controls across the Group. In addition, the Committee monitors the resolution of internal and external audit points raised.

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

External audit

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

Again, the Committee was pleased with the seamless transition to our new external Auditors, BDO LLP from their predecessors, Deloitte LLP, during the year.

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.

(a) Auditor independence and objectivity

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

(b) Non-audit services provided by the external Auditor

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

(c) Assessment of effectiveness of external audit

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

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

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

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

As this year was BDO LLP's first year as the Group's external auditor, a full review of their performance has yet to take place. This is scheduled for a Committee meeting later in 2023.

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.

Internal financial control effectiveness and fraud

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

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

The Committee and Board is supporting management to progress the significant multi-year project to implement consistent business processes throughout the Group, including the replacement of a variety of legacy business systems with a common Infor M3 system. This should significantly improve the consistency, resilience and visibility of the operation and effectiveness of key controls throughout the Group. M3 systems are now largely implemented throughout the TT division, with roll-out now progressing through the Chain division.

Having considered and challenged internal control and audit reports received from management and our auditors, and reports on remedial actions taken to address improvement points raised previously, nothing came to the Committee's attention that has caused us any material concern with regard to the effectiveness of the Group's systems of internal financial control in operation during the year.

The Committee also receives reports from management on procedures and controls designed to seek to prevent fraud and reports of all instances where fraud has been identified.

Fair, balanced and understandable

As part of its review of the financial statements and annual report, and through discussions with management and the external auditors, the Committee considers whether disclosures made by the Company meet the 'fair, balanced and understandable' requirement. Any concerns are raised at Committee Meetings and, where appropriate, reported to the Board and resolved accordingly.

Confidential reporting procedures and whistleblowing

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

Committee effectiveness evaluation

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

TCFD reporting

Whilst The Climate-Related Financial Disclosures (TCFD) reporting regime first becomes applicable to Renold in its 2023/24 financial year, the Group has taken the opportunity to provide some initial disclosures this financial year. These can be found on page 49. No independent assurance has been sought on these disclosures. This matter will be kept under review by the Committee and the Board as the disclosures evolve.

We welcome feedback from shareholders on this report.

ANDREW MAGSON
CHAIR OF THE AUDIT COMMITTEE

11 July 2023

Chains are everywhere - food applications require chains with excellent corrosion resistance and the ability to withstand extreme temperature variations.

Nomination Committee report

"I place great importance on the breadth of relevant experience, diversity, and complementary skills amongst the Group's Directors and management. I believe that a diverse leadership team will build on the development of the successful business strategy and deliver a sustainable performance over the long term."

DAVID LANDLESS
CHAIR OF THE NOMINATION 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 further enhancing diversity and skills.

In May 2022 Vicki Potter was appointed to the Board and I am pleased to welcome Vicki to Renold. With her wealth of experience in HR, engineering and operations, Vicki will further add to the skillset of the Board.

Key objectives

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

Governance

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

Responsibilities

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

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

Composition of the Nomination Committee

The Committee, which I chair, consists of four Non-Executive Directors: Tim Cooper, the Senior Independent Non-Executive Director, Andrew Magson, Vicki Potter and myself.

Name	Position	Meetings attended
David Landless	Chair	2 of 2
Tim Cooper	Senior Independent Non-Executive Director	2 of 2
Andrew Magson	Non-Executive Director	2 of 2
Vicki Potter	Non-Executive Director	2 of 2

Activities of the Committee

At the start of the financial year the focus of the Committee was on recruiting a new Non-Executive Director from a diverse background, having regard to the existing membership of the Board. The recruitment process culminated in the successful appointment of Vicki Potter to the Board on 3 May 2022.

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.

The focus for the Committee in Financial Year 2024 will be to update and enhance the existing robust succession plans for the Executive Directors.

Policy on appointments to the Board and diversity

The Committee's primary objective is to ensure that the Executive and Non-Executive Directors have the relevant skills, knowledge and experience to create a balanced and effective Board and to support the Group in delivering its overall strategic objectives. Our policy extends to ensuring that the various standing 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 how an individual's personal attributes would complement and enhance the diversity of the Board. For the appointment of Non-Executive Directors, additional factors for consideration include independence and ability to commit sufficient time to the Company.

The Board recognises the benefits of diversity in all its aspects and is committed to continuing to appoint directors with this in mind.

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

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

After completion of the initial evaluation process, meetings will be held with the Chair and Chief Executive, with a final appointment being made after all Board members have had the opportunity to meet the relevant candidate.

Board composition

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

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

For further information on the background of the Directors, see the chart on pages 64 and 65.

DAVID LANDLESS
CHAIR OF THE NOMINATION COMMITTEE

11 July 2023

Using state of the art Laser Coordinate Measuring Machine (CMM) to scan to precisely measure manufactured components to ensure they meet highly specified tolerances.

Directors' remuneration report

> In the financial year 2022/2023 the Group made good progress strategically, and delivered a very strong performance. The progress made was a good result for both employees and shareholders."
>
> **TIM COOPER**
> CHAIR OF THE REMUNERATION COMMITTEE

Committee

In the financial year 2022/2023 the Group made good progress strategically, and delivered a very strong performance. The progress made benefits both employees and shareholders and is reflected in the remuneration outcomes for the Executive Directors.

The Remuneration Policy review was undertaken at the start of the year and concluded that no material changes to the Policy were required. In line with the Group's commitment to not materially reduce the levels of governance applied before its listing on AIM, the Remuneration Policy was put to a non-binding shareholders vote at the 2022 AGM. The Policy was approved with strong shareholder support, thus establishing the key principles for remuneration of the Executive Directors for the next three years. In September 2022, performance share awards (PSP) were made to the Executive Directors and senior management with a performance target of EPS growth over a three-year vesting period, to 20 September 2025.

The Committee reviewed the salaries of the Executive Directors, considering the average increase awarded to UK-based employees, and determined that the salaries of the Chief Executive and Finance Director should be increased by 5%. This led to new base salaries of £336,000 and £216,825 respectively. The salary increases were effective from 1 August 2022 (see section 8 below).

The Committee reviewed the fees payable to the Chair of the Company, the last benchmark review having been undertaken in August 2021. Considering the average increase in salaries for UK-based employees, the Committee resolved that the sum payable to the Chair of the Company be increased from £128,000 to £134,400, consistent with the percentage increase awarded to the Executive Directors. A similar review was undertaken for the other Non-Executive Directors; it was agreed to increase fees by 5% in line with the increases outlined for the Chair and Executive Directors.

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.

Structure of our Directors' Remuneration report

This report addresses the activities of the Remuneration Committee for the period to 31 March 2023 and sets out the remuneration details for the Executive and Non-Executive Directors of the Company.

Our report is structured with the following sections:

- The Committee and its activities, including the responsibilities and work undertaken by the Remuneration Committee.
- Our remuneration principles and elements of remuneration, providing a summary of this year's Directors' Remuneration Report.
- The Annual Report on Remuneration, which shows the implementation of the Directors' Remuneration Policy during the year ended 31 March 2023 and how it is proposed to be applied for the year ending 31 March 2024.

The Remuneration Policy can be viewed on the Group's website at investors.renold.com.

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 and the At a Glance section 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 the continued application of the Remuneration Policy.

Key remuneration outcomes for the year

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

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

- Annual bonus: The executive annual bonus plan for the year to 31 March 2023 was based upon achievement of adjusted EBITDA and operating cashflow targets. The Committee assessed performance against both targets and concluded that performance exceeded the higher range of the target. As a result, the bonus achieved by the Executive Directors was 100% of the award available.
- PSP: The performance period for the PSP awards granted in September and November 2021 ended on 31 March 2023. The performance conditions attached to these awards departed from the typical EPS measure, reflecting the exceptional circumstances as a result of the Covid-19 pandemic. The performance criteria included targets associated with net debt, rolling EBITDA, interest leverage, banking covenants and operating profit, all of which were achieved and therefore the awards will vest in full.

The Committee did not apply any discretion to these awards.

Director changes

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

Remuneration policy

The Remuneration Policy has been reviewed by the Committee with the assistance of PwC as external advisers, and whilst minor changes have been made to the current policy (which was adopted by the Company in 2018 whilst Renold was a company listed on the main market of the London Stock Exchange), these have not been material. The Committee considers the policy to be fit for purpose, to be aligned with the long-term strategic interests of the Company and aligned with the interests of our shareholders.

The Remuneration Policy was approved by shareholders at the 2022 AGM and shareholders voted in favour of the Policy, which will remain in place for a period of three years from the date of the 2022 AGM, in line with main market practice.

The Committee firmly believes that the PSP continues to appropriately incentivise the Executive Directors and supports the delivery of the strategic objectives set out in the Strategic Plan. 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.

We will continue to be mindful of shareholder feedback and to changes in best practice within the context of the Group's governance framework.

TIM COOPER
CHAIR OF THE REMUNERATION COMMITTEE

11 July 2023

The Renold range of leaf chain for materials handling applications is used worldwide for fork trucks, straddle carriers and a wide range of reach, lift and counterbalance equipment.

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.

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 six occasions.

Remuneration Committee members and meetings attended

Name	Position	Meetings attended
Tim Cooper	Chair	6 of 6
David Landless	Non-Executive Director	6 of 6
Andrew Magson	Non-Executive Director	6 of 6
Vicki Potter	Non-Executive Director	6 of 6

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

Governance

The terms of reference of the Committee were reviewed during the year. Minor changes were made and the revised terms of reference are available on the Group's website: 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 2023 and this review concluded that the Committee has operated effectively.

Key responsibilities of the Committee

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

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

Adviser to the Committee

During the year, the Committee received independent advice from PwC in relation to remuneration reporting, operation of the Company's share plans, advice on long-term incentive performance measurement and information on market trends in executive remuneration. Total fees for services provided over the year amounted to £43k.

PwC were appointed by the Committee in 2014 following an assessment and interview process and have 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 have also provided tax and pensions-related services to the Company. 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 view of the length of time that PwC has acted as adviser to the Committee and in accordance with good practice, the Committee decided to commence a tender process to consider possible candidates (including PwC) for the role of adviser going forward. The process is expected to be concluded during 2023.

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

Main activities of the Committee during the year

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

Theme	Agenda items
Best practice	Considering the current corporate governance environment and the implications for the Company
Annual Report on Remuneration	Considering and approving the Annual Report on Remuneration to be put to shareholders
Executive Directors	Determining the Executive Directors' Incentive Plan (Bonus) in FY23
	Determining the Executive Directors' annual pay review increase in FY23
	Approving the awards made under the Company's Performance Share Plan (PSP) during the year
Committee performance	Reviewing the Committee's performance
Performance of external advisers	Reviewing the performance of PwC and considering whether to retain them as external remuneration consultants
Policy	Reviewing and recommending changes to the Remuneration Policy
Terms of reference	Reviewing the Committee's terms of reference

Our remuneration principles and elements of remuneration

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

A new electrical discharge machine (EDM) keyway machining centre in one of our USA facilities.

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 ended 31 March 2023. This section, together with the description of the composition of the Committee, which is set out on page 82 of the report, constitutes the Annual Report on Remuneration. The Annual Report on Remuneration will be subject to an advisory shareholder vote at the AGM on 5 September 2023.

Directors' remuneration (audited information)

Total remuneration – Single total figure table

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

		Fixed pay				Variable pay			
Executive Director		Salary (£'000)	Benefits (£'000)	Pensions (£'000)	Subtotal (£'000)	Bonus (£'000)	LTIP[1] (£'000)	Subtotal (£'000)	Total (£'000)
Robert Purcell	**2023**	**331**	**18**	**50**	**399**	**320**	**525**	**845**	**1,244**
	2022	317	18	48	383	310	426	736	1,119
Jim Haughey	**2023**	**213**	**7**	**16**	**236**	**207**	**169**	376	**612**
	2022	204	12	15	231	200	–	200	431

1 The 2022 LTIP value reflects those awards for which the performance period ended 31 March 2022. This value previously reflected the average share price for final quarter of the financial year, and has now been revised to reflect the actual share price on the date of vesting.

Non-Executive Directors' fees	**2023 £'000**	2022 £'000	Change[2]
Mark Harper[1]	**–**	52	-100%
David Landless[2]	**132**	98	35.4%
Tim Cooper[2]	**53**	50	6.6%
Andrew Magson[2]	**51**	46	9.3%
Vicki Potter[3]	**41**	–	–

1 Mark Harper retired on 23 August 2021.

2 David Landless was appointed as Chair of the Company, Tim Cooper was appointed to Senior Independent Non-Executive Director and Andrew Magson was appointed to Chair of the Audit Committee on 23 August 2021.

3 Vicki Potter was appointed as Non-Executive Director on 3 May 2022. No fees were payable during the year ended 31 March 2022.

(1) Fixed elements of pay

(I) Base salary

The salaries of the Executive Directors were reviewed on 1 August 2022. Increases were awarded to Robert Purcell and Jim Haughey of 5%, in line with the average increase awarded to UK-based employees. Robert Purcell's salary increased to £336,000 and Jim Haughey's salary increased to £216,825. The proportion of the Group's basic salary bill attributable to the Executive Directors' base salaries for the year ended 31 March 2023 was 0.85% (2022: 0.92%).

(II) Pension

The pension entitlement for Robert Purcell is Company contributions equivalent to 15% of base salary. The Remuneration Committee decided to equalise Company contributions for Directors appointed since 2020, including Jim Haughey, so that they are in line with other UK employees at a rate of 7.5% of base salary. Accordingly the Pension entitlement for Jim Haughey is company contributions equivalent to 7.5% of base salary. During the year ended 31 March 2023, cash payments of £49,600 (2022: £47,500) and £16,004 (2022: £nil) were made by the Company to Robert Purcell and Jim Haughey respectively. During the year end 31 March 2022 the Company made contributions to the Group pension scheme of £15,325 on behalf of Jim Haughey.

(III) Benefits

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

Non-Executive Directors do not receive any benefits.

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

(I) Annual bonus (payable in cash)

The annual bonus, which is payable in cash, provides the Executive Directors with the opportunity to receive an annual bonus of up to 100% of base salary on achievement of adjusted EBITDA and adjusted operating cash flow targets. For the year ended 31 March 2023, the annual bonus targets for Executive Directors were based upon the targets below:

	Weighting £m	Entry (10% payout) £m	Mid (50% payout) £m	Max (100% payout) £m
Adjusted EBITDA	70%	23.5	25.5	27.0
Adjusted Operating Cash Flow	30%	(1.6)	2.4	4.4

For the year ended 31 March 2023, the adjusted EBITDA was £32.7m at budget exchange rates and the adjusted operating cash flow was £4.4m. The achievement of these targets is measured in accordance with the annual bonus plan rules. Adjusted operating cash flow is a measure derived from the Group's management accounts and differs from the operating cash flow metric reconciled in alternative performance measures on page 166. The adjusted operating cash flow metric used for bonus targets is designed to incentivise the senior management team to effectively manage working capital, while not disincentivising investment in appropriate capital expenditure or acquisition projects. Furthermore, the metric includes certain cash flows, including taxation and pension cash out flows, not ordinarily considered operating in nature but which are within the control of the senior management team.

Adjusted EBITDA and adjusted operating cash flow met the maximum target range and accordingly the bonus is payable in full, amounting to £526,500.

(II) PSP awards performance testing

The performance period for PSP awards granted in September and November 2020 completed on 31 March 2023. The performance conditions applying to these awards are as follows:

- 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 3.0x 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 was no part-vesting within each of the individual performance measures.

All criteria listed above were achieved, and therefore the award is due to vest in full.

(3) Variable elements of pay – awards made in the year

Awards made to Executive Directors during the year under the PSP, and associated performance conditions, are set out below. Awards equal to 200% of salary were made to the Chief Executive, Robert Purcell. Awards equal to 100% of salary were made to the Finance Director, Jim Haughey.

	Type of award	Face value[1]	Number of shares	Date of award	Performance period ending	Threshold vesting
Robert Purcell	Nil-cost option	£618,240	2,560,000	20 Sept 2022	31 Mar 2025	25%
Jim Haughey	Nil-cost option	£199,479	826,000	20 Sept 2022	31 Mar 2025	25%

1 The number of shares awarded was based on a notional share price of 25.0p, being a premium to the share price of 24.15p at the date of grant.

As in the majority of previous years, there is a single performance criteria linked to compound annual growth in adjusted EPS over a three year period.

(4) Payments to past Directors

There were no payments in the period to past Directors.

(5) Payments made for loss of office

No payments have been made to Directors for loss of office in the year ended 31 March 2023.

Directors’ shareholding and share interests (audited information)

(I) Vesting history of the 2004 Options Plan and PSP

The following table shows the vesting history of the 2004 Options Plan and PSP over the last six years as a percentage of the total award to Executive Directors.

	Award 2015/16 Vesting 2017/18	Award 2016/17 Vesting 2018/19	Award 2017/18 Vesting 2019/20	Award 2018/19 Vesting 2020/21	Award 2019/20 Vesting 2021/22	Award 2020/21 Vesting 2022/23
Vesting %	Nil	Nil	Nil	Nil	100%	100%[1]

1 These awards are expected to vest based on the performance period ended 31 March 2023 and relate to options awarded to Robert Purcell and Jim Haughey in the year ended 31 March 2021.

(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.

	Shareholding requirement (% of salary)	Shareholding at 31 March 2023	Shareholding at 31 March 2023[2] (% of salary)
Robert Purcell	200%	**7,643,740[1]**	**580%**
Jim Haughey	100%	**20,000**	**2%**

1 Comprised of 5,808,878 beneficially owned shares and 1,834,862 vested but unexercised options.

2 Based on a closing share price of 25.5p at 31 March 2023.

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 2023. No such minimum shareholding requirement exists for Non-Executive Directors.

Non-Executive Directors	Shareholding at 31 March 2023
David Landless	**35,000**
Tim Cooper	**43,482**
Andrew Magson	**50,000**
Vicki Potter	**45,000**

There have been no changes in the interests of any current Director in the share capital of the Company between 31 March 2023 and the date of this report.

(III) Directors' share options

Awards over shares in which the Executive Directors retain an interest are detailed in the table below as at 31 March 2023.

Robert Purcell	Options held at 1 April 2022	Granted in year	Lapsed in year	Exercised in year	Options held at 31 March 2023	Options vested at 31 March 2023	Option price (p)	Date from which exercisable	Expiry date
	Number of share options								
2004 Options Plan	1,145,038	–	(1,145,038)	–	**–**	**–**	26.2	21.1.2016	21.1.2023
Total 2004 Options Plan	1,145,038	–	(1,145,038)	–	**–**	**–**			
PSP	1,065,089	–	–	(1,065,089)	**–**	**–**	Nil	25.7.2016	25.7.2023
	1,834,862	–	–	–	**1,834,862**	**1,834,862**	Nil	22.11.2022	22.11.2029
	2,066,667	–	–	–	**2,066,667**	**–**	Nil	29.9.2023	29.9.2030
	2,480,000	–	–	–	**2,480,000**	**–**	Nil	23.7.2024	23.7.2031
	–	2,560,000	–	–	**2,560,000**	**–**	Nil	20.9.2025	20.9.2032
Total PSP	7,446,618	2,560,000	–	(1,065,089)	**8,941,529**	**1,834,862**			
Total	8,591,656	2,560,000	(1,145,038)	(1,065,089)	**8,941,529**	**1,834,862**			

Jim Haughey	Options held at 1 April 2022	Granted in year	Lapsed in year	Exercised in year	Options held at 31 March 2023	Options vested at 31 March 2023	Option price (p)	Date from which exercisable	Expiry date
	Number of share options								
	666,667	–	–	–	**666,667**	**–**	Nil	12.11.2023	12.11.2030
PSP	800,000	–	–	–	**800,000**	**–**	Nil	23.7.2024	23.7.2031
	–	826,000	–	–	**826,000**	**–**	Nil	20.9.2025	20.9.2032
Total	1,466,667	826,000	–	–	**2,292,667**	**–**			

The performance conditions for the share options are disclosed on page 85 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.

(6) Performance graph and table

The graph below shows the Company's total shareholder return for each of the last ten financial years, of a holding of shares in the Company against a hypothetical holding of shares in the FTSE All-Share Industrial Engineering Index. The Committee considers this index to be an appropriate index for total shareholder return and comparison disclosure as it represents a broad equity index of similar companies.

Total shareholder return

(7) Chief Executive’s remuneration for the years ended 31 March 2014 to 31 March 2023

The following table shows the history of the Chief Executive’s total remuneration over the last ten years, and the proportions of annual bonus and options vesting each year as a percentage of the maximum.

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Chief Executive’s total remuneration[1] £’000	659	561	1,015	363	364	434	378	345	1,119	**1,244**
Annual bonus as % of maximum awarded	100%	67%	–	–	–	20%	–	–	100%	**100%**
LTIP as % of maximum vesting	n/a	n/a	100%	–	–	–	–	–	100%	**100%[2]**

1 The values use the same methodology as that shown in calculating the single figure basis of remuneration in the table on page 84.

2 Expectation of vesting percentage based on the performance period ended 31 March 2023.

(8) Percentage change in remuneration

The table below shows the percentage change from the preceding financial year in respect of the total of all Directors' remuneration (on a single total remuneration basis as shown in the table on page 84).

	Percentage change in salary or fees[6]	Percentage change in benefits	Percentage change in annual bonus	Percentage change in LTIP
Executive Directors				
Robert Purcell	4.4%	3.5%	3.2%	23.4%
Jim Haughey	4.4%	(16.2%)	3.3%	100%
Non-Executive Directors[1]				
David Landless	35.4%	n/a	n/a	n/a
Tim Cooper	6.6%	n/a	n/a	n/a
Andrew Magson	9.3%	n/a	n/a	n/a
Vicki Potter[2]	–	n/a	n/a	n/a
Average Employee[5]	4.4%	nil	n/a	n/a
UK Workforce[4]	4.4%	nil	n/a	n/a

1 David Landless was appointed as Chair of the Company, Tim Cooper was appointed to Senior Independent Non-Executive Director and Andrew Magson was appointed to Chair of the Audit Committee on 23 August 2021.

2 Vicki Potter was appointed as Non-Executive Director on 3 May 2022. No fees were payable during the year ended 31 March 2022.

3 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.

4 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.

5 Average employee represents the full workforce of the parent company.

6 The above percentage represents the average increase in total employment costs of Employees and Directors. The increase in salary costs referred to in the introduction to the Remuneration report represents an annualised salary increase of 5%, for both Employees and Directors.

(9) Relative importance of spend on pay

The table below sets out the total of the Executive Directors’ remuneration (on a single total remuneration basis as shown in the table on page 84 compared to a number of other key financial metrics. The metrics chosen are considered to be of interest and 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[2]	Executive Directors’ total remuneration
2023	**£79.4m**	**Nil**	**£57.7m**	**£247.1m**	**£24.2m**	**£36.2m**	**£1.9m**
2022	£69.8m	Nil	£46.2m	£195.2m	£15.3m	£25.8m	£1.6m
Difference (%)	13.8%	Nil	24.4%	26.6%	58.2%	39.1%	19.7%

1 Based on a share price of 25.5p at 31 March 2023 and share price of 20.5p at 31 March 2022.

2 Note 1 to the Company financial statements sets out the calculation of revenue and alternative performance measures on page 163 sets out the calculation of adjusted operating profit and adjusted EBITDA.

(10) Statement of implementation of remuneration policy in the next financial year

The Committee intends to operate the remuneration policy as set out on our website, as referenced above, for three years from the date of the 2022 Annual General Meeting.

(11) Base salary

Consistent with the timing of annual employee pay reviews across the Group, which are implemented with effect from 1 August, the Committee reviews base salaries for the Executive Directors annually. The next review is expected to take place in August 2023 and any change will be implemented from 1 August 2023. The current base salaries for the Executive Directors are set out on page 84.

Fees of the Non-Executive Directors are set out below, along with their date of first appointment. Each Non-Executive Director is re-appointed annually.

Name	Date of first appointment	Contractual fees
David Landless	9 January 2017	£134,400
Tim Cooper	14 November 2018	£53,760
Andrew Magson	1 December 2020	£51,555
Vicki Potter	3 May 2022	£45,570

(12) Annual bonus

The performance measures for the 2023/24 annual bonus will be based on adjusted EBITDA and adjusted Operating Cashflow. The performance targets for the annual bonus are based on internal targets and considered commercially sensitive. In the interests of transparency, performance targets will continue to be disclosed retrospectively in the Remuneration Report for 2023/24.

(13) Long-term incentive plan – PSP

The performance conditions attaching to options that will be granted under the PSP in the year commencing 1 April 2023 are expected to be in line with those awarded in the current year, being linked to EPS growth.

(14) Statement of shareholder voting

The Directors' Remuneration Report received shareholder support at the 2022 Annual General Meeting held on 6 September 2022. Votes cast in respect of this resolution at the 2022 Annual General Meeting are detailed in the table below. The Committee acknowledges the number of votes cast against.

	2022 AGM	%
Votes cast for	114,257,542	95.35%
Votes cast against	5,577,528	4.65%
Total		
Votes withheld[1]	14,400	

The Directors' Remuneration Policy received significant shareholder support at the Annual General Meeting held on 6 September 2022. Votes cast in respect of this resolution at the 2012 Annual General Meeting are detailed in the table below.

Remuneration Policy	2022 AGM	%
Votes cast for	113,252,971	94.52%
Votes cast against	6,579,781	5.48%
Total		
Votes withheld[1]	16,677	

[1] A vote withheld is not a vote in law and is not counted in the calculation of the proportion of votes cast 'for' and 'against' a resolution.

Approved by the Board and signed on its behalf by:

TIM COOPER
CHAIR OF THE REMUNERATION COMMITTEE

11 July 2023

Directors' report

The Directors submit their report and the financial statements as set out on pages 105 to 161. The Directors' Report, which comprises pages 90 to 93, 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 2023 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 93 and therefore incorporated by reference.

Group

The Company is a public limited company incorporated in England and Wales with registered number 249688. Its registered office is located at Trident 2, Trident Business Park, Styal Road, Wythenshawe, Manchester M22 5XB.

The Group is an international engineering Group, producing a wide range of high-quality engineering products which are sold worldwide.

Results

Profit before tax for the year ended 31 March 2023 is £17.3m, compared with a profit of £12.4m for the year ended 31 March 2022.

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 2023, 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 2022 and 3 January 2023.

Directors' appointment and replacement

The appointment and replacement of Directors of the Company is governed by its Articles of Association and legislation. The Company's Articles of Association give power to the Board to appoint Directors to fill a vacancy or as additional Directors, but also require Directors to retire and submit themselves for election at the first AGM following their appointment.

In addition, any Director who was not elected or re-elected at either of the two preceding Annual General Meetings must retire and seek re-election. 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, Tim Cooper, Andrew Magson and Vicki Potter as Non-Executive Directors, will stand for re-election at the 2023 AGM.

Under the terms of reference of the Nomination Committee, appointments to the Board are recommended by the Nomination Committee for approval by the Board. For a full description of the Company's policy on appointments to the Board, see the Nomination Committee Report on pages 78 to 79.

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 84 to 89. 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 2023, 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 2022 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 2023 AGM and 6 December 2023. 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 2023 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 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.

Holders of ordinary shares have one vote for every ordinary share held. The preference shares do not carry any voting rights.

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 them 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 2023 AGM are set out in the Notice of the forthcoming AGM.

Major shareholdings

At 31 March 2023 the Company had been notified or is aware of the following major holdings of voting rights attached to its ordinary shares under the FCA's Disclosure and Transparency Rule 5:

Shareholder	Shares	% issued share capital
Jupiter Asset Mgt (London)	28,745,000	12.75%
Canaccord Genuity Wealth Mgt (London)	25,000,000	11.09%
Hargreaves Lansdown Asset Mgt (Bristol)	20,111,060	8.92%
Janus Henderson Investors (London)	19,150,473	8.50%
Renold plc Employee Benefit Trust (UK)	16,888,938	7.49%
Tellworth Investments (London)	16,704,634	7.41%
Interactive Investor (Manchester)	15,804,177	7.01%
River & Mercantile Asset Mgt (London)	11,378,387	5.05%

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

Directors’ report

Directors’ rights in respect of shares

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

Issue of shares

The Directors are authorised to issue equity securities either by way of a rights issue or in any other way, provided that the shares issued, other than by way of a rights issue, open offer or other pre-emptive offer of the Company, be limited to shares with an aggregate nominal value of £563,544.35, being equal to 5% of the aggregate nominal amount of the Company’s ordinary share capital in issue as at the date of the Notice of the Company’s 2022 Annual General Meeting. The authority will expire at the earlier of the forthcoming AGM and 6 December 2023. The Directors will seek authority from shareholders at the 2023 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 2023 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 2022 Annual General Meeting. The authority will expire at the earlier of the forthcoming AGM and 6 December 2023. The Directors will seek authority from shareholders at the 2023 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., AIB Group (UK) plc and Santander 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 81 within the Directors’ remuneration report.

Annual General Meeting

The Annual General Meeting (AGM) of the Company will be held at the Company's registered office at Trident 2, Trident Business Park, Styal Road, Wythenshawe, Manchester M22 5XB on Tuesday 5 September 2023 at 11 am.

The resolutions being proposed at the 2023 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 2023 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

The Company's current auditor, BDO LLP were appointed at the 2022 AGM in September 2022, following the resignation of Deloitte LLP. Deloitte LLP deposited a statement of the circumstances connected with its ceasing to hold office confirming that there are no matters that need to be brought to the attention of members or creditors of the Company for the purposes of Section 519 of the Companies Act 2006.

Going concern

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

The basis on which this conclusion has been reached is set out on page 110, 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 to 65
Employee involvement	37 and 40
Employment of disabled persons	44
Financial instruments Note 24 to the Group financial statements	141 to 146
Greenhouse gas emissions	48
Important events affecting the Group since 31 March 2023 Note 25 to the Group financial statements	146
Statement of Directors' responsibilities	94

The Directors' Report was approved by the Board on 11 July 2023.

For and on behalf of the Board:

ROBERT PURCELL
CHIEF EXECUTIVE

JIM HAUGHEY
FINANCE DIRECTOR

Directors' responsibilities statement

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with United Kingdom adopted international accounting standards and the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and 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 they have been prepared in accordance with UK adopted international accounting standards, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In preparing the Group financial statements, International Accounting Standard 1 requires that Directors:

- Properly select and apply accounting policies;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Provide additional disclosures when compliance with the specific requirements of the financial reporting framework are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- Make an assessment of the Group and Company's ability to continue as a going concern.

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

The Directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Responsibility statement

We confirm that to the best of our knowledge:

- The financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- The strategic report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- The annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

This responsibility statement was approved by the Board of Directors on 11 July 2023 and is signed on its behalf by:

By order of the Board.

ROBERT PURCELL
CHIEF EXECUTIVE

JIM HAUGHEY
FINANCE DIRECTOR

Shareholder information

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

If you wish to advise a change of name, address, or dividend mandate, please contact the Company's registrar, Link Group, whose contact details appear on page 168. 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

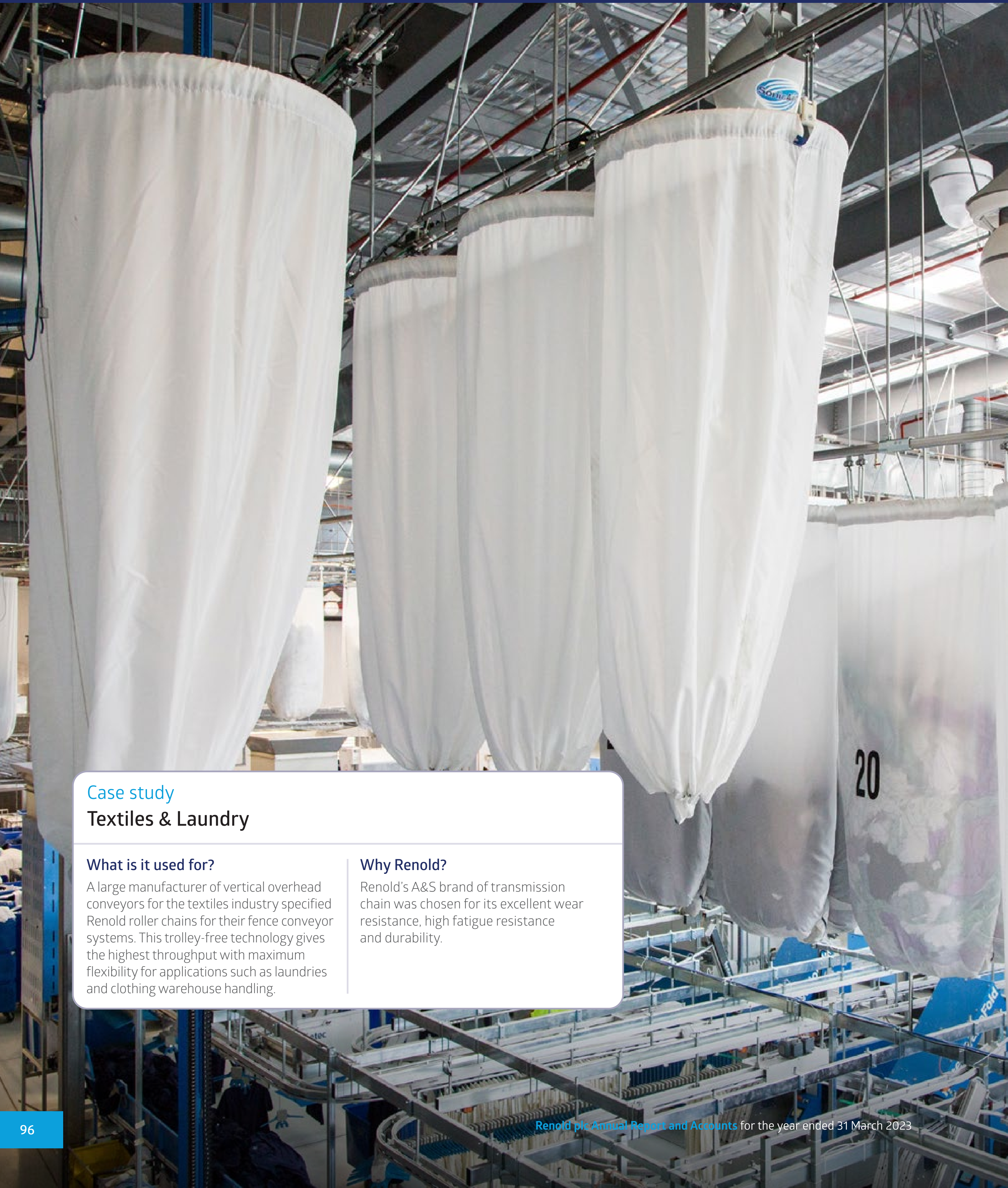
- Keep in mind that firms authorised by the FCA are unlikely to contact you out of the blue with an offer to buy or sell shares.
- Do not get into a conversation; note the name of the person and firm contacting you and then end the call.
- Check the Financial Services Register (the Register) from www.register.fca.org.uk 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/consumers/protect-yourself-scams, where you can find out more about investment scams.

You can also call the FCA on 0800 111 6768.

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



Case study

Textiles & Laundry

What is it used for?

A large manufacturer of vertical overhead conveyors for the textiles industry specified Renold roller chains for their fence conveyor systems. This trolley-free technology gives the highest throughput with maximum flexibility for applications such as laundries and clothing warehouse handling.

Why Renold?

Renold's A&S brand of transmission chain was chosen for its excellent wear resistance, high fatigue resistance and durability.

Financial statements

Independent Auditor's report

to the Members of Renold plc

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2023 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Renold Plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 March 2023 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated and company balance sheets, the consolidated and company statements of changes in equity, the consolidated statement of cash flows and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and UK adopted international accounting standards. 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 Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain 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 FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting included:

- We obtained the assessment that supports the Directors' conclusions with respect to the disclosures provided around going concern;
- We challenged the rationale for the assumptions utilised in the forecasts, using our knowledge of the business, the sector and wider commentary available from competitors and peers;
- We considered the appropriateness of the directors forecasts by testing their mechanical accuracy, assessing historical forecasting accuracy and understanding the directors consideration of downside sensitivity analysis;
- We obtained an understanding of the financing facilities from the finance agreements, including the nature of the facilities, covenants and attached conditions;
- We assessed the facility and covenant headroom calculations, and reperformed sensitivities on the directors base case and stressed case scenarios; and
- We reviewed the wording of the going concern disclosures, and assessed its consistency with the directors' assessment of going concern, including underlying forecasts.

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 and the 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.

Overview

Coverage	89% of Group profit before tax (absolute) 87% of Group revenue 88% of Group total assets	
Key audit matters		2023
	Inventory valuation	✓
	Acquisition accounting	✓
Materiality	*Group financial statements as a whole* £900k based on 5% of adjusted profit before tax.	

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

Our Group audit scope focused on the Group's principal operating locations, being those in the UK, US, India, Spain, Germany, Belgium, Switzerland, China and Canada. Full scope audits were performed on the significant components Renold Power Transmission Limited, Renold Continental Limited, Jeffery Chain LP, Renold Inc. and the Parent company and specified procedures were performed on the non-significant components Renold Canada Limited, Jeffery Chain Acquisition Company Incorporated and Renold Switzerland GmbH by the group engagement team. The full scope audits of significant components Renold Chain India Private Limited, Renold GmbH and Industrias YUK, S.A and specified procedures on non-significant components Renold (China) Transmission Products Co. Ltd (business units: Jintan NSC and Jintan Ops) and Renold Transmission (Shanghai) Co. Ltd (business unit: China TT) were performed by component auditors from other BDO offices in the global network.

The remaining components of the Group were considered non-significant and these components were principally subject to analytical review procedures by the Group engagement team.

Our involvement with component auditors

For the work performed by component auditors, we determined the level of involvement needed in order to be able to conclude whether sufficient appropriate audit evidence has been obtained as a basis for our opinion on the Group financial statements as a whole. Our involvement with component auditors included the following:

The Responsible Individual and senior members of the Group engagement team were involved at all stages of the audit process, directing the planning and risk assessment work.

Detailed Group instructions were sent to the component auditors, which included the principal areas to be covered by the audits, materiality levels, significant risks, fraud risks and other significant auditing and accounting matters, and further set out the information to be reported to the Group engagement team.

The Group engagement team attended planning calls with all component teams where the scope of their work was discussed. The Group engagement team reviewed the audit working papers of the component auditors, at both planning and completion, and attended completion meetings, including attending in person at Renold Chain India Limited, Renold GmbH and Industrias YUK, S.A with the relevant component audit team, and the respective divisional management teams following completion of the work.

Independent Auditor's report

to the Members of Renold plc

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, including 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.

Key audit matter		How the scope of our audit addressed the key audit matter
Inventory valuation Refer to accounting policies, key sources of estimation uncertainty and note 11	The Group holds inventory of £61.8m (2022: £48.4m). Management judgement is applied to the cost of inventories in order to accurately reflect the manufacturing costs incurred in bringing them to their current condition and physical location. This manufacturing cost primarily relates to the assessment of direct labour costs incurred, manufacturing overheads to be absorbed and other relevant production costs. The risk identified is that the carrying value of inventory is not appropriate, specifically manufactured goods where there was an increased level of management judgement required around the labour and overhead absorption. For these reasons we determined inventory valuation to be a key audit matter.	We have performed the following audit procedures: ○ We reviewed management's rationale and supporting calculations for the valuation methodology adopted and considered its appropriateness in accordance with the requirements of IAS 2. ○ We challenged the completeness of overhead costs capitalised in the cost of inventory, as well as selected a sample of costs absorbed and assessed their appropriateness in accordance with the requirements of IAS 2. ○ For a sample of inventory items we have agreed to bill of materials, confirming total amount contributed from raw materials, labour and overhead costs. ○ We challenged management on assumptions used in relation to machinery hours, with reference to standard hour reports for the last 3 years, and labour costs, with reference to employee contracts and payslips. ○ We compared the actual costs incurred to the standard costs to challenge the labour and overhead costs absorbed. We reviewed the variance identified with consideration for the amounts recognised as variances within the P&L. **Key observations:** We found the judgements and estimates adopted by management in the absorption of costs into inventory to be reasonable.

Key audit matter		How the scope of our audit addressed the key audit matter
Acquisition accounting Refer to note 26	During the year, the Group acquired 100% of Industrias YUK, S.A. This acquisition was material to the Financial Statements and there are complexities in the accounting for business combinations including identifying the fair value of the consideration for the acquisition and the net assets acquired. Furthermore, the Group was required to identify and value any separable intangible assets acquired as part of the transaction. As part of this exercise, management identified acquired separable intangible assets that have been valued at £6.9m within these Financial Statements, which involved the use of a number of estimates. For these reasons we determined acquisition accounting to be a key audit matter.	We have performed the following audit procedures: ○ obtained the sales and purchase agreement and reviewed the key terms to check that these have been accounted for correctly in accordance with the applicable accounting standard; ○ reperformed the calculation to arrive at the value of goodwill; ○ agreed a sample of transactions from the acquisition balance sheet to supporting documentation to gain assurance over the opening position; ○ reviewed the details of the acquisition to identify which separable intangible assets were acquired as part of the transaction; ○ assessed the key judgements and fair value adjustments relating to intangibles, deferred consideration, inventory, property plant & equipment and provisions to check they were reasonable and in line with the relevant accounting standards with support from our internal valuation experts; ○ engaged our internal valuation experts to assist us to review the valuation of the customer relationships and non-compete agreement which were separately valued by considering the accuracy of the model and estimates such as the WACC used within the valuation; and ○ reviewed the disclosure included in note 26 to the Financial Statements to check that this accurately reflects the transaction and that the disclosure is compliant with the relevant accounting standards. **Key observations:** Based on the audit procedures performed, we consider the judgements and estimates made in accounting for the acquisition, and the related disclosure within the Financial Statements to be appropriate.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group financial statements	Parent company financial statements
	2023 £k	2023 £k
Materiality	900	850
Basis for determining materiality	5% of profit before tax adjusted for acquisition costs	95% of Group materiality
Rationale for the benchmark applied	It was considered that adjusted profit before tax was the most appropriate basis for materiality as it reflects the underlying trading performance of the Group, eliminating non-recurring items and is in the interests of the users of the financial statements.	We have capped materiality at a percentage of Group materiality to take into consideration component aggregation risk.
Performance materiality	630	595
Basis for determining performance materiality	70% of materiality The following factors were considered: ○ risk assessment, including assessment of the Group's overall control environment; and ○ the disaggregated nature of the Group.	70% of materiality The following factors were considered: ○ risk assessment, including assessment of the Parent Company's overall control environment.

Component materiality

For the purposes of our Group audit opinion, we set materiality for each significant component of the Group, apart from the Parent Company whose materiality is set out above, based on a percentage of between 11% and 44% of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £100k to £400k. In the audit of each component, we further applied performance materiality levels of 70% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £36k. We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report and Accounts other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	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 Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.
Matters on which we are required to report by exception	We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion: ○ adequate accounting records have not been kept 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; or ○ certain disclosures of Directors' remuneration specified by law are not made; or ○ we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the 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.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

Based on our understanding and accumulated knowledge of the Group and the sectors in which it operates we considered the risk of acts by the Group which were contrary to applicable laws and regulations, including fraud and whether such actions or non-compliance might have a material effect on the financial statements. These included but were not limited to those that relate to the form and content of the financial statements, such as the applicable accounting standards, the UK Companies Act 2006 and the AIM Listing Rules; and industry related such as compliance with health and safety legislation, employment law and taxation legislation. We communicated relevant laws and regulations to all team members, including component audit teams, to ensure they were aware of any relevant regulations in relation to their work.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries, revenue being recognised in the incorrect period around the year end and management bias in accounting estimates.

Our audit procedures included, but were not limited to:

- Obtaining an understanding of the control environment in monitoring compliance with laws and regulations;
- Discussions with management, the Audit Committee, the Directors and internal legal counsel concerning consideration of known or suspected instances of litigation, non-compliance with laws and regulation and fraud;
- Use of forensic specialists to assist with the risk assessment at the planning stage and to help design appropriate audit procedures;
- Reviewing minutes of Board meetings throughout the period to corroborate our enquiries and to identify any other matters not already disclosed by management and the Directors;
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to the Group's inventory valuation and acquisition accounting (see key audit matters above);
- Testing a sample of revenue transactions around the year end to supporting documentation (including invoice and proof of delivery) for all significant components to assess if the revenue had been recorded in the correct period;
- Identifying and agreeing journal entries to supporting documentation, in particular any journal entries posted with unusual account combinations or including specific keywords;
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- Involvement of tax specialists in the audit; and
- Agreeing the financial statement disclosures to underlying supporting documentation.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including component engagement teams who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit. For component engagement teams, we also reviewed the result of their work performed in this regard.

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

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

STUART WOOD
(SENIOR STATUTORY AUDITOR)

For and on behalf of BDO LLP,
Statutory Auditor,
Manchester, UK

11 July 2023

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

Consolidated income statement

for the year ended 31 March 2023

	Note	2023 £m	2022 £m
Revenue	1	**247.1**	195.2
Operating costs	2	**(224.2)**	(179.0)
Operating profit		**22.9**	16.2
Finance costs	3	**(5.6)**	(3.8)
Profit before tax		**17.3**	12.4
Taxation	4	**(5.5)**	(2.2)
Profit for the financial year		**11.8**	10.2
Earnings per share	5		
Basic earnings per share		**5.7p**	4.7p
Diluted earnings per share		**5.1p**	4.4p
Basic adjusted earnings per share[1]		**6.5p**	4.3p
Diluted adjusted earnings per share[1]		**5.9p**	4.0p

All results are from continuing operations.

1. Definitions of adjusted measures are provided in alternative performance measures on page 163 of the financial statements.

Consolidated statement of comprehensive income

for the year ended 31 March 2023

	Note	2023 £m	2022 £m
Profit for the financial year		**11.8**	10.2
Items that may be reclassified to the income statement in subsequent years:			
Exchange differences on translation of foreign operations		**2.7**	3.2
Loss on hedges of the net investment in foreign operations		**(0.8)**	(0.3)
Cash flow hedges:			
Gain/(loss) arising on cash flow hedges during the year		**0.3**	(0.5)
Cumulative gain arising on cash flow hedges reclassified to profit and loss		**0.6**	0.1
Income tax relating to items that may be reclassified subsequently to profit or loss	17	**(0.2)**	0.1
		2.6	2.6
Items not to be reclassified to the income statement in subsequent years:			
Remeasurement gains/(losses) on retirement benefit obligations	18	**22.2**	12.3
Tax on remeasurement gains/losses on retirement benefit obligations – excluding impact of statutory rate change	17	**(5.8)**	(3.1)
Effect of changes in statutory tax rates on deferred tax assets	17	**–**	2.3
		16.4	11.5
Other comprehensive income for the year, net of tax		**19.0**	14.1
Total comprehensive income for the year, net of tax		**30.8**	24.3

Consolidated balance sheet

as at 31 March 2023

	Note	2023 £m	Restated[1] 2022 £m
ASSETS			
Non-current assets			
Goodwill	7	**28.2**	22.7
Intangible assets	8	**10.9**	5.1
Property, plant and equipment	9	**56.8**	49.3
Right-of-use assets	10	**16.5**	8.0
Deferred tax assets	17	**11.8**	17.9
		124.2	103.0
Current assets			
Inventories	11	**61.8**	48.4
Trade and other receivables	12	**43.5**	35.7
Current tax		**0.6**	–
Derivative financial instruments	24	**0.3**	–
Cash and cash equivalents	13	**19.3**	10.5
		125.5	94.6
TOTAL ASSETS		**249.7**	197.6
LIABILITIES			
Current liabilities			
Borrowings	14	**(47.3)**	(1.0)
Trade and other payables	15	**(57.2)**	(48.5)
Lease liabilities	10	**(2.7)**	(2.8)
Current tax		**(6.6)**	(4.1)
Derivative financial instruments	24	**–**	(0.5)
Provisions	16	**(0.9)**	(0.2)
		(114.7)	(57.1)
NET CURRENT ASSETS		**10.8**	37.5
Non-current liabilities			
Borrowings	14	**(1.3)**	(22.8)
Preference stock	14	**(0.5)**	(0.5)
Trade and other payables	15	**(2.5)**	(4.7)
Lease liabilities	10	**(17.5)**	(9.2)
Deferred tax liabilities	17	**(7.8)**	(5.4)
Retirement benefit obligations	18	**(62.2)**	(87.1)
Provisions	16	**(4.1)**	(3.8)
		(95.9)	(133.5)
TOTAL LIABILITIES		**(210.6)**	(190.6)
NET ASSETS		**39.1**	7.0
EQUITY			
Issued share capital	19	**11.3**	11.3
Currency translation reserve	21	**11.5**	9.8
Other reserves	21	**(4.5)**	(5.4)
Retained earnings	21	**20.8**	(8.7)
TOTAL SHAREHOLDERS' FUNDS		**39.1**	7.0

1. See Note 27 for details of the prior period restatement.

Approved by the Board on 11 July 2023 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 2023

	Share capital £m Note 19	Share premium account £m	Restated[1] Retained earnings £m Note 21	Currency translation reserve £m Note 21	Capital redemption reserve £m Note 21	Other reserves £m Note 21	Restated[1] Total shareholders' funds £m Note 21
At 31 March 2021 (Restated)	11.3	30.1	(77.0)	6.8	15.4	(0.1)	(13.5)
Profit for the year	–	–	10.2	–	–	–	10.2
Other comprehensive income/(expense)	–	–	11.5	3.0	–	(0.4)	14.1
Total comprehensive income/(expense) for the year	–	–	21.7	3.0	–	(0.4)	24.3
Own shares purchased	–	–	–	–	–	(4.9)	(4.9)
Capital reorganisation	–	(30.1)	45.5	–	(15.4)	–	–
Share-based payments	–	–	1.1	–	–	–	1.1
At 31 March 2022 (Restated)	**11.3**	**–**	**(8.7)**	**9.8**	**–**	**(5.4)**	**7.0**
Profit for the year	**–**	**–**	**11.8**	**–**	**–**	**–**	**11.8**
Other comprehensive income	**–**	**–**	**16.4**	**1.7**	**–**	**0.9**	**19.0**
Total comprehensive income for the year	**–**	**–**	**28.2**	**1.7**	**–**	**0.9**	**30.8**
Share-based payments	**–**	**–**	**1.3**	**–**	**–**	**–**	**1.3**
At 31 March 2023	**11.3**	**–**	**20.8**	**11.5**	**–**	**(4.5)**	**39.1**

1. See Note 27 for details of the prior period restatement.

Included in retained earnings is £2.7m (31 March 2022: £1.9m) relating to a share option reserve.

The other reserves include Renold shares held by 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 2023 16,888,938 (31 March 2022: 18,422,509) ordinary shares of 5p each were held by the Renold Employee Benefit Trust and, following recommendations by the employer, are provisionally allocated to satisfy awards under employee incentive schemes. The market value of these shares at 31 March 2023 was £4.3m (31 March 2022: £3.7m).

Consolidated statement of cash flows

for the year ended 31 March 2023

	Note	2023 £m	2022 £m
Cash flows from operating activities	23		
Cash generated from operations		**19.4**	21.0
Income taxes paid		**(2.7)**	(1.7)
Net cash flow from operating activities		**16.7**	19.3
Cash flows used in investing activities			
Proceeds from property disposals		**–**	0.2
Purchase of property, plant and equipment		**(7.0)**	(4.1)
Purchase of intangible assets		**(1.4)**	(1.2)
Consideration paid for acquisitions net of cash acquired	26	**(14.5)**	(0.5)
Net cash flow used in investing activities		**(22.9)**	(5.6)
Cash flows from financing activities			
Repayment of principal under lease liabilities		**(2.9)**	(4.2)
Finance costs paid		**(3.0)**	(1.5)
Own shares purchased		**–**	(4.9)
Proceeds from borrowings		**28.3**	4.7
Repayment of borrowings		**(8.3)**	(16.0)
Net cash flow from/(used in) financing activities		**14.1**	(21.9)
Net increase/(decrease) in cash and cash equivalents		**7.9**	(8.2)
Net cash and cash equivalents at beginning of year		**9.5**	17.3
Effects of exchange rate changes		**0.1**	0.4
Net cash and cash equivalents at end of year	13	**17.5**	9.5

Accounting policies

Basis of accounting

Renold plc is a public limited company incorporated and domiciled in the United Kingdom. The consolidated financial statements of the Company comprise the Company and its subsidiaries (together referred to as the Group). The Company's financial statements present information about the Company as a separate entity and not about the Group. The financial statements have been prepared in accordance with UK-adopted international accounting standards.

The Parent Company has elected to prepare its parent company financial statements in accordance with FRS 101; these are presented on pages 150 to 161. The financial statements were approved by the Board on 11 July 2023.

The consolidated financial statements have been prepared on a historical cost basis except for items that are required by International Financial Reporting Standards ('IFRS') to be measured at fair value, principally certain financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

The principal accounting policies adopted are set out below.

Functional and presentation currency

These consolidated financial statements are presented in Pounds Sterling, which is the functional currency of Renold plc, the Parent Company of the Group.

Foreign currency translation

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

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

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company made up to 31 March each year.

Business combinations are accounted for using the acquisition method. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and equity interests issued by the Group in exchange for control of the acquired entity. Consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed in operating costs as incurred. All identifiable assets and liabilities acquired and contingent liabilities assumed are initially measured at their fair values at the acquisition date.

The excess of the consideration transferred, the amount of any non-controlling interest and the acquisition date fair value of any previously held equity interest in the acquired entity as compared with the Group's share of the identifiable net assets are recognised as goodwill. Where the Group's share of identifiable net assets acquired exceeds the total consideration transferred, a gain from a bargain purchase is recognised immediately in the income statement after the fair values initially determined have been reassessed.

(A) Subsidiaries

Subsidiaries are entities that are controlled by the Group. As per IFRS 10 there are 3 elements of control; power over the investee, exposure, or rights, to variable returns from involvement with the investee; and the ability to use power over the investee to affect the amount of those returns. Typically, a shareholding of more than 50% of the voting rights is indicative of control. However, the impact of potential voting rights currently exercisable is taken into consideration.

The financial statements of subsidiaries are included in the consolidated financial statements of the Group from the date that control is obtained to the date that control ceases. The accounting policies of new subsidiaries are changed where necessary to align them with those of the Group.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. They are initially measured at the non-controlling interest's share of the net fair value of the assets and liabilities recognised or at fair value, as determined on an acquisition-by-acquisition basis. Subsequent to acquisition, non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interest's share of the changes in equity since the date of the combination.

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 18 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.

Accounting policies

- Risks – The Group bears the risks incidental to the activities of the SLP because it retains the obligation to ensure the pension scheme is appropriately funded.

Accordingly, advantage has been taken of the exemption conferred by paragraph 7 of the Partnerships (Accounts) Regulations 2008 from the requirements for preparation, delivery and publication of the partnership's accounts.

(B) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expense arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investments are eliminated to the extent of the Group's interest in that investment. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Going concern

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

Further information in relation to the Group's business activities, together with the factors likely to affect its future development, performance and financial position, liquidity, cash balances and borrowing facilities is set out in the Strategic Report section of the Annual Report. In addition, the financial statements within the Annual Report include the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities and its exposure to foreign exchange, credit and interest rate risk. Information relating to post balance sheet events is disclosed in Note 25.

The key covenants attached to the Group's multi-currency revolving credit facility relate to leverage (net debt to EBITDA, maximum 2.5x) and interest cover (minimum 4.0x), which are measured on a pre-IFRS 16 basis. The Group regularly monitors its financial position to ensure that it remains within the terms of its banking covenants. Following the acquisition of Industrias YUK S.A. ("YUK") on 3 August 2022, the Group's net debt increased by £16.0m to £29.8m (31 March 2022: £13.8m). The Group has accordingly remained within the borrowing covenant levels throughout the year ended 31 March 2023.

Given the current level of macroeconomic uncertainty stemming from Covid-19, inflation, the global supply chain crisis and geopolitical risks, and being also mindful of the risk matrix disclosed on page 52, the Group has performed financial modelling of future cash flows. The Board has reviewed the cash flow forecasts, which cover a period of 12 months from the approval of the 2023 Annual Report, and which reflect forecasted changes in revenue across the Group's business units. A reverse stress test has been performed on the forecasts to determine the extent of downturn which would result in a breach of covenants. Revenue would have to reduce by 28% over the period under review for the Group to breach the leverage covenant under the terms of its borrowing facility. The reverse stress test does not take into account further mitigating actions which the Group would implement in the event of a severe and extended revenue decline, such as reducing discretionary spend and capital expenditure. This assessment indicates that the Group can operate within the level of its current facilities, as set out above, without the need to obtain any new facilities for a period of not less than 12 months from the date of this report.

Following this assessment, the Board of Directors are satisfied that the Group has sufficient resources to continue in operation for a period of not less than 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in relation to this conclusion and preparing the Consolidated Financial Statements. There are no key sensitivities identified in relation to this conclusion. Further information on the going concern of the Group can be found on page 58 in the Viability Statement.

Revenue

Revenue for goods sold is recognised at the value of the consideration specified in the contract with the customer for the sale of goods net of sales rebates, discounts, VAT and other sales related taxes and after eliminating sales within the Group. Revenue is recognised when the performance obligations of the Group have been fulfilled. Revenue is principally recognised at a point in time, when the obligation to despatch or deliver the specified goods is satisfied. There are a small number of contracts with customers for which performance obligations are satisfied over time. Revenue is recognised on the following basis:

(A) Sale of goods

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

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

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

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

(B) Sales rebates and discounts

These comprise customer discounts and rebates which are sales incentives to customers to encourage them to purchase increased volumes and are related to total volumes purchased and sales growth or incentives for early payment. They are recognised in the same period as the sales to which they relate based upon management's best estimate of the amount necessary to meet claims made by the Group's customers in respect of these rebates and discounts such that the revenue recognised equals the consideration specified in the contract net of contractual rebates and discounts.

Discounts received from suppliers

These comprise rebates and discounts received from suppliers as incentives to purchase increased volume or early settlement of amounts payable. They are recognised within operating costs over the period to which the contract or purchase relates.

Research and development

Expenditure on research and development is charged to the income statement in the year in which it is incurred with the exception of:

- amounts recoverable from third parties; and
- expenditure incurred in respect of the development of major new products, where the outcome of those projects is assessed as:
  (i) being reasonably certain with regard to viability and technical feasibility; and
  (ii) where the Group has obtained contractual commitments for the purchase of the new product covering a period of greater than 12 months.

Such expenditure is capitalised and amortised over the estimated period of sale for each product, commencing in the year that sales of the product are first made. Amortisation is charged on a straight-line basis.

Government assistance

A grant shall not be recognised until there is reasonable assurance that the business will comply with the conditions attached to it and that the grant will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets (including property, plant and equipment) are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Taxation

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.

Dividends

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.

Goodwill

(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.

Intangible assets

(i) Computer software

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

(ii) Software as a service

For Software as a Service ('SaaS') arrangements, the Group capitalise costs only relating to the configuration and customisation of SaaS arrangements as intangible assets where control of the software and associated configuration and customised elements exists.

(iii) Other intangible assets

Other intangible assets, such as those identified on acquisition by the Group that have finite useful lives, are recognised at fair value and measured at cost less accumulated amortisation and impairment losses. The estimated useful lives for the Group's finite life intangible assets are between three and ten years.

Accounting policies

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.

Property, plant and equipment

Tangible assets are stated at cost, being purchase cost plus any incidental costs of acquisition, less accumulated depreciation and impairment.

Depreciation is calculated on a straight-line basis so as to charge the depreciable amount of the respective assets to the income statement over their expected useful lives. No depreciation has been charged on freehold land. The useful lives of assets are as follows:

	Years
Freehold buildings	50
Leasehold property improvements	50 years or the period of the lease if less
General plant and equipment	15
Fixtures	15
Precision cutting and grinding machines	10
Motor vehicles	3

Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are included in operating profit.

Refer to Note 16 for our treatment of dilapidations.

Leasing and right-of-use assets

Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the lease liability and associated finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. The Group has a large number of material property, equipment and vehicle leases.

To the extent that a right-of-control exists over an asset subject to a lease, with a lease term exceeding one year, a right-of-use asset, representing the Group's right to use the underlying leased asset, and a lease liability, representing the Group's obligation to make lease payments, are recognised in the Group's Consolidated Balance Sheet at the commencement of the lease. The right-of-use asset is initially measured at cost and includes the amount of initial measurement of the lease liability and any direct costs incurred, including advance lease payments and an estimate of the dismantling, removal and restoration costs required by the terms and conditions of the lease. Depreciation is charged to the Consolidated Income Statement to depreciate the right-of-use asset from the commencement date until the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The lease term shall include the period of any extension option where it is reasonably certain that the option will be exercised. Where the lease contains a purchase option the asset is written off over the useful life of the asset when it is reasonably certain that the purchase option will be exercised.

The lease liability is measured at the present value of the future lease payments, including variable lease payments that depend on an index and the exercise price of purchased options where it is reasonably certain that the option will be exercised, discounted using the interest rate implicit in the lease, if readily determinable. If the rate cannot be readily determined, the lessee's incremental borrowing rate is used. Finance charges are recognised in the Consolidated Income Statement over the period of the lease. Lease arrangements that are short term in nature or low value are charged directly to the Consolidated Income Statement when incurred. Short-term leases are leases with a lease term of 12 month or less. Low-value assets comprise small items of furniture or equipment.

Inventories

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.

Trade and other receivables

Financial assets are carried at amortised cost less any impairment. The carrying amount of financial assets is reduced by an amount equal to the expected lifetime losses. Subsequent recoveries of amounts previously written off are credited against the allowance account and changes in the carrying amount of the allowance account are recognised in the Income Statement. As the balances do not contain a significant financing element, the simplified approach relating to expected lifetime losses has been applied. In accordance with IFRS 9 a provision matrix is used, grouping trade and other receivables based on their attributes, principally geographical region. Expected credit losses are calculated as the difference between the amount contractually owed to the Group and the cash flows which the Group expect to receive based on past default experience, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.

Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are included within borrowings in current liabilities on the balance sheet.

Borrowings

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.

Trade and other payables

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.

Provisions

Provisions are recognised when the Group: (i) has a present legal or constructive obligation as a result of past events; (ii) it is more likely than not that an outflow of resources will be required to settle the obligation; and (iii) a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, e.g. under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

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

Deferred tax

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

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

Retirement benefit obligations

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.

Share-based payments

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.

Financial instruments

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) 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.

Accounting policies

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

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

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

There are no fair value hedges.

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

(I) Cash flow hedges

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

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

(II) Hedges of a net investment

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

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

Preference shares

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.

Fair value of financial assets and liabilities

The fair values of financial assets and financial liabilities are the amounts at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. IFRS 13 'Fair value measurement' requires fair value measurements to be classified according to the following hierarchy:

- Level 1 – quoted prices in active markets for identical assets or liabilities;
- Level 2 – valuations in which all inputs are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 – valuations in which one or more inputs that are significant to the resulting value are not based on observable market data.

See Note 24(A) for information on the methods the Group uses to estimate the fair values of its financial instruments.

Critical judgements in the application of the group's accounting policies

In the course of preparing the financial statements, certain judgements have been made in the process of applying the Group's accounting policies, in addition to those involving estimations (below), that have had a significant effect on the amounts recognised in the financial statements.

Dilapidations and site rectifications on closed sites

The Group maintains provisions in relation to closed sites, including dilapidation and environmental provisions. Management review these provisions on a regular basis, in conjunction with third party expert surveyors and specialists, in order to provide the relevant expertise to inform key judgements.

Tax transfer pricing

The Group operates across a number of jurisdictions and is subject to different tax laws and regulations.

Management ensures that all intragroup dealings are in accordance with the arm's length principle of transfer pricing, and with regard to local domestic tax legislation as it incorporates transfer pricing principles.

The Group has a global transfer pricing policy in place and applies, to the maximum extent possible, pricing that is consistent with the arm's length principle.

Transfer pricing, by its very nature, is subject to uncertainty in terms of whether tax jurisdictions will challenge the application of the arm's length principle. Additionally, the benchmarking process (used to arrive at reliable and accurate comparable data) is also subject to a degree of uncertainty.

Management at all times seeks to resolve any transfer pricing judgement uncertainty by relying on the advice of professional service firms, in-house tax knowledge, and expertise in similar transactions from the past.

Key sources of estimation uncertainty

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying value of the Group's assets or liabilities in the future. The Directors have considered the potential impact of climate change on the key sources of estimation uncertainty and concluded that there was no impact on the assumptions disclosed.

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

(A) Taxation

The Group records liabilities in respect of open tax computations where the liabilities remain to be agreed with the relevant tax authorities. At 31 March 2023 the provision for open tax matters totalled £1.8m (31 March 2022: £1.9m). The uncertain tax items for which a liability is recorded principally relate to ongoing tax audits and the interpretation of tax legislation. Due to the uncertainty associated with such tax items, it is possible that at a future date, on conclusion of open tax matters, the final outcome may vary significantly. While a range of outcomes is reasonably possible, the extent of this range is additional liabilities of up to £0.5m to a reduction in liabilities of up to £0.3m.

(B) Retirement benefit obligations

The valuation of the Group's defined benefit plans are determined by using actuarial valuations. These involve making assumptions about discount rates, mortality rates, future salary increases and future pension increases (future salary and pension increases are linked to inflation rate assumptions). Due to the long-term nature of these plans such estimates are subject to significant uncertainty. Net interest is calculated by applying the discount rate to the net defined benefit liability. Further details are given in Note 18.

(C) Right-of-use assets

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

(D) Inventory valuation

Determining the carrying value of the Group's inventory involves a number of estimations and assumptions, including:

- those involved in deriving the gross value of inventory under the Group's standard cost methodology; and
- those involved in calculating an appropriate level of provision.

The Group's standard cost methodology allocates amounts of attributable direct costs, indirect costs and overheads incurred in the production process to the value of work in progress and finished goods. Determining the amount to absorb into these manufactured inventory balances involves deciding which cost lines should be included within the standard costing model. The standard costing model is also dependent on production volume and machine hours. While the inputs to the model are subject to detailed review and challenge, they rely on the estimations of management.

The calculation of inventory provisions requires estimation by management of the expected value of future sales. If the carrying value of inventory is higher than the expected recoverable value, the Group makes provisions to write inventory down to its net recoverable value. Inventory is initially assessed for impairment by comparing inventory levels to utilisation rates over the last 24 months.

At 31 March 2023, there was a total provision of £18.7m (2022: £10.6m) against gross inventory of £80.5m (2022: £59m). See Note 11 for a breakdown of inventory. The key driver of the provision is underpinned by the Group's estimate of demand for individual products and the overall level of inventory held. Based on uncertainties in the market, the Group continues to calculate the provision by reference to the higher of two years historical demand or committed future orders. Consequently, the key sensitivities to the provision are the extent of recovery and performance across the various markets in which the Group operates. Should demand be lower than expected, this would result in an increase in the value of the provision as a proportion of inventory. A 5% increase in the proportion of raw materials provided for would increase the provision by £0.5m (2022: £0.4m) and a 5% increase in the proportion of finished goods provided for would increase the provision by £2.8m (2022: £2m).

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. The amendments that became applicable for annual reporting periods commencing on or after 1 January 2022 were:

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

Accounting policies

(B) New and revised accounting standards and interpretations which were in issue but were not yet effective and have not been adopted early by the group

The IASB published a number of amendments to IFRSs, new standards and interpretations which are not yet effective, and of which some have been endorsed for use in the EU. An impact assessment has been performed for each of these, with no significant financial impact being identified for the consolidated financial statements of the Group and the separate financial statements of Renold plc. The amendments, new standards and interpretations will be adopted in accordance with their effective dates.

- IFRS 17 Insurance Contracts
- Amendments to IFRS 16 Leases on sale and leaseback
- Amendments to IAS 1 Non-current liabilities with covenants
- Amendments to IAS 1 Disclosure of accounting policies
- Amendments to IAS 1 Classification of liabilities as current or non-current
- Amendments to IAS 18 Definition of accounting estimates
- Amendments to IAS 12 Deferred tax related to assets and liabilities arising from a single transaction

Notes to the consolidated financial statements

1. Segmental information

For management purposes, the Group is organised into two operating segments according to the nature of their products and services and these are considered by the Directors to be the reportable operating segments of Renold plc as shown below:

- The Chain segment manufactures and sells power transmission and conveyor chain and also includes sales of torque transmission products through Chain National Sales Companies (NSCs); and
- The Torque Transmission segment manufactures and sells torque transmission products, such as gearboxes and couplings.

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

The Chief Operating Decision Maker (CODM) for the purposes of IFRS 8 'Operating Segments' is considered to be the Board of Directors of Renold plc. Management monitor the results of the separate reportable operating segments based on operating profit and loss which is measured consistently with operating profit and loss in the consolidated financial statements. The same segmental basis applies to decisions about resource allocation. Disclosure has been included in respect of working capital as opposed to operating assets of each segment as this is the measure reported to the CODM on a regular basis. However, Group finance costs, retirement benefit obligations and income taxes are managed on a Group basis and therefore are not allocated to operating segments. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

Year ended 31 March 2023	Chain[2] £m	Torque Transmission £m	Head office costs and eliminations £m	Consolidated £m
Revenue				
External customer – transferred at a point in time	201.5	43.4	–	244.9
External customer – transferred over time	–	2.2	–	2.2
Inter-segment[1]	0.9	3.2	(4.1)	–
Total revenue	202.4	48.8	(4.1)	247.1
Operating profit/(loss)	26.5	5.4	(9.0)	22.9
Finance costs				(5.6)
Profit before tax				17.3
Taxation				(5.5)
Profit after tax				11.8
Other disclosures				
Working capital[3]	44.0	10.9	(6.8)	48.1
Capital expenditure[4]	5.6	2.2	1.2	9.0
Total depreciation and amortisation	6.9	1.6	2.6	11.1

Notes to the consolidated financial statements

1. Segmental information continued

Year ended 31 March 2022	Chain[2] £m	Torque Transmission £m	Head office costs and eliminations £m	Consolidated £m
Revenue				
External customer – transferred at a point in time	158.2	35.6	–	193.8
External customer – transferred over time	–	1.4	–	1.4
Inter-segment[1]	1.0	3.4	(4.4)	–
Total revenue	159.2	40.4	(4.4)	195.2
Operating profit/(loss)	20.5	4.1	(8.4)	16.2
Finance costs				(3.8)
Profit before tax				12.4
Taxation				(2.2)
Profit after tax				10.2
Other disclosures				
Working capital[3]	30.0	9.0	(3.4)	35.6
Capital expenditure[4]	3.4	2.0	0.9	6.3
Total depreciation and amortisation	6.2	1.9	1.4	9.5

1. Inter-segment revenues are eliminated on consolidation.
2. Included in Chain external sales is £5.2m (2022: £4.2m) 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.

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 within the APM section within the financial statements. Current year adjusting items include £0.7m (2022: £0.1m) of amortisation of acquired intangibles (Chain segment) and £0.6m (2022: £nil) of acquisition costs.

Constant exchange rate results are current period results retranslated using prior year exchange rates. A reconciliation is provided below and within the APMs.

Future performance obligations

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

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

Year ended 31 March 2023	Chain £m	Torque Transmission £m	Head office costs and eliminations £m	Consolidated £m
Revenue				
External customer – transferred at a point in time	201.5	43.4		244.9
External customer – transferred over time	–	2.2	–	2.2
Inter-segment	0.9	3.2	(4.1)	–
Foreign exchange retranslation	(12.5)	(2.8)	–	(15.3)
Total revenue at constant exchange rates	189.9	46.0	(4.1)	231.8
Operating profit/(loss)	26.5	5.4	(9.0)	22.9
Foreign exchange retranslation	(1.6)	(0.3)	0.1	(1.8)
Operating profit/(loss) at constant exchange rates	24.9	5.1	(8.9)	21.1

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 (customer location), external revenue, non-current assets (asset location) and average employee numbers in each are as follows:

	Revenue ratio		External revenue		Non-current assets		Average employee numbers	
	2023 %	2022 %	2023 £m	2022 £m	2023 £m	2022 £m	2023	2022
United Kingdom	**7.7**	8.4	**19.1**	16.4	**13.3**	13.9	**280**	282
Rest of Europe	**29.6**	31.2	**73.2**	60.9	**42.1**	17.2	**585**	499
US & Canada	**42.1**	39.1	**103.9**	76.4	**33.5**	30.5	**282**	279
Australasia	**10.2**	10.5	**25.3**	20.5	**4.7**	4.8	**125**	133
China	**5.0**	4.9	**12.4**	9.5	**14.3**	14.3	**247**	259
India	**3.8**	4.2	**9.3**	8.2	**4.5**	4.4	**335**	362
Other countries	**1.6**	1.7	**3.9**	3.3	**–**	–	**–**	–
	100.0	100.0	**247.1**	195.2	**112.4**	85.1	**1,854**	1,814

All revenue relates to the sale of goods and services. No individual customer, or group of customers, represents more than 10% of Group revenue (2022: None more than 10%).

Non-current assets consist of goodwill, other intangible assets and property, plant and equipment. Deferred tax assets and right-of-use assets are not included in the above.

Employees are categorised as direct or indirect. The split of average employee numbers are direct 1,038 (2022: 1,063) and indirect 816 (2022: 751).

2. Operating costs and adjusting items

(A) Operating profit is stated after charging/(crediting):

	2023		2022	
	£m	£m	£m	£m
Change in finished goods and work in progress		**(3.0)**		(8.2)
Raw materials and consumables		**88.3**		73.6
Other external charges		**44.1**		32.3
Employee costs				
Gross wages and salaries	**67.9**		60.0	
Social security costs	**8.8**		7.3	
Pension costs				
– defined benefit (Note 18)	**0.1**		0.1	
– defined contribution	**1.2**		1.1	
Share-based incentive plans (including related social security costs)	**1.5**		1.3	
		79.5		69.8
Depreciation of property, plant and equipment				
– owned assets		**6.1**		5.3
– right-of-use assets		**2.5**		2.6
Amortisation of intangible assets		**1.8**		1.5
Amortisation of acquired intangible assets		**0.7**		0.1
Acquisition costs		**0.6**		–
Short-term leases and leases of low-value assets – plant and machinery		**0.2**		0.1
Income from sub-leasing right-of-use assets		**–**		(0.2)
Loss on disposal of owned property, plant and equipment		**0.3**		–
Loss on disposal of right-of-use assets		**–**		0.2
Research and development expenditure		**0.7**		0.6
Auditor's remuneration (Note 2(b))		**0.8**		0.8
Impairment losses and gains (including reversals of impairment losses) on financial assets				
– impairment of right-of-use asset		**–**		1.7
– trade receivables impairment		**0.4**		0.2
Net foreign exchange losses		**0.5**		0.7
Pension administration costs (Note 18)		**0.7**		0.7
Government assistance support received		**–**		(1.7)
Non-recurring profit on disposal of right-of-use asset and associated lease liability		**–**		(1.1)
Total operating costs		**224.2**		179.0

As a result of the Covid-19 pandemic, the Group benefited from £nil (2022: £1.7m) of government assistance programmes. The prior year income relates to the US PPP loan which was received as cash flow support from the US government in respect of operating costs incurred during the pandemic and finalised with the US authorities in the prior year. Under the terms of the programme the Group was not required to repay the initial PPP funding received. Given the nature of the agreement with the US authorities this has been recognised in operating costs in line with IAS 20. The prior year government support largely related to employee support schemes. In line with IAS 20, this income is recognised in the income statement at the date at which the conditions attached to receipt of such assistance have been met, in the period it becomes receivable.

During the prior year a non-recurring gain of £1.1m was recorded in relation to new lease arrangements on a previously closed site in Rainham, UK. Additionally, included in costs relating to new lease arrangements on sub-let properties, was £1.7m of impairment relating to the Group's Bredbury right-of-use asset. The Bredbury asset was impaired as the previous sublease agreement ended during the year creating uncertainty regarding the future income stream relating to this site. For further details relating to both leases refer to Note 10.

(B) Auditor's remuneration

	2023 £'000	2022 £'000
Audit of the Group's annual financial statements	**245**	330
Audit of the Company's subsidiaries	**554**	472
Total audit fees	**799**	802
Statutory accounts preparation	**–**	3
Total non-audit fees	**–**	3
This is reported in the following captions in the financial statements:		
Operating costs	**799**	805

(C) Employees and key management compensation

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

	2023 £'000	2022 £'000
Statutory Directors' remuneration	**1,439**	1,355
Share-based payment charge including social security	**616**	616
Social security costs	**194**	183
Contributions to defined contribution pension plans	**–**	15
Total	**2,249**	2,169

Further details of the remuneration of Directors are provided in the Directors' Remuneration Report on pages 80 to 89.

All directors are employed by the parent company Renold PLC, therefore the Group and company only disclosures will be the same.

The share-based payment charge 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 2023 was 1,864 (2022:1,817).

3. Finance costs

	2023 £m	2022 £m
Finance costs:		
Interest payable on bank loans and overdrafts*	**2.3**	1.1
Interest expense on lease liabilities*	**0.7**	0.5
Amortised financing costs*	**0.3**	0.3
Loan finance costs	**3.3**	1.9
Net IAS 19 finance costs	**2.1**	1.8
Discount unwind on non-current trade and other payables	**0.2**	0.1
Finance costs	**5.6**	3.8

* Amounts arising on financial liabilities measured at amortised cost.

4. Taxation

Analysis of tax charge in the year

	2023 £m	2022 £m
United Kingdom		
UK corporation tax at 19% (2022: 19%)	(0.1)	(0.1)
Overseas taxes		
Corporation taxes	2.6	1.9
Movement in uncertain tax positions	0.7	(0.3)
Adjustments in respect of prior periods	0.7	0.3
Withholding taxes	0.3	0.2
Current income tax charge	4.2	2.0
Deferred tax		
UK – origination and reversal of temporary differences	0.2	0.1
Overseas – origination and reversal of temporary differences	1.5	0.1
Effect of changes in corporate tax rates	–	(0.5)
Adjustments in respect of prior periods	(0.4)	0.5
Total deferred tax charge (Note 17)	1.3	0.2
Tax charge on profit on ordinary activities	**5.5**	2.2

	2023 £m	2022 £m
Tax on items taken to other comprehensive income		
Deferred tax on changes in net pension deficits	5.8	3.1
Effect of changes in statutory tax rate on deferred tax assets	–	(2.3)
Tax on fair value of derivatives direct to reserves	0.2	(0.1)
Tax charge in the statement of other comprehensive income	**6.0**	0.7

Factors affecting the group tax charge for the year

The increase in the current tax charge is attributable to increased taxable profits in jurisdictions where the headline statutory tax rate is higher than the prevailing UK tax rate.

The deferred tax charge in the year primarily relates to the continued utilisation of tax losses in jurisdictions for which deferred tax is recognised. At 31 March 2023, the provision for open tax matters totalled £1.8m (31 March 2022: £1.9m).

Adjustments to tax in respect of prior period profit on ordinary activities has not been restated due to the net impact on the current and deferred tax charge being not material.

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:

	2023 £m	2022 £m
Profit on ordinary activities before tax	17.3	12.4
Tax charge at UK statutory rate of 19% (2022: 19%)	3.3	2.4
Effects of:		
Non-taxable income	–	(1.2)
Non-deductible expenditure	0.7	0.3
Other taxable income	–	0.8
Other deductible	(0.1)	–
Movement in uncertain tax positions	0.7	(0.4)
Overseas tax rate differences	0.9	0.9
Effect of changes in corporate tax rates	–	(0.3)
Adjustments in respect of prior periods	(1.0)	0.5
Movement in unrecognised deferred tax	0.7	(1.0)
Withholding taxes	0.3	0.2
Total tax charge	5.5	2.2

Effective tax rate

The effective tax rate of 32% (2022: 18%) is higher than the UK tax rate of 19% (2022: 19%) due to the following factors:

- Permanent differences including items that are non-deductible from a tax perspective.
- Prior year adjustments arising as tax submissions are finalised and agreed in specific jurisdictions.
- Increased taxable profits in overseas jurisdictions for which the statutory tax rate is higher than the headline UK rate.

Tax payments

Cash tax paid in the year was £2.7m (2022: £1.7m). The year on year increase is attributable to higher taxable profits in full cash tax paying territories, including the closure of an historical tax enquiry.

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:

	2023			2022		
	Earnings £m	Shares (thousands)	Per share amount (pence)	Earnings £m	Shares (thousands)	Per share amount (pence)
Basic EPS – Profit attributed to ordinary shareholders	11.8	207,242	5.7	10.2	214,795	4.7
Effect of adjusting items, after tax:						
Amortisation of acquired intangible assets	0.7		0.3	0.1		0.1
Acquisition costs	0.6		0.3	–		–
Tax adjustments relating to prior year	0.4		0.2	–		–
US PPP loan forgiveness	–		–	(1.7)		(0.8)
New lease arrangements on sublet properties	–		–	0.7		0.3
Adjusted EPS	13.5	207,242	6.5	9.3	214,795	4.3

Inclusion of the dilutive securities, comprising 23,003,207 (2022: 16,908,941) additional shares due to share options, in the calculation of basic and adjusted EPS changes the amounts shown above to 5.1p and 5.9p respectively (2022: basic EPS 4.4p, adjusted EPS 4.0p).

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

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

7. Goodwill

	2023 £m	2022 £m
Cost		
At 1 April	26.2	25.1
Acquisition of subsidiary (Note 26)	4.2	–
Exchange adjustment	1.3	1.1
At 31 March	31.7	26.2
Accumulated amortisation and impairment		
At 1 April	3.5	3.4
Exchange adjustment	–	0.1
At 31 March	3.5	3.5
Carrying amount	28.2	22.7

Impairment testing

The Group performed its annual impairment test of goodwill at 31 March 2023 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 2024 and strategic plan forecasts for the two financial years ending 31 March 2026. The budget and strategic forecasts, which are subject to detailed review and challenge, were approved by the Board. The Group prepares cash flow forecasts based on these projections for the first three years, with years four and five extrapolated based on known future events, recently observable trends and management expectations. A terminal value calculation is used to estimate the cash flows after year five.

Sensitivity analysis has been performed including a zero revenue growth scenario (with current year revenue modelled for all future periods of the forecast) and a reverse stress test, to determine the extent of downturn which would result in a potential impairment. Revenue would have to reduce by 28% in the first year of the period under review (worse than the decline seen during the Covid pandemic) for the first CGU containing goodwill to require potential impairment. Under the reverse stress test the first CGU with headroom that eliminated was India.
The forecasts used for the impairment review are consistent with those used in the Going Concern review.

The key assumptions used in the value-in-use calculations are:

- Sales: Forecast sales are built up with reference to expected sales prices and volumes from individual markets and product categories based on past performance, projections of developments in key markets and management's judgement;
- Margins: Forecast margins reflect historical performance and management's experience of each CGU's profitability at the forecast level of sales including the impact of all completed restructuring projects. The projections do not include the impact of future restructuring projects to which the Group is not yet committed;
- Discount rate: Pre-tax discount rates have been calculated based on the Group's weighted average cost of capital and risks specific to the CGU being tested; and
- Long-term growth rates: As required by IAS 36, cash flows beyond the period of projections are extrapolated using long-term growth rates published by the Organisation for Economic Co-operation and Development for the territory in which the CGU is based. The discount rates applied to the cash flows of each of the CGUs are based on the risk free rate for long-term bonds issued by the government in the respective market. This is then adjusted to reflect both the increased risk of investing in equities and the systematic risk of the specific CGU (using an average of the betas of comparable companies). These rates do not reflect the long-term assumptions used by the Group for investment planning.

The Directors do not consider that any reasonably possible changes to the key assumptions would reduce the recoverable amount to its carrying value for any CGU. No impairment charge has been recognised in the current or prior period for any CGU. The goodwill acquired in the year relating to YUK has been allocated to the Europe & China CGU.

Cash generating unit	Growth rates 2023 %	Growth rates 2022 %	CGU discount rates (pre-tax) 2023 %	CGU discount rates (pre-tax) 2022 %	Carrying values 2023 £m	Carrying values 2022 £m
Americas (Jeffrey Chain, USA)	**2.0**	1.7	**15.0**	16.2	**21.4**	20.0
Australia (Ace Chains, Australia)	**2.2**	2.6	**12.1**	12.0	**0.5**	0.5
India (Renold Chain, India)	**6.4**	6.2	**20.4**	20.8	**1.6**	1.7
Europe & China (Renold Tooth Chain, Germany)	**1.7**	1.1	**15.5**	15.5	**0.5**	0.5
Europe & China (YUK)	**2.0**	–	**14.0**	–	**4.2**	–
					28.2	22.7

8. Intangible assets

	Customer orderbook £m	Customer relationships £m	Technical know-how £m	Non-compete agreements £m	Computer software £m	Total £m
Cost						
At 1 April 2021	0.3	4.2	0.2	–	19.7	24.4
Exchange adjustment	–	–	–	–	(0.1)	(0.1)
Additions	–	–	–	–	1.2	1.2
Disposals	–	–	–	–	(0.9)	(0.9)
Acquisition of subsidiary	–	0.4	–	–	–	0.4
At 31 March 2022	**0.3**	**4.6**	**0.2**	**–**	**19.9**	**25.0**
Exchange adjustment	**–**	**0.3**	**–**	**–**	**0.1**	**0.4**
Additions	**–**	**–**	**–**	**–**	**1.4**	**1.4**
Acquisition of subsidiary (Note 26)	**–**	**5.1**	**–**	**1.8**	**–**	**6.9**
At 31 March 2023	**0.3**	**10.0**	**0.2**	**1.8**	**21.4**	**33.7**
Accumulated amortisation and impairment						
At 1 April 2021	0.3	4.2	0.2	–	14.8	19.5
Exchange adjustment	–	(0.1)	–	–	(0.2)	(0.3)
Amortisation charge	–	0.1	–	–	1.5	1.6
Disposals	–	–	–	–	(0.9)	(0.9)
At 31 March 2022	**0.3**	**4.2**	**0.2**	**–**	**15.2**	**19.9**
Exchange adjustment	**–**	**0.2**	**–**	**–**	**0.2**	**0.4**
Amortisation charge	**–**	**0.5**	**–**	**0.2**	**1.8**	**2.5**
At 31 March 2023	**0.3**	**4.9**	**0.2**	**0.2**	**17.2**	**22.8**
Net book amount						
At 31 March 2023	**–**	**5.1**	**–**	**1.6**	**4.2**	**10.9**
At 31 March 2022	–	0.4	–	–	4.7	5.1

During the year amounts have been recognised in accordance with IFRS 3 in relation customer lists and non-compete agreements as a result of the acquisition of Industrias YUK S.A. (Note 26). The customer relationships acquired have been valued using estimates of useful lives and discounted cash flows of expected income, and the non-compete agreements have been valued using the comparative income differential method.

The prior year acquisition of the Brooks business resulted in the recognition of amounts in relation to customer relationships. The remaining amounts recognised for customer relationships, customer orderbook and technical know-how were acquired with the acquisition of the Tooth Chain (Germany) business, which are now fully depreciated.

No brand names have been acquired in the current year acquisition or previous acquisitions.

9. Property, plant and equipment

	Land and buildings £m	Plant and equipment £m	Total £m
Cost			
At 1 April 2021	23.7	119.1	142.8
Exchange adjustment	1.1	1.9	3.0
Additions	0.3	4.8	5.1
Disposals	–	(2.3)	(2.3)
Acquisition of subsidiary	–	0.1	0.1
At 31 March 2022	**25.1**	**123.6**	**148.7**
Exchange adjustment	**0.3**	**3.5**	**3.8**
Additions	**0.2**	**7.4**	**7.6**
Disposals	**–**	**(1.8)**	**(1.8)**
Recategorisation	**0.3**	**(0.3)**	**–**
Acquisition of subsidiary (Note 26)	**–**	**5.4**	**5.4**
At 31 March 2023	**25.9**	**137.8**	**163.7**
Accumulated depreciation and impairment			
At 1 April 2021	7.3	87.4	94.7
Exchange adjustment	0.2	1.3	1.5
Charge for the year	0.6	4.7	5.3
Disposals	–	(2.1)	(2.1)
At 31 March 2022	**8.1**	**91.3**	**99.4**
Exchange adjustment	**0.2**	**2.7**	**2.9**
Charge for the year	**0.6**	**5.5**	**6.1**
Disposals	**–**	**(1.5)**	**(1.5)**
At 31 March 2023	**8.9**	**98.0**	**106.9**
Net book amount			
At 31 March 2023	**17.0**	**39.8**	**56.8**
At 31 March 2022	17.0	32.3	49.3

Property, plant and equipment pledged as security for liabilities amounted to £34.5m (2022: £32.2m).

Future capital expenditure

At 31 March 2023 capital expenditure contracted for but not provided for in these accounts amounted to £2.6m (2022: £2.4m).

10. Leasing and right-of-use assets

Right-of-use assets

	Land and buildings £m	Plant and equipment £m	Total £m
Cost			
At 1 April 2021	11.8	3.3	15.1
Exchange adjustment	0.2	–	0.2
Additions	1.7	0.6	2.3
Disposals	(1.1)	(1.9)	(3.0)
At 31 March 2022	**12.6**	**2.0**	**14.6**
Exchange adjustment	**0.1**	**–**	**0.1**
Acquisition of subsidiary (Note 26)	**9.5**	**0.1**	**9.6**
Additions	**1.0**	**0.4**	**1.4**
Disposals	**(0.4)**	**(0.8)**	**(1.2)**
At 31 March 2023	**22.8**	**1.7**	**24.5**
Accumulated depreciation and impairment			
At 1 April 2021	2.6	1.8	4.4
Exchange adjustment	–	0.1	0.1
Charge for the year	1.6	1.0	2.6
Disposals	(0.5)	(1.7)	(2.2)
Impairment	1.7	–	1.7
At 31 March 2022	**5.4**	**1.2**	**6.6**
Exchange adjustment	**0.1**	**–**	**0.1**
Charge for the year	**2.0**	**0.5**	**2.5**
Disposals	**(0.4)**	**(0.8)**	**(1.2)**
At 31 March 2023	**7.1**	**0.9**	**8.0**
Net book amount			
At 31 March 2023	**15.7**	**0.8**	**16.5**
At 31 March 2022	7.2	0.8	8.0

Lease liabilities

	2023 £m	2022 £m
Maturity analysis – contractual undiscounted cash flows		
Less than one year	**3.5**	3.0
One to two years	**3.1**	2.5
Two to five years	**6.6**	4.9
More than five years	**14.1**	3.2
Total undiscounted lease liabilities at 31 March	**27.3**	13.6
Less: Interest allocated to future periods	**(7.1)**	(1.6)
Lease liabilities included in the Consolidated Balance Sheet	**20.2**	12.0
Current	**2.7**	2.8
Non-current	**17.5**	9.2

10. Leasing and right-of-use assets continued

Amounts recognised in profit or loss

	2023 £m	2022 £m
Interest on lease liabilities	(0.7)	(0.5)
Non-recurring profit on disposal of right-of-use asset and associated lease liability	–	1.1
Income from sub-leasing right-of-use assets	–	0.2
Expenses relating to short-term leases and leases of low-value assets	(0.2)	(0.1)

Amounts recognised in the consolidated statement of cash flows

	2023 £m	2022 £m
Repayment of principal under lease liabilities	2.9	4.2
Repayment of interest on lease liabilities	0.7	0.5
Cash outflows in relation to short-term leases and leases of low-value assets	0.2	0.1
Total cash outflows for leases	3.8	4.8

11. Inventories

	2023 £m	2022 £m
Raw materials	9.1	6.9
Work in progress	5.8	5.5
Finished products and production tooling	46.9	36.0
	61.8	48.4

Inventories pledged as security for liabilities amounted to £43.2m (2022: £36.9m).

The Group expensed £88.3m (2022: £73.6m) of inventories during the period. In the year to 31 March 2023, £3.5m (2022: £2.3m) was charged for the write-down of inventory and £0.2m (2022: £0.5m) released from inventory provisions no longer required.

12. Trade and other receivables

	2023 £m	2022 £m
Trade receivables	39.3	31.6
Less: Loss allowance	(0.8)	(0.5)
Trade receivables: net[1]	38.5	31.1
Other receivables	1.9	2.8
Contract assets	0.1	–
Prepayments	3.0	1.8
	43.5	35.7

1. Financial assets carried at amortised cost.

The Group has no significant concentration of credit risk but does have a concentration of translational and transactional foreign exchange risk in both US Dollars and Euros; however, the Group hedges against these risks. See Note 24(B) regarding the Group's forward foreign exchange contracts which are used to hedge future foreign currency sales and purchases. The carrying amount of trade and other receivables approximates their fair value.

Trade receivables are non-interest bearing and are generally on 30–90 days terms. The average credit period on sales of goods is 49 days (2022: 51 days). See Note 24(D) for the Group's credit risk policy.

Other receivables largely relate to VAT and hence given that the counterparties are governments, no provision for loss allowance has been made.

Contract assets relate to consideration not yet received upon the completion of the associated performance obligation. Revenue recognised in the reporting period that was included in the contract assets at beginning of the year totalled £nil (2022: £nil).

The following table details the risk profile of trade receivables based on the Group's provision matrix. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further analysed:

	Trade receivables – days past due					
At 31 March 2023	**Not past due**	**<30 days**	**30–60 days**	**60–90 days**	**>90 days**	**Total**
Trade receivables: gross	**34.0**	**3.3**	**0.6**	**0.4**	**1.0**	**39.3**
Expected credit loss rate, %	**0.2%**	**0.0%**	**1.0%**	**0.1%**	**67.7%**	**2.0%**
Estimated gross carrying amount at default, £m	**0.1**	**–**	**–**	**–**	**0.7**	**–**
Lifetime expected credit loss, £m						**0.8**

	Trade receivables – days past due					
At 31 March 2022	Not past due	<30 days	30–60 days	60–90 days	>90 days	Total
Trade receivables: gross	27.1	3.2	0.4	0.2	0.7	31.6
Expected credit loss rate, %	0.1%	2.0%	0.0%	16.2%	47.6%	1.5%
Estimated gross carrying amount at default, £m	–	0.2	–	–	0.3	–
Lifetime expected credit loss, £m						0.5

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	**2023 £m**	2022 £m
At 1 April	**0.5**	0.4
Net remeasurement of loss allowance	**0.4**	0.1
Amounts written off as uncollectable	**(0.1)**	–
At 31 March	**0.8**	0.5

13. Cash and cash equivalents

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

	2023 £m	2022 £m
Cash and cash equivalents	**19.3**	10.5
Less: Overdrafts (Note 14)	**(1.8)**	(1.0)
Net cash and cash equivalents	**17.5**	9.5

14. Borrowings

	2023 £m	2022 £m
Current borrowings		
Overdrafts (Note 13)	**1.8**	1.0
Bank loans	**45.5**	–
Current borrowings	**47.3**	1.0
Non-current borrowings		
Bank loans	**1.3**	22.8
Non-current borrowings	**1.3**	22.8
Preference stock	**0.5**	0.5
	1.8	23.3
Total borrowings	**49.1**	24.3

The above loans form part of the Renold plc Group core banking facilities, the UK banking facility matures in March 2024, therefore is classed as current borrowings. These facilities were subsequently renewed for 4 years in May 2023. Refer to Note 25 for more details on the refinancing.

All financial liabilities above are carried at amortised cost.

14. Borrowings continued

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 £16.1m (2022: £37.8m). The Group also benefits from a UK overdraft and a number of overseas facilities totalling £4.4m (2022: £2.7m) with availability at year end of £1.2m. The Group pays interest at SONIA (or LIBOR prior to 20 December 2021) plus a variable margin in respect of the core banking facility. The average rate of interest paid in the year was SONIA (20 December 2021 onwards) or LIBOR (prior to 20 December 2021) plus 1.85% for Sterling, Euro and US Dollar denominated facilities (2022: plus 1.6% for Sterling, Euro and US Dollar denominated facilities).

The core banking facility is subject to two covenants, which are tested semi-annually: net debt to EBITDA (leverage, maximum ratio 2.5 times) and EBITDA to net finance charges (interest cover, minimum ratio 4.0 times).

Secured borrowings

Included in Group borrowings are secured borrowings of £48.6m (2022: £24.1m). 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 2023, there were 580,482 units of preference stock in issue (2022: 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.

15. Trade and other payables

	2023		2022	
	Current £m	Non-current £m	Current £m	Non-current £m
Trade payables[1]	**22.1**	**–**	23.4	–
Other taxation and social security[1]	**2.5**	**–**	2.2	–
Other payables[1]	**8.9**	**2.5**	3.6	4.7
Contract liabilities	**0.3**	**–**	–	–
Accruals[1]	**23.4**	**–**	19.3	–
	57.2	**2.5**	48.5	4.7

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. Non-current other payables relate to the deferred element of the construction costs for the 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.

Contract liabilities relate to consideration received in advance of the completion of the associated performance obligation. Revenue recognised in the reporting period that was included in the contract liability at beginning of the year totalled £nil (2022: £nil).

16. Provisions

	Business Restructuring[1] £m	Dilapidations £m	Environmental Provisions[1] £m	Total provisions £m
At 1 April 2022	–	2.8	1.2	4.0
Arising during the year	0.8	0.3	–	1.1
Utilised in the year	–	(0.1)	–	(0.1)
At 31 March 2023	0.8	3.0	1.2	5.0

Allocated as:	2023 £m	2022 £m
Current provisions	0.9	0.2
Non-current provisions	4.1	3.8
	5.0	4.0

1. The business restructuring and environmental provision were combined in the prior year, this year we have disaggregated the two amounts to provide greater clarity.

Business restructuring

At the year ended 31 March 2023, a provision is recognised for legal and redundancy costs in relation to the reduction of headcounts within group sites. Substantially all of the provision is recorded as current.

Environmental provisions

At the year ended 31 March 2023, a provision continues to be recognised in relation to site environmental costs in France. Substantially all of the provision is recorded as non-current.

Dilapidations

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

The provision is assessed based on the expected cost at the balance sheet date, using recent cost estimates from suitably qualified property professionals. These estimates are adjusted to reflect the impact of inflation between the date of assessment and the expected timing of the payments, and are then discounted back to present value. A range of inflation and discount rates have been used in order to best reflect the circumstances of the lease to which the dilapidation obligation relates. The inflation rate applied ranges from 2.9% to 4.5% and the discount rate ranges from 1.6% to 5.0%. These rates are most notably impacted by the country of lease and length of lease.

The majority of the dilapidation provision relates to cash outflows which are expected to take place at the end of each respective lease term; none of which are expected to end within the next 12 months. The associated outflows are estimated to arise over a period of up to 21 years from the balance sheet date. As a result substantially all of the provision is classed as non-current (£3.1m).

17. Deferred tax

	Assets		Liabilities		Net	
	2023 £m	Restated[1] 2022 £m	2023 £m	2022 £m	2023 £m	Restated[1] 2022 £m
Accelerated capital allowances	–	–	(1.3)	(0.9)	(1.3)	(0.9)
Pension plans	5.2	11.1	(0.1)	(0.1)	5.1	11.0
Tax losses	2.1	3.3	–	–	2.1	3.3
Intangibles	0.8	0.8	(5.8)	(3.9)	(5.0)	(3.1)
Movements in provisions and accruals	2.3	1.3	(0.1)	(0.1)	2.2	1.2
Other temporary differences	0.2	0.2	(0.5)	(0.4)	(0.3)	(0.2)
Interest restriction	1.2	1.2	–	–	1.2	1.2
Tax assets/(liabilities)	11.8	17.9	(7.8)	(5.4)	4.0	12.5
Net off (liabilities)/assets	–	–	–	–	–	–
Net deferred tax assets	11.8	17.9	(7.8)	(5.4)	4.0	12.5

1. See Note 27 for details of prior period restatement.

The net deferred tax asset recoverable within one year is £1.2m (2022: £1.9m) and recoverable after more than one year is £2.8m (2022: £10.6m).

17. Deferred tax continued

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

2023	Restated[1] Opening balance £m	Deferred Tax on Acquisition (Note 26) £m	Other acquired balances – Goodwill £m	Exchange adjustments £m	Recognised in income statement £m	Recognised directly in other comprehensive income £m	Closing balance £m
Accelerated capital allowances	(0.9)	–	(0.1)	(0.1)	(0.2)	–	(1.3)
Pension plans	11.0	–	–	0.2	(0.3)	(5.8)	5.1
Tax losses	3.3	–	–	0.2	(1.4)	–	2.1
Intangibles	(3.1)	(1.7)	–	(0.3)	0.1	–	(5.0)
Movements in provisions and accruals	1.2	–	0.4	0.1	0.5	–	2.2
Other temporary differences	(0.2)	–	0.1	–	–	(0.2)	(0.3)
Interest restriction	1.2	–	–	–	–	–	1.2
	12.5	(1.7)	0.4	0.1	(1.3)	(6.0)	4.0

2022	Restated[1] Opening balance £m	Exchange adjustments £m	Recognised in income statement £m	Recognised directly in other comprehensive income £m	Effect of change in tax rate – income statement £m	Effect of change in tax rate – other comprehensive income £m	Prior Year Adjustment (Note 27) £m	Restated[1] Closing balance £m
Accelerated capital allowances	(1.0)	–	0.1	–	–	–	–	(0.9)
Pension plans	12.0	(0.2)	(0.3)	(3.1)	0.3	2.3	–	11.0
Tax losses	2.4	0.1	(0.2)	–	0.2	–	0.8	3.3
Intangibles	(3.2)	0.1	–	–	–	–	–	(3.1)
Movements in provisions and accruals	0.5	–	0.2	–	–	–	0.5	1.2
Other temporary differences	0.4	(0.2)	(0.5)	0.1	–	–	–	(0.2)
Interest restriction	1.2	–	–	–	–	–	–	1.2
	12.3	(0.2)	(0.7)	(3.0)	0.5	2.3	1.3	12.5

1 See Note 27 for details of prior period restatement.

During the year the Group reported an operating profit of £22.9m (2022: £16.2m). 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 £29.8m (2022: £30.9m) arising from unrecognised losses of £25.2m (2022: £23.7m) representing gross losses of £98.5m (2022: £91.3m) and other temporary differences of £4.6m (2022: £7.2m). 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 £6.3m; £1.3m taxed), which expire after five years, the losses are not subject to time limits.

18. Retirement benefit obligations

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 £3.5m for the pension fund in the current year, with annual increases linked to RPI plus 1.5% and capped at 5%. The income stream is used to fund deficit repair payments and the first £0.5m of annual administrative expenses (with the Company bearing the excess, if any arises). In the event that the RPS becomes fully funded on a buyout basis, the income stream will instead accrue to Renold plc. The SLP was put in place with the expectation that the period to recover the funding shortfall was 25 years from the time of merger in June 2013. The SLP therefore helps reduce the volatility in short-term cash funding by following an agreed payment plan over a longer period of time. The interest in the SLP held by the RPS is not reported as a plan asset in the Group's consolidated financial statements as it is a non-transferable interest issued by the Group.

This arrangement replaced all other existing funding arrangements for the RPS. The SLP therefore represents the entirety of the committed cash element of the funding plan for the RPS. The funding plan also assumes an allowance for asset outperformance of 1.0% (that is, assets are expected to return an amount of 1.0% more than the discount rate applied to the liabilities). Separately to the SLP but put in place at the same time, the Group has also agreed that if adjusted operating profits reach £16.0m in any year following the year ended 31 March 2017, additional annual contributions of £1.0m will become payable (monthly in arrears) while profits remain above this level. Prior to the SLP, the contributions had been at a higher level. However, the Trustees agreed to lower contributions for longer under the SLP. The £1.0m increase matches the approximate £1.0m reduction agreed when the SLP was established. Finally, as part of the overall agreement, Renold plc is not constrained from paying a dividend, other than by normal legal considerations. Renold has agreed to make additional contributions equal to 25% of the value of any dividend paid in order to accelerate the deficit recovery plan. The deficit will be reduced as the cash contributions under the scheme are made, enhanced or offset by actual performance compared to asset returns and actuarial assumptions.

In the year ended 31 March 2021, reflecting the uncertainty in short-term outlook caused by the Covid-19 pandemic, Renold approached the Trustees with a request to defer contributions to the UK scheme for the year ended 31 March 2021. The Trustees supported this proposal and it was agreed that the deferred contributions would be settled over the five-year period which commenced on 1 April 2022. Certain other conditions were required to secure the deferral including an additional contribution to the scheme of 25% of any dividends paid (above the already existing 25%) until such time as the deferred contributions have been made good.

Total cash costs for UK deficit repair payments and UK administrative expenses in the current year were £4.6m (2022: £3.8m). The current year figure includes: the £3.5m noted above in connection with the SLP, an additional £0.6m of deferred contributions from relating to the year ended 31 March 2021 and a further £0.5m in respect of pension administration costs. The best estimate of contributions to be paid into the UK plan for the year ending 31 March 2024 is £4.3m (£3.7m in connection with the SLP and £0.6m of the deferred contributions from the year ended 31 March 2021).

The latest triennial actuarial valuation of the RPS, with an effective date of 5 April 2022, 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 2025.

18. Retirement benefit obligations continued

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 (2022: two) German pension schemes have a net liability of £17.7m (2022: £22.4m). The decrease in the net deficit most significantly reflects settlement of liabilities through pension payments .
Total cash pension payments in the year were £1.2m (2022: £1.2m). The best estimate of pension payments for the year ending 31 March 2024 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 (2022: two) defined benefit schemes in the US have combined assets of £11.1m (2022: £12.6m) and liabilities of £11.5m (2022: £13.2m), giving a net deficit of £0.4m (2022: £0.6m). The decrease in the net deficit was driven by the increase in the discount rate used to discount the schemes' liabilities.

Total cash costs for contributions in the year were £0.2m (2022: £0.2m). The best estimate of contributions to be paid into the plan for the year ending 31 March 2024 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 £1.8m (2022: £2.8m) and liabilities of £1.6m (2022: £2.8m) giving a net deficit of £nil (2022: £nil).

Total cash costs for contributions in the year were £0.3m (2022: £0.1m) including amounts paid on settlement of the scheme in New Zealand. The best estimate of contributions to be paid into the plans for the year ending 31 March 2024 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 (2022: 15 years) for the UK pension scheme and 13 years (2022: 13 years) for the German schemes.

They can therefore be regarded as mature schemes.

Risk management

The pensions schemes are exposed to the following categories of risk:

- Asset risk, including investment returns volatility, counterparty credit risk, foreign exchange risks;
- Liability risk, including mortality assumptions, inflation, interest rates; and
- Regulatory risk, including increased contribution rates required to meet regulatory funding targets.

These risks are managed separately for each pension scheme. However, the Group has adopted a common approach of closing defined benefit schemes to cap members' entitlements and supporting trustees in adopting investment strategies which aim to match assets to future obligations, after allowing for the funding position of the scheme.

Significant assumptions

The principal financial assumptions used to calculate plan liabilities as at 31 March 2023 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	
	2023	2022	**2023**	2022	**2023**	2022
Rate of increase in pensionable salaries[1]	**–**	–	**–**	–	**2.00%**	2.00%
Rate of increase in pensions in payment and deferred pensions	**1.90%**	2.05%	**2.50%**	1.25%	**–**	–
Discount rate	**4.85%**	2.75%	**4.30%**	1.75%	**4.65%**	3.35%
Inflation assumption[2]	**2.85%**	3.25%	**2.50%**	2.00%	**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 (2022: CPI).

The predominant defined benefit obligation for funded plans within the Group resides in the UK (£145.8m of the £158.8m 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:

	2023	2022
Males		
Currently aged 45	**21.0**	21.1
Currently aged 65	**20.1**	20.2
Females		
Currently aged 45	**23.8**	23.9
Currently aged 65	**22.7**	22.7

Consistent with the assumption used for the prior year, the post-retirement mortality tables used for the UK plan are the S3PA series tables published by the UK actuarial profession with a 17.5% uplift in mortality reflecting scheme-specific experience and with an additional 15% weighting adjustment for 2021 and 2020 in recognition of the Covid-19 pandemic. Historically, the RPS experiences mortality in excess of the national average. The mortality rates for the RPS are based on average year of birth for both non-pensioners and pensioners with an allowance for future annual improvements in life expectancy.

In Germany and the United States, the mortality expectations for the scheme are in line with the national averages.

Sensitivity analysis on UK scheme

Sensitivities in respect of the key assumptions used to measure the pension schemes as at 31 March 2023 are set out below. These sensitivities show the hypothetical impact of a change in each of the listed assumptions in isolation, with the exception of the sensitivity to inflation which incorporates the impact of certain correlating assumptions. The assumptions used for the sensitivity analysis have been chosen as they are considered to represent a reasonable approximation of possible changes. In practice, such assumptions rarely change in isolation and the sensitivities are indicative only. It is reasonably possible, for example, that discount rates could move up to 1%.

Assumption	Change in assumption	Impact on plan liabilities
Discount rate	Increase/decrease by 0.5%	Decrease by £7.3m/increase by £8.0m
Rate of inflation	Increase/decrease by 0.5%	Increase by £4.9m/decrease by £4.7m
Rate of mortality	Decrease/increase by one year[1]	Increase by £6.7m/decrease by £6.4m

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:

	2023 UK £m	2023 Overseas £m	2023 Total £m	2022 UK £m	2022 Overseas £m	2022 Total £m
Medically underwritten insurance policies	28.3	–	28.3	38.7	–	38.7
Quoted equities	13.6	7.3	20.9	33.1	8.4	41.5
Hedge funds and diversified growth funds	41.4	–	41.4	43.0	–	43.0
Corporate bonds	–	–	–	–	–	–
Gilts and liability driven investments	13.7	3.7	17.4	13.3	4.1	17.4
Cash	4.6	1.9	6.5	6.3	2.9	9.2
Total market value of assets	101.6	12.9	114.5	134.4	15.4	149.8

The medically underwritten insurance policies are directly linked to a subset of scheme members and provide income to the scheme towards the pension payments for these members. The assumptions used for valuing the insurance policies as a plan asset under IAS 19 are derived allowing for the specific characteristics of the members covered by the policies. The IAS 19 liability in respect of these members is calculated using assumptions appropriate for the scheme as a whole. The discount rate used to value the policies as an asset is the full iBoxx AA corporate bond best rating yield curve. The post-retirement mortality tables used for valuing the policies are the S3 Light tables published by the UK actuarial profession.

Equities are investments in quoted equities only and are the only plan assets with quoted market prices in active markets. Hedge funds and diversified growth funds hold a range of assets which aim to deliver returns above those of bonds but at lower volatility than equities. The assets held materially reflect the underlying liabilities, in that lower risk assets, such as gilts and bonds, are deemed to be a match for pensioner liabilities whereas equities are deemed a better match for the liabilities associated with scheme members not yet in retirement.

Liability Driven Investments (LDI) are a portfolio of assets that are linked to the drivers of movements in pension liabilities, such as inflation and interest rates. These are assets designed to deliver geared movements in the underlying liabilities as they reflect changes to inflation and interest rates.

Pension obligations

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

	2023 UK £m	2023 Overseas £m	2023 Total £m	2022 UK £m	2022 Overseas £m	2022 Total £m
Opening obligation	198.5	38.4	236.9	213.8	39.8	253.6
Current service cost	–	0.1	0.1	–	0.1	0.1
Past service cost	–	–	–	–	–	–
Interest expense	5.3	0.9	6.2	4.2	0.7	4.9
Remeasurement gains/(losses) by changes in:			–			–
– Experience	(2.0)	(0.1)	(2.1)	–	0.1	0.1
– Demographic assumptions	(0.7)	0.1	(0.6)	–	–	–
– Financial assumptions and expenses	(46.1)	(6.4)	(52.5)	(9.6)	(0.6)	(10.2)
Benefits paid	(9.3)	(2.7)	(12.0)	(9.9)	(2.3)	(12.2)
Exchange adjustment	0.1	0.6	0.7	–	0.6	0.6
Closing obligation	145.8	30.9	176.7	198.5	38.4	236.9
The total defined benefit obligation can be analysed as follows:						
Funded pension plans	145.8	13.0	158.8	198.5	15.9	214.4
Unfunded pension plans	–	17.9	17.9	–	22.5	22.5
	145.8	30.9	176.7	198.5	38.4	236.9

Pension assets

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

	2023			2022		
	UK £m	Overseas £m	Total £m	UK £m	Overseas £m	Total £m
Opening assets	134.4	15.4	149.8	136.3	14.9	151.2
Interest income	3.6	0.5	4.1	2.7	0.4	3.1
Remeasurement gains/(losses)	(31.3)	(1.7)	(33.0)	1.9	0.3	2.2
Employer contributions	4.1	0.5	4.6	3.4	0.3	3.7
Benefits paid	(9.3)	(1.5)	(10.8)	(9.9)	(1.2)	(11.1)
Exchange adjustment	0.1	(0.3)	(0.2)	–	0.7	0.7
Closing assets	101.6	12.9	114.5	134.4	15.4	149.8
Balance sheet reconciliation:						
Plan obligations	(145.8)	(30.9)	(176.7)	(198.5)	(38.4)	(236.9)
Plan assets	101.6	12.9	114.5	134.4	15.4	149.8
Net plan deficit	(44.2)	(18.0)	(62.2)	(64.1)	(23.0)	(87.1)

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

	2023			2022		
	UK £m	Overseas £m	Total £m	UK £m	Overseas £m	Total £m
On plan obligations	48.8	6.4	55.2	9.6	0.5	10.1
On plan assets	(31.3)	(1.7)	(33.0)	1.9	0.3	2.2
Net gains/(losses)	17.5	4.7	22.2	11.5	0.8	12.3

	2023 £m	2022 £m
Operating costs		
Pension administration costs	(0.7)	(0.7)
Current service cost	(0.1)	(0.1)
Past service cost	–	–
	(0.8)	(0.8)

19. Called up share capital

At 31 March 2023, the issued ordinary share capital comprised 225,417,740 ordinary shares of 5p each (2022: 225,417,740).

	Issued and fully paid	
	2023 £m	2022 £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 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:

Share option schemes	2023	2023	2022	2022
Grant date	01.04.22	20.09.22	01.04.21	23.07.21
Share price at date of grant	20.7p	25.0p	21.6p	21.2p
Exercise price	0.0p	0.0p	0.0p	0.0p
Number of employees	6	19	6	18
Shares under option	854,762	6,089,038	739,144	5,872,678
Vesting period (years)	4.3	3.0	4.3	3.0
Expected volatility	68%	69%	65%	65%
Option life (years)	11.3	10.0	11.3	10.0
Risk free interest rate	3.49%	3.49%	1.85%	1.85%
Assumed dividends expressed as a dividend yield	Zero	Zero	Zero	Zero
Fair value per option	20.7p	25.0p	21.6p	21.2p

The awards issued on 1 April 2022 and 1 April 2021 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:

	2023		2022	
Executive share option schemes	Number	Weighted average exercise price	Number[1]	Weighted average exercise price[1]
Outstanding at 1 April	18,839,605	1.6p	16,754,528	1.8p
Granted	6,943,800	0.0p	6,611,822	0.0p
Exercised	(1,635,160)	0.0p	–	0.0p
Expired	(1,145,038)	26.2p	(4,045,884)	0.0p
Forfeited	–	0.0p	(480,861)	0.0p
Outstanding at 31 March	23,003,207	0.0p	18,839,605	1.6p
Exercisable at 31 March	4,720,252	0.0p	3,208,047	9.4p

The outstanding shares at 31 March 2023 relate to the 2 executive share option schemes granted between 25 July 2013 and 20 September 2022, including the schemes granted in FY22 and FY23 as reported in the table above.

1. The prior year number of shares have been restated as we have enhanced the way we record certain share based payment transactions.

Range of exercise prices	2023 Weighted average exercise price	2023 Number of shares	2022 Weighted average exercise price	2022 Number of shares
Nil	**0.0p**	**23,003,207**	0.0p	17,694,567
20p to 30p	**26.2p**	**–**	26.2p	1,145,038

The weighted average contractual life remaining is 8.1 years (2022: 7.3 years).

1,635,160 options have been exercised in the period (2022: Nil). The total charge for the year relating to employee share-based payment plans, including accrual for related employer liabilities, was £1.5m (2022: £1.2m), all of which related to equity settled share-based transactions. At 31 March 2023 a share option reserve of £2.7m (31 March 2022: £1.9m) was included in retained earnings.

The middle market price of ordinary shares at 31 March 2023 was 25.50p and the range of prices during the year was 20.00p to 29.10p.

Details of the share-based payment arrangements for Executive Directors are provided in the Directors' Remuneration Report on pages 80 to 89.

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.

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.

Included in retained earnings is an amount of £3.5m (net of tax) (2022: £3.5m) relating to the revaluation of freehold property that was undertaken at the date of IFRS adoption. The amount is not distributable until it is realised.

The other reserves are stated after deducting £4.9m (31 March 2022: £4.9m) relating to shares held in the Renold plc Employee Benefit Trust. The Renold Employee Benefit Trust holds Renold plc shares and satisfies awards made under various employee incentive schemes when issuance of new shares is not appropriate.

22. Contingent liabilities and commitments

Performance guarantees given to third parties in respect of Group companies were £nil (2022: £nil).

Various UK Group companies have given guarantees to the merged UK pension scheme to cover the full cost of buying out the liabilities in the event that the sponsoring employers default on the agreed deficit repair plan. As one of the sponsoring employers of the UK scheme is Renold plc, the continuing obligation is effectively unchanged and is to fully fund the members' accrued benefits.

23. Additional cash flow information

Reconciliation of operating profit to net cash flows from operations:

	2023 £m	2022 £m
Cash generated from operations:		
Operating profit from continuing operations	**22.9**	16.2
Depreciation of property, plant and equipment – owned assets	**6.1**	5.3
Depreciation of property, plant and equipment – right-of-use assets	**2.5**	2.6
Amortisation of intangible assets	**2.5**	1.6
Loss/(profit) on disposals of plant and equipment	**0.3**	(0.9)
Impairment of right-of-use asset	**–**	1.7
US Government assistance - PPP covid support	**–**	(1.7)
Equity share plans	**1.3**	1.1
Increase in inventories	**(4.5)**	(9.5)
Increase in receivables	**(2.8)**	(4.5)
(Decrease)/increase in payables	**(4.2)**	13.7
Increase in provisions	**1.0**	0.1
Cash contribution to pension schemes	**(5.8)**	(4.8)
Pension current service cost (non-cash)	**0.1**	0.1
Cash generated from operations	**19.4**	21.0

23. Additional cash flow information continued

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

	2023 £m	2022 £m
Increase/(decrease) in cash and cash equivalents (Consolidated Statement of Cash Flows)	7.9	(8.2)
Change in net debt resulting from cash flows:		
– Proceeds from borrowings	(28.3)	(4.7)
– Repayment of borrowings	8.3	16.0
US Government assistance - PPP covid support	–	1.7
Foreign currency translation differences	(0.7)	0.1
Non-cash movement on capitalised finance costs	(0.3)	(0.3)
Net debt acquired as part of the business combination	(2.9)	–
Change in net debt during the period	(16.0)	4.6
Net debt at start of year	(13.8)	(18.4)
Net debt at end of year	(29.8)	(13.8)
Net debt comprises:		
Cash and cash equivalents (Note 13)	19.3	10.5
Total borrowings (Note 14)	(49.1)	(24.3)
	(29.8)	(13.8)

The table below details changes in the Group's assets and liabilities arising from financing activities, including both cash and non-cash changes. Assets and liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

2023	Opening balance £m	Accrued interest £m	Financing cash flows £m	New leases £m	Lease disposal £m	Net Debt Acquired £m	Other non-cash changes[1] £m	Closing balance £m
Bank loans (Note 14)	22.8	2.3	17.7	–	–	2.9	1.1	46.8
Capitalised costs (Note 14)	–	–	–	–	–	–	–	–
Preference stock (Note 14)	0.5	–	–	–	–	–	–	0.5
Lease liabilities (Note 10)	12.0	0.8	(3.6)	11.0	–	–	–	20.2
Total (assets)/liabilities from financing activities	35.3	3.1	14.1	11.0	–	2.9	1.1	67.5
Overdrafts (Note 14)	1.0							1.8
Less: Lease liabilities (Note 10)	(12.0)							(20.2)
Total borrowings (Note 14)	24.3							49.1
Add: Cash and cash equivalents (Note 13)	(10.5)							(19.3)
Net debt	13.8							29.8

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

2022	Opening balance £m	Accrued interest £m	Financing cash flows £m	New leases £m	Lease disposal £m	US Government assistance – PPP covid support £m	Other non-cash changes[1] £m	Closing balance £m
Bank loans (Note 14)	35.7	1.1	(12.2)	–	–	(1.7)	(0.1)	22.8
Capitalised costs (Note 14)	(0.5)	–	(0.1)	–	–	–	0.6	–
Preference stock (Note 14)	0.5	–	–	–	–	–	–	0.5
Lease liabilities (Note 10)	15.4	0.5	(4.7)	2.3	(1.7)	–	0.2	12.0
Total liabilities from financing activities	51.1	1.6	(17.0)	2.3	(1.7)	(1.7)	0.7	35.3
Overdrafts (Note 14)	2.6							1.0
Less: Lease liabilities (Note 10)	(15.4)							(12.0)
Total borrowings (note 14)	38.3							24.3
Add: Cash and cash equivalents (Note 13)	(19.9)							(10.5)
Net debt	18.4							13.8

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

24. Financial instruments

These notes should be read in conjunction with the narrative disclosures in the Finance Director's Review on pages 30 to 35.

(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 2023				
		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 / Amoritsed Cost £m
Financial assets						
Cash and cash equivalents	13	Level 1	19.3	–	19.3	19.3
Trade and other financial receivables	12	Level 2	39.6	–	39.6	39.6
Forward foreign currency contracts: cash flow hedge	24(B)	Level 2	–	0.3	0.3	0.3
Total financial assets			58.9	0.3	59.2	59.2
Financial liabilities						
Trade and other payables	15	Level 2	(59.4)	–	(59.4)	(59.4)
Floating rate bank overdraft	14	Level 2	(1.8)	–	(1.8)	(1.8)
Floating rate short-term borrowings	14	Level 2	(45.5)	–	(45.5)	(45.5)
Floating rate long-term borrowings	14	Level 2	(1.3)	–	(1.3)	(1.3)
Preference stock	14	Level 2	(0.5)	–	(0.5)	(0.5)
Lease liabilities	10	Level 2	(20.2)	–	(20.2)	(20.2)
Forward foreign currency contracts: cash flow hedge	24(B)	Level 2	–	–	–	–
Total financial liabilities			(128.7)	–	(128.7)	(128.7)
Net financial assets/(liabilities)			(69.8)	0.3	(69.5)	(69.5)

Notes to the consolidated financial statements

24. Financial instruments continued

	Note	IFRS 13 classification for determining fair value	At 31 March 2022 At amortised cost Restated[1] £m	At fair value through profit or loss £m	Total carrying value Restated[1] £m	Fair value / Amortised Cost Restated[1] £m
Financial assets						
Cash and cash equivalents	13	Level 1	10.5	–	10.5	10.5
Trade and other financial receivables	12	Level 2	32.2	–	32.2	32.2
Forward foreign currency contracts: cash flow hedge	24(B)	Level 2	–	–	–	–
Total financial assets			42.7	–	42.7	42.7
Financial liabilities						
Trade and other payables	15	Level 2	(53.2)	–	(53.2)	(53.2)
Floating rate bank overdraft	14	Level 2	(1.0)	–	(1.0)	(1.0)
Floating rate long-term borrowings	14	Level 2	(22.8)	–	(22.8)	(22.8)
Preference stock	14	Level 2	(0.5)	–	(0.5)	(0.5)
Lease liabilities	10	Level 2	(12.0)	–	(12.0)	(12.0)
Forward foreign currency contracts: cash flow hedge	24(B)	Level 2	–	(0.5)	(0.5)	(0.5)
Total financial liabilities			(89.5)	(0.5)	(90.0)	(90.0)
Net financial assets/(liabilities)			(46.8)	(0.5)	(47.3)	(47.3)

1. The prior year disclosure has been restated as a result of incorrect presentation of the financial assets and liabilities due to the following errors: VAT receivable (£1.7m) was included within other financial receivables, accruals (£19.3m) were excluded from other payables and trade receivables were previously presented gross and have now been restated to deduct the impairment (£0.5m).

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

The fair value of derivatives has been calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

(B) Derivative financial instruments

Forward foreign exchange contracts

The Group uses forward foreign exchange contracts to hedge future foreign currency sales and purchases. At 31 March 2023, contracts with a nominal value of £16.8m (2022: £16.1m) 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)	
	2023 Rate	2022 Rate	2023 £m	2022 £m	2023 £m	2022 £m
Forward foreign currency contracts: cash flow hedge						
Sell US Dollar: Buy Sterling	**1.212**	1.364	**3.1**	3.1	**0.1**	(0.1)
Sell US Dollar: Buy Euro	**1.071**	1.160	**10.5**	10.1	**0.2**	(0.4)
Sell Sterling: Buy Euro	**0.883**	0.855	**2.6**	2.3	**–**	–
Sell Aus Dollar: Buy US Dollar	**0.676**	0.719	**0.1**	0.1	**–**	–
Sell Aus Dollar: Buy Euro	**0.619**	0.670	**0.1**	0.2	**–**	–
Sell Aus Dollar: Buy Sterling	**0.552**	0.560	**0.1**	–	**–**	–
Sell Aus Dollar: Buy Chinese Renminbi	**4.609**	4.621	**(0.1)**	0.1	**–**	–
Sell NZ Dollar: Buy US Dollar	**0.611**	0.678	**0.1**	0.1	**–**	–
Sell NZ Dollar: Buy Euro	**0.582**	0.598	**0.1**	–	**–**	–
Sell NZ Dollar: Buy Sterling	**0.504**	0.508	**–**	–	**–**	–
Sell NZ Dollar: Buy Chinese Renminbi	**4.212**	4.350	**–**	–	**–**	–
Sell NZ Dollar: Buy Aus Dollar	**0.918**	0.937	**0.2**	0.1	**–**	–
			16.8	16.1	**0.3**	(0.5)

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 (2022: £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 2023 was £7.3m (2022: £6.8m), maturing in April 2023.

The Group has Euro denominated borrowings which it has designated as a hedge of the net investment in its European subsidiary YUK. The carrying value of the Euro borrowings at 31 March 2023 was £17.6m (2022: £nil), maturing in July 2023.

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 2023 £0.8m of exchange loss (2022: £0.3m 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.

(C) Maturity of financial liabilities

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

	2023				
	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]	56.9	3.0	–	–	59.9
Floating rate bank overdraft	1.8	–	–	–	1.8
Floating rate long-term borrowings[2]	47.5	–	1.7	–	49.2
Preference stock[1]	–	–	–	0.5	0.5
Lease liabilities	3.5	3.1	6.6	14.1	27.3
Forward foreign currency contracts: cash flow hedge	16.8	–	–	–	16.8
	126.5	6.1	8.3	14.6	155.5

1. The preference stock bears interest at a fixed rate of 6% (interest has been excluded from the above analysis) and has no fixed repayment date (see Note 14).
2. Contractual cash flows include annual interest payments, calculated using the interest rates applying to the loans at the period end.
3. The non-current other payable relates to the deferred element of the construction costs for the new Chinese factory in Jintan.

24. Financial instruments continued

	2022				
	One year or less on demand £m	One to two years £m	Two to five years £m	More than five years £m	Total £m
Trade and other payables[3]	48.5	2.2	2.8	–	53.5
Floating rate bank overdraft	1.0	–	–	–	1.0
Floating rate long-term borrowings[2]	0.4	0.4	23.6	–	24.4
Preference stock[1]	–	–	–	0.5	0.5
Lease liabilities	3.0	2.5	4.9	3.2	13.6
Forward foreign currency contracts: cash flow hedge	16.1	–	–	–	16.1
	69.0	5.1	31.3	3.7	109.1

1. The preference stock bears interest at a fixed rate of 6% (interest has been excluded from the above analysis) and has no fixed repayment date (see Note 14).
2. Contractual cash flows include annual interest payments, calculated using the interest rates applying to the loans at the period end.
3. The non-current other payable relates to the deferred element of the construction costs for the new Chinese factory in Jintan. The prior year disclosure has been restated due to accruals (£19.3m) being excluded from other payables.

(D) Currency and interest rate profile of financial liabilities of the group

	2023			2022		
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	**–**	**21.4**	**21.4**	–	15.7	15.7
– Preference stock	**0.5**	**–**	**0.5**	0.5	–	0.5
US Dollar	**–**	**7.6**	**7.6**	–	7.0	7.0
Euro	**–**	**19.3**	**19.3**	–	–	–
Other	**–**	**0.3**	**0.3**	–	1.1	1.1
	0.5	**48.6**	**49.1**	0.5	23.8	24.3

Floating rate financial liabilities bear interest at rates based on relevant national base rate equivalents, which can fluctuate on a daily basis. The other financial instruments of the Group that are not included in the above tables are non-interest bearing and are therefore not subject to interest risk.

Interest rate risk

Interest rate risk arises on borrowings and cash balances (and derivative liabilities and assets) which are at floating interest rates. Changes in interest rates could have the effect of either increasing or decreasing the Group's net profit. Under the Group's interest rate management policy, the interest rates on each of the Group's major currency monetary assets and liabilities are managed to achieve the desired mix of fixed and variable rates for each major net currency exposure. Exposure to the risk of changes in market interest rates relates primarily to the Group's Sterling, US Dollar and Euro debt obligations. Measurement of this interest rate risk and its potential impact due to volatility on the Group's reported financial performance is undertaken on a monthly basis and the Board uses this information to determine, from time to time, an appropriate mix of fixed and floating rates.

Credit risk

The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. The maximum exposure is the carrying amount as disclosed in Note 12. There are no significant concentrations of credit risk within the Group.

With respect to credit risk arising from other financial assets of the Group, which comprise cash and cash equivalents and certain derivative instruments, the Group's exposure to credit risk has a maximum exposure equal to the carrying value of these instruments. The Group has a policy to place cash on deposit and hold derivatives with members of the banking syndicate wherever possible.

Liquidity risk

Liquidity risk is defined as the risk that the Group might not be able to settle or meet its obligations on time or at a reasonable price. Liquidity risk arises as a result of mismatches between cash inflows and outflows from the business. This risk is monitored on a centralised basis through regular cash flow forecasting, a strategic plan, an annual budget agreed by the Board each year and a rolling re-forecast undertaken throughout the financial year. To mitigate the risk, the resulting forecast net bank cash/(debt) is measured against the liquidity headroom policy.

As at 31 March 2023, the Group had a committed but undrawn revolving credit facility of £16.1m. The Group also benefits from a UK overdraft and a number of overseas facilities totalling £4.4m (2022: £2.7m) with availability at year end of £1.2m. Together with net cash of £17.5m, available funds at 31 March 2023 were £34.8m. 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 (one year to maturity) and had drawings of £45.4m at 31 March 2023. Cash management pooling, netting and concentration techniques are used to minimise borrowings. As at 31 March 2023, the Group had gross cash of £19.3m.

(E) Currency and interest rate profile of financial assets

Cash at bank and in hand by currency	2023 £m	2022 £m
Sterling	3.5	0.6
Euro	5.7	4.2
US Dollar	4.5	0.5
Other	5.6	5.2
	19.3	10.5

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	
	2023 £m	2022 £m	2023 £m	2022 £m
Effect on equity of currency forward contracts	(3.6)	(2.7)	1.2	1.9
Effect on equity of net investment hedge	1.5	1.4	(0.8)	(0.8)

(G) Interest rate sensitivity

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

		Effect on profit before tax	
	Increase in basis points	2023 £m	2022 £m
Sterling	+150	(0.3)	(0.2)
US Dollar	+150	(0.1)	(0.1)
Euro	+150	(0.3)	–
		(0.7)	(0.3)

24. Financial instruments continued

(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:

	2023 £m	2022 £m
Expiring within one year or less, or on demand	**17.3**	1.8
Expiring between one and two years	**–**	–
Expiring between two and five years	**–**	38.3
	17.3	40.1

The facilities expiring in one year or less, or on demand, are primarily annual facilities subject to review at various dates during the year ending 31 March 2024.

(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 2023 and 31 March 2022.

The capital structure of the Group consists of net debt, as disclosed in Note 23, 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, which created 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.

	2023 £m	2022 £m
Net debt (Note 23)	**29.8**	13.8
Total capital	**39.1**	7.0
Capital and net debt	**68.9**	20.8
Gearing ratio	**43%**	66%
Adjusted EBITDA, £m (APMs)	**36.2**	25.8
Net debt to adjusted EBITDA	**0.8 times**	0.5 times

25. Post balance sheet events

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

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

26. Business combinations

During the year the Group completed the acquisition of 100% of the ordinary share capital of Industrias YUK S.A. for the total consideration of €24.0m (£20.8m), of which €20.0m (£17.3m) was paid on the date of the acquisition with the remaining €4.0m (£3.5m) being deferred, €2.0m (£1.8m) to be paid on 3 August 2023 and €2.0m (£1.7m) on 3 August 2024. YUK is a Valencia-based, manufacturer and distributor of high quality conveyor chain ("CVC") and ancillary products.

The transaction has been accounted for as a business combination under IFRS 3 and is summarised below:

	Recognised values on acquisition £m
Fair value of net assets acquired:	
Intangible assets	6.9
Property, plant and equipment	5.4
Right-of-use-assets	9.6
Inventories	7.6
Trade and other receivables	4.2
Deferred tax asset	0.5
Trade and other payables	(6.4)
Lease liabilities	(9.6)
Cash and cash equivalents	3.0
Borrowings	(2.9)
Deferred tax liabilities	(1.7)
Net identifiable assets and liabilities	16.6
Goodwill	4.2
Total consideration	20.8
Consideration:	
Cash consideration	17.3
Deferred consideration	3.5
Total consideration transferred/to be transferred	20.8
Net cash outflow arising on acquisition:	
Cash consideration paid	(17.3)
Add: cash and cash equivalents acquired	3.0
	(14.3)
Increase in net debt arising on acquisition:	
Net cash outflow arising on acquisition	(14.3)
Less: Borrowings acquired	(2.9)
Less: Acquisition costs	(0.6)
	(17.8)

Acquisition related costs amounted to £0.6m and have been included in the Income statement.

The gross contractual value of the trade and other receivables was £4.2m. The best estimate at the acquisition date of the contractual cash flows not expected to be collected was £nil.

Deferred consideration of €4.0m is payable within 2 years.

The goodwill arising on acquisition has been allocated to the Europe and China CGU and is expected to be deductible for tax purposes. The goodwill is attributable to:

- the anticipated profitability of the distribution of the Group's services in new markets; and
- the synergies that can be achieved in the business combination including management, processes and maximising site capacities.

The business was acquired on 3 August 2022 and contributed £10.5m revenue and £1.8m headline operating profit for the period between the date of acquisition and the balance sheet date.

26. Business combinations continued

If the acquisition had been completed on the first day of the financial period, the acquisition would have contributed £15.9m to Group revenue, £2.7m to Group operating profit and £4.0m adjusted operating profit (after adding back £0.7m for amortisation of acquired intangibles and £0.6m acquisition costs).

During the year deferred consideration of £0.2m was also paid in relation to the acquisition of the conveyor chain business of Brooks Ltd in the prior year.

	Recognised values on acquisition £m
Total net cash outflow arising on acquisitions:	
Industrias YUK S.A.	**(14.3)**
Brooks Ltd	**(0.2)**
	(14.5)
Total increase in net debt arising on acquisitions:	
Industrias YUK S.A.	**(17.8)**
Brooks Ltd	**(0.2)**
	(18.0)

27. Prior period adjustments

Following a review of complex tax judgments looking back over a number of years, a prior year adjustment of £1.3m has been identified relating to errors in the recognition of deferred tax on certain intragroup and stock consolidation adjustments. Included in this amount is the recognition of deferred tax for losses following errors identified in the profitability forecasts for which increased deferred tax can be ascribed. The prior year adjustment to deferred tax is offset by an equal and opposite adjustment to current tax arising in respect of an error identified in the Group's historic transfer pricing calculation. A final adjustment has been identified in relation to a deferred tax asset in respect of interest restriction of £1.2m which should have been recognised historically to the extent it offsets the deferred tax liability in the respective tax jurisdiction. The adjustment recognises this deferred tax asset in the opening balance and opening reserves of the Group.

The impact, on a line item basis for those affected, on the Consolidated Balance Sheet as at 31 March 2022 and 31 March 2021 is as follows:

	2022			2021		
Consolidated Balance sheet as at 31 March	**As previously reported £m**	**Deferred / Current tax recognition £m**	**2022 (restated) £m**	**As previously reported £m**	**Deferred / Current tax recognition £m**	**2021 (restated) £m**
Assets						
Non-current assets						
Deferred tax assets	15.4	2.5	17.9	15.2	2.1	17.3
	15.4	2.5	17.9	15.2	2.1	17.3
Total assets	**195.1**	**2.5**	**197.6**	**188.7**	**2.1**	**190.8**
Liabilities						
Current liabilities						
Current tax	(2.8)	(1.3)	(4.1)	(2.3)	(0.9)	(3.2)
	(2.8)	(1.3)	(4.1)	(2.3)	(0.9)	(3.2)
Total Liabilities	**(189.3)**	**(1.3)**	**(190.6)**	**(203.4)**	**(0.9)**	**(204.3)**
Net assets/(liabilities)	**5.8**	**1.2**	**7.0**	**(14.7)**	**1.2**	**(13.5)**
Equity						
Retained earnings	(9.9)	1.2	(8.7)	(78.2)	1.2	(77.0)
Total shareholders' equity	5.8	1.2	7.0	(14.7)	1.2	(13.5)

During the year a prior year adjustment was identified relating to various taxation risks and deferred tax positions. This has been analysed as follows:

	Brought forward £m	2020 £m	2021 £m	2022 £m	Total £m
Corporation tax	–	0.3	0.4	0.6	1.3
Deferred tax - tax losses	–	–	(0.6)	(0.2)	(0.8)
Deferred tax - movements in provisions and accruals	–	(0.2)	(0.1)	(0.2)	(0.5)
Deferred tax - US s163(j) limitation	(1.2)	(0.1)	0.1	–	(1.2)
Retained earnings	1.2	0.1	(0.1)	–	1.2
	–	**0.1**	**(0.3)**	**0.2**	**–**

These proposed adjustments arose over a period of time and individually no year is materially impacted.

The corporation tax provision relates to transfer pricing risks.

The deferred tax balances relate to the recognition of losses in overseas jurisdictions and a movement in provisions for centrally recognised consolidation adjustments.

The US s163(j) limitation relates to an error on adoption of revised deferred tax asset recognition criteria following publication of FASB accounting standard codification (ASC) 740-10-30-2(b).

Company balance sheet

as at 31 March 2023

	Note	2023 £m	(Restated)* 2022 £m
ASSETS			
Non-current assets			
Intangible assets	2	**2.4**	3.5
Property, plant and equipment	3	**0.3**	0.3
Right-of-use assets	9	**0.6**	0.7
Investments in subsidiary undertakings	4	**62.0**	62.0
Receivables	6	**93.9**	75.1
Deferred tax assets	5	**0.5**	1.3
		159.7	142.9
Current assets			
Receivables	6	**5.0**	2.9
Cash and cash equivalents		**3.8**	–
		8.8	2.9
TOTAL ASSETS		**168.5**	145.8
LIABILITIES			
Current liabilities			
Trade and other payables	7	**(4.1)**	(3.9)
Lease liabilities	9	**(0.3)**	(0.3)
Borrowings	10	**(38.9)**	(0.1)
Derivative financial instruments	8	**–**	–
		(43.3)	(4.3)
NET CURRENT LIABILITIES		**(34.5)**	(1.4)
Non-current liabilities			
Trade and other payables	7	**(69.2)**	(67.0)
Lease liabilities	9	**(0.3)**	(0.5)
Borrowings	10	**–**	(14.5)
Provisions	11	**(0.2)**	(0.2)
Preference stock	10	**(0.5)**	(0.5)
Retirement benefit obligations	12	**(2.1)**	(5.5)
		(72.3)	(88.2)
TOTAL LIABILITIES		**(115.6)**	(92.5)
NET ASSETS		**52.9**	53.3
Equity			
Share capital	13	**11.3**	11.3
Other reserves		**(5.0)**	(5.0)
Retained earnings		**46.6**	47.0
TOTAL EQUITY		**52.9**	53.3

* The balance sheet for the year ended 31 March 2022 has been restated to reflect prior year adjustments. Further details are set out in Note 17.

The loss of Renold plc (registered number 249688) for the year ended 31 March 2023 was £3.8m (2022: loss of £6.9m).

Approved by the Board on 11 July 2023 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 2023

	Share capital £m Note 13	Share premium account £m	Capital redemption reserve £m	Retained earnings £m	Other reserves £m	Total £m
At 31 March 2021 – as reported	11.3	30.1	15.4	2.5	(0.1)	59.2
Effect of prior year adjustments	–	–	–	2.4	–	2.4
At 31 March 2021 (restated)*	11.3	30.1	15.4	4.9	(0.1)	61.6
Loss for the year (restated)*	–	–	–	(6.9)	–	(6.9)
Other comprehensive income (restated)*	–	–	–	2.4	–	2.4
Total comprehensive expense for the year	–	–	–	(4.5)	–	(4.5)
Own shares purchased	–	–	–	–	(4.9)	(4.9)
Capital reorganisation (Note 15)	–	(30.1)	(15.4)	45.5	–	–
Share-based payments	–	–	–	1.1	–	1.1
At 31 March 2022 (restated)*	**11.3**	**–**	**–**	**47.0**	**(5.0)**	**53.3**
Loss for the year	**–**	**–**	**–**	**(3.8)**	**–**	**(3.8)**
Other comprehensive income	**–**	**–**	**–**	**2.1**	**–**	**2.1**
Total comprehensive expense for the year	**–**	**–**	**–**	**(1.7)**	**–**	**(1.7)**
Share-based payments	**–**	**–**	**–**	**1.3**	**–**	**1.3**
At 31 March 2023	**11.3**	**–**	**–**	**46.6**	**(5.0)**	**52.9**

* Retained earnings for the year ended 31 March 2022 and at 1 April 2021 have been restated to reflect prior year adjustments. Further details are set out in Note 17.

Details of share-based payment transactions are set out in Note 20 of the consolidated financial statements.

Included in retained earnings is £2.7m (31 March 2022: £1.9m) relating to a share option reserve.

The other reserves are stated after deducting £4.9m (31 March 2022: £4.9m) 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 2023 16,888,938 (31 March 2022: 18,422,509) ordinary shares of 5p each were held by the Renold Employee Benefit Trust and, following recommendations by the employer, are provisionally allocated to satisfy awards under employee incentive schemes. The market value of these shares at 31 March 2023 was £4.3m (31 March 2022: £3.7m).

The prior year adjustments processed during the year (see Note 17) resulted in the distributable reserves of the Company being in a surplus position of £4.9m at 31 March 2021. Accordingly there was a minor irregularity concerning the technical compliance of the Companies Act 2006 in respect of historical preference dividends paid. The reserves deficit at 31 March 2020 was rectified by receipt of dividends from subsidiary companies and the £45m capital reorganisation completed during the prior year (see Note 15).

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).

Intangible assets

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.

Property, plant and equipment

Tangible assets are stated at cost, being purchase cost plus any incidental costs of acquisition, less accumulated depreciation and impairment.

Depreciation is calculated on a straight-line basis so as to charge the depreciable amount of the respective assets to the income statement over their expected useful lives. No depreciation has been charged on freehold land. The useful lives of assets are as follows:

	Years
Freehold buildings	50
General plant and equipment	15
Fixtures	15
Motor vehicles	3

Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

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

Investments in subsidiary undertakings

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

The results and financial position of Renold Scottish Limited Partnership (SLP) have been consolidated in the consolidated financial statements of Renold plc. Renold plc is a parent undertaking of the general partner in the SLP (see Note 18 to the Company financial statements). Accordingly, advantage has been taken of the exemption conferred by paragraph 7 of the Partnerships (Accounts) Regulations 2008 from the requirements for preparation, delivery and publication of the partnerships accounts.

Receivables

Receivables are initially recognised at fair value. Financial assets that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Financial assets are measured at amortised cost using the effective interest method, less any impairment.

Per IFRS 9, a simplified lifetime expected credit loss model is used to assess receivables for impairment. An assessment regarding the expected credit loss of these amounts has been made and the Company has identified that no allowance for expected credit losses is required.

Amounts owed by subsidiary undertakings falling due after more than one year are classified as such according to the loan agreements in place.

Leasing and right-of-use assets

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.

Provisions

Provisions are recognised when the Company: (i) has a present legal or constructive obligation as a result of past events; (ii) it is more likely than not that an outflow of resources will be required to settle the obligation; and (iii) a reliable estimate of the amount can be made. Where the Company expects a provision to be reimbursed, e.g. under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

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

Critical judgements in the application of the company's accounting policies

In the course of preparing the financial statements, no judgements have been made in the process of applying the Company's accounting policies other than those involving estimations (below) that have had a significant effect on the amounts recognised in the financial statements.

Key sources of estimation uncertainty

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying value of the Company's assets or liabilities in the future.

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

Retirement benefit obligations

The valuation of the Company's defined benefit plans are determined by using actuarial valuations. These involve making assumptions about discount rates, mortality rates, future salary increases and future pension increases (future salary and pension increases are linked to inflation rate assumptions). Due to the long-term nature of these plans such estimates are subject to significant uncertainty. Net interest is calculated by applying the discount rate to the net defined benefit liability. Further details are given in Note 12.

Notes to the Company financial statements

1. Loss for the year

Renold plc reported a loss for the year ended 31 March 2023 of £3.8m (2022(Restated)*: £6.9m).

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 35 (2022: 32), of which all are categorised as Head Office employees.

2. Intangible assets

	Software Total £m
Cost	
At 1 April 2021	16.2
Additions	0.9
At 31 March 2022	**17.1**
Additions at cost	**1.1**
Transfers	**(1.3)**
At 31 March 2023	**16.9**
Depreciation	
At 1 April 2021	12.4
Charge for the year	1.2
At 31 March 2022	**13.6**
Charge for the year	**1.4**
Transfers	**(0.5)**
At 31 March 2023	**14.5**
Net book amount at 31 March 2023	**2.4**
Net book amount at 31 March 2022	3.5

3. Property, plant and equipment

	Property £m	Equipment £m	Total £m
Cost			
At 1 April 2021	0.2	0.5	0.7
Additions	–	–	–
At 31 March 2022	**0.2**	**0.5**	**0.7**
Additions	**–**	**0.1**	**0.1**
At 31 March 2023	**0.2**	**0.6**	**0.8**
Depreciation			
At 1 April 2021	0.1	0.3	0.4
Charge for the year	–	–	–
At 31 March 2022	**0.1**	**0.3**	**0.4**
Charge for the year	**–**	**0.1**	**0.1**
At 31 March 2023	**0.1**	**0.4**	**0.5**
Net book amount at 31 March 2023	**0.1**	**0.2**	**0.3**
Net book amount at 31 March 2022	0.1	0.2	0.3

Future capital expenditure

At 31 March 2023, contracted capital expenditure not provided for in these financial statements for which contracts have been placed amounted to £nil (2022: £nil).

4. Investments in subsidiary undertakings

Subsidiary undertakings	Shares £m
Cost and carrying value – At beginning and end of year	**62.0**

The subsidiary undertakings of the Company at 31 March 2023 are set out in Note 18.

5. Deferred tax assets

	Restated[1] Opening balance £m	Recognised in income statement £m	Recognised directly in other comprehensive income £m	Restated[1] Closing balance £m
2023 – Pension plans	**1.3**	**0.3**	**(1.1)**	**0.5**
2022 – Pension plans	1.5	0.1	(0.3)	1.3

1. The results for the year ended 31 March 2022 and at 1 April 2021 have been restated to reflect prior year adjustments. Further details are set out in Note 17.

Unrecognised deferred tax assets amount to £2.3m (2022: £1.4m) arising from accelerated capital allowances and carried forward trading losses.

6. Receivables

	2023		2022	
	Current £m	Non-current £m	Current £m	Non-current £m
Amounts owed by subsidiary undertakings[1]	**3.3**	**93.9**	1.7	75.1
Other debtors	**0.3**	**–**	0.2	–
Prepayments	**1.4**	**–**	1.0	–
	5.0	**93.9**	2.9	75.1

1. Current amounts owed by subsidiary undertakings are repayable on demand, bear no interest and are held at amortised cost. Non-current amounts owed by subsidiary undertakings attract varying rates of interest, are unsecured and are repayable in more than one year. An assessment regarding the expected credit loss of these amounts has been made and the Company has identified that no allowance for expected credit losses is required based on their nature as either quasi-equity or repayable on demand loans not exceeding the investee's liquid assets.

7. Trade and other payables

	2023 £m	2022 £m
Current		
Trade creditors	**0.8**	0.8
Other taxation and social security	**0.3**	0.2
Accruals	**3.0**	2.3
Amounts owed to subsidiary undertakings	**–**	0.6
	4.1	3.9

	2023 £m	2022 £m
Non-current		
Loan from subsidiary undertakings	**69.2**	67.0

Loans from subsidiary undertakings includes a 25-year loan of £62.5m which was established with Renold International Holdings Limited in 2014. Interest on this loan increases in line with RPI plus 1.5%, capped at 5%, and is payable for the period of the loan.

8. Derivative financial instruments

	2023 £m	2022 £m
Forward foreign currency contracts – cash flow hedge	**–**	–

At 31 March 2023, the Company had entered into forward contracts with a notional value of £2.6m (31 March 2022: £2.3m) to sell Sterling and buy Euros. The contracts were placed to cover purchases in Euros by the Group's operations.

Notes to the Company financial statements

9. Leasing and right-of-use assets

Right-of-use assets

	Land and buildings £m	Plant and equipment £m	Total £m
Cost			
At 1 April 2021	1.0	0.1	1.1
Additions	–	0.1	0.1
At 31 March 2022	**1.0**	**0.2**	**1.2**
Additions	**–**	**0.1**	**0.1**
At 31 March 2023	**1.0**	**0.3**	**1.3**
Accumulated depreciation and impairment			
At 1 April 2021	0.3	–	0.3
Charge for the year	0.2	–	0.2
At 31 March 2022	**0.5**	**–**	**0.5**
Charge for the year	**0.2**	**–**	**0.2**
At 31 March 2023	**0.7**	**–**	**0.7**
Net book amount			
At 31 March 2023	**0.3**	**0.3**	**0.6**
At 31 March 2022	0.5	0.2	0.7

Lease liabilities

	2023 £m	2022 £m
Maturity analysis – contractual undiscounted cash flows		
Less than one year	**0.3**	0.3
One to two years	**0.2**	0.2
Two to five years	**0.1**	0.3
Total undiscounted lease liabilities at 31 March	**0.6**	0.8
Less: Interest allocated to future periods	**–**	–
Lease liabilities included in the Balance Sheet	**0.6**	0.8
Current	**0.3**	0.3
Non-current	**0.3**	0.5

10. Borrowings

	2023 £m	2022 £m
Amounts falling due within one year:		
Overdrafts	**–**	0.1
Bank loans repayable in one year	**38.9**	–
Current borrowings	**38.9**	0.1
Amounts falling due after more than one year:		
Bank loans repayable in two to five years	**–**	14.5
Capitalised costs	**–**	–
Non-current borrowings	**–**	14.5
Preference stock	**0.5**	0.5
	0.5	15.0
Total borrowings	**39.4**	15.1

11. Provisions

	Non-current dilapidations provision £m
At 1 April 2022	0.2
Arising during the year	–
At 31 March 2023	**0.2**

Dilapidations

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

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

The provision relates to cash outflows which are expected to take place at the end of the lease term in 2030 and as a result all of the provision is classed as non-current.

12. Retirement benefit schemes

Defined contribution schemes

The Company operates defined contribution retirement benefit schemes for all qualifying employees. The assets of the schemes are held separately from those of the Company in funds under the control of trustees. Where there are employees who leave the schemes prior to vesting fully in the contributions, the contributions payable by the Company are reduced by the amount of forfeited contributions.
The total cost charged to income of £0.1m (2022: £0.1m) represents contributions payable to these schemes by the Company at rates specified in the rules of the plans. No contributions are outstanding at the year end.

Defined benefit schemes

Employees of the Company include members of the principal UK defined benefit schemes. The basis used to determine the deficit in the schemes is disclosed in Note 18 to the consolidated financial statements.

	2023 £m	2022 £m
IAS 19 retirement benefit obligation	**(11.0)**	(16.0)
Renold Scottish Limited Partnership retirement benefit plan asset[1]	**8.9**	10.5
Retirement benefit obligations	**(2.1)**	(5.5)

1. In 2014, a deemed contribution of £10m was made to the pension scheme, which in turn invested the £10m in the Renold Scottish Limited Partnership (the "SLP"). This has been recognised as a plan asset and unwinds, by way of a reduction in the asset and with a corresponding remeasurement increase in the IAS 19 retirement benefit obligation, in line with the committed cash contributions made by the SLP to the scheme (over the 25 year period ending in 2038). At each balance sheet date the value of the SLP plan asset is calculated as the discounted value of the expected future cash contributions payable by the SLP under the scheme. Remeasurement gains or losses are recorded in other comprehensive income.

There is a contractual agreement between the Company and its UK subsidiary, Renold Power Transmission Limited, to reflect the IAS 19 defined benefit pension scheme obligation in a 25:75 split respectively. Further details of the UK defined benefit scheme are disclosed in Note 18 of the consolidated financial statements.

12. Retirement benefit schemes continued

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

	IAS 19 liabilities £m	IAS 19 plan assets £m	Total IAS 19 defined benefit obligation £m	SLP retirement benefit plan asset £m	(Restated)[1] Total defined benefit pension scheme £m
At 31 March 2021	(53.5)	34.1	(19.4)	11.3	(8.1)
Interest income/(expense)	(1.0)	0.7	(0.3)	0.2	(0.1)
Remeasurement gains/(losses)	2.4	1.3	3.7	(1.0)	2.7
Benefits paid	2.5	(2.5)	–	–	–
At 31 March 2022	**(49.6)**	**33.6**	**(16.0)**	**10.5**	**(5.5)**
Interest income/(expense)	**(1.3)**	**0.9**	**(0.4)**	**0.3**	**(0.1)**
Remeasurement gains/(losses)	**12.2**	**(7.8)**	**4.4**	**(1.0)**	**3.4**
Benefits paid	**2.3**	**(2.3)**	**–**	**–**	**–**
Employer contributions	**–**	**1.0**	**1.0**	**(0.9)**	**0.1**
At 31 March 2023	**(36.4)**	**25.4**	**(11.0)**	**8.9**	**(2.1)**

1. The results for the year ended 31 March 2022 and at 1 April 2021 have been restated to reflect prior year adjustments. Further details are set out in Note 17.

13. Called up share capital

	Issued and fully paid 2023 £m	2022 £m
Ordinary shares of 5p each	**11.3**	11.3

At 31 March 2023 the issued ordinary share capital comprised 225,417,740 ordinary shares of 5p each (2022: 225,417,740).

	Issued and fully paid 2023 £m	2022 £m
Preference stock of £1 each[1]	**0.5**	0.5

1. Included in borrowings – see Note 10.

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

14. Related party transactions

Other than payments made to Directors, which are set out in the Board Report on Remuneration on pages 80 to 89 and in Note 2(C) of the consolidated financial statements, there are no other related party transactions to disclose. The Company has taken the exemption available under FRS 101 not to disclose transactions with wholly-owned subsidiary companies.

15. Capital reorganisation

As part of its long term financial planning, in the prior year the Company has reorganised its balance sheet and reserves through the cancellation of the entire amount of its share premium account and capital redemption reserve. The share premium account and capital redemption reserve were non-distributable reserves and accordingly, the purposes for which the Company could use these were extremely restricted. The reduction of capital creates sufficient distributable reserves to provide the Board with greater flexibility with regard to how it manages its capital resources. This provided flexibility in such matters as making payments to the holders of Preference Stock, commencing a share buy-back programme consistent with the authority granted by Shareholders at the last annual general meeting, in order to, inter alia, fund employee share schemes, thereby avoiding dilution for existing Shareholders or, should the Board determine it appropriate to do so in the future, make dividend distributions to Shareholders.

The order of the High Court confirming the above capital reorganisation became effective on 27 May 2021, increasing distributable reserves by £45.5m.

16. Post balance sheet events

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

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

17. Restatement due to prior year adjustments

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

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

Balance sheet at 31 March 2022	As previously reported £m	Prior year adjustments £m	Restated £m
ASSETS			
Non-current assets			
Deferred tax assets	1.2	0.1	1.3
	1.2	0.1	1.3
TOTAL ASSETS	145.7	0.1	145.8
LIABILITIES			
Non-current liabilities			
Trade and other payables	(69.9)	2.9	(67.0)
Retirement benefit obligations	(4.9)	(0.6)	(5.5)
	(74.8)	2.3	(72.5)
TOTAL LIABILITIES	(94.8)	2.3	(92.5)
NET ASSETS	50.9	2.4	53.3
EQUITY			
Retained earnings at 1 April 2021	2.5	2.4	4.9
Retained earnings - profit for the year ended 31 March 2022	42.1	–	42.1
Retained earnings	44.6	2.4	47.0
Other equity items	6.3	–	6.3
	50.9	2.4	53.3

Notes to the Company financial statements

18. Subsidiary undertakings

In accordance with Section 409 of the Companies Act 2006, a full list of subsidiary undertakings, the country of incorporation and the effective percentage of equity owned, as at 31 March 2023 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*		
Hans Renold Limited*		
Renold Holdings Limited*		
Renold Continental Limited		
Anchor Chain and Power Transmission Co Limited	dormant	
John Holroyd & Company Limited*	dormant	
Jones & Shipman Limited*	dormant	
Renold Pensions Limited*	dormant	
Renold Group General Partner Limited*	pension entity	1 George Square, Glasgow, G2 1AL
Renold Scottish Limited Partnership	pension entity	1 George Square, Glasgow, G2 1AL

Europe (other than the United Kingdom)		
Austria	Renold GmbH	Kärntner Ring 12, A-1010 Wien
Denmark	Renold A/S	Kaerup Alle 2, 1. Benlose, 4100, Ringstad
France	Renold France SAS*	100 rue du Courbillon, 59175, Vendeville
Germany	Renold GmbH	Juliusmühle, 37574, Einbeck
	Renold Holding GmbH*	Juliusmühle, 37574, Einbeck
	Renold Automotive Systems	Juliusmühle, 37574, Einbeck
Poland	Renold Polska sp. z o.o.	Uniwersytecka 20, 40-007 Katowice, Poland
	Renold Poland sp. z o.o.	
Spain	Renold Hi-Tec Couplings S.A.	C/ Antoni Gaudi 21, Bajos 2o, Gavá, Barcelona
	Industries YUK S.A.	Polígono Industrial El Oliveral, Sub-Pol número 6, parcela 2 y 3, Ribarroja del Turia, Valencia
Sweden	Renold Transmission AB	
Switzerland	Renold (Switzerland) GmbH	Ringstrasse 16, CH-8600, Dübendorf 1
Turkey	Renold Zincir Sanayi Ve Ticaret Anonim Şirketi	İstasyon Mah. Yarış Çıkmazı Sk. No:1 İç Kapı No:54 Tuzla/ İstanbul

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

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.

Group five year financial review (unaudited)

	2023 £m	Restated[4] 2022 £m	Restated[4] 2021 £m	2020 £m	2019 £m
Group revenue	**247.1**	195.2	165.3	189.4	199.6
Adjusted operating profit	**24.2**	15.3	11.4	13.4	14.8
Operating profit	**22.9**	16.2	10.7	10.1	15.4
Profit before tax	**17.3**	12.4	6.1	4.9	10.4
Taxation	**(5.5)**	(2.2)	(1.5)	(1.5)	(3.5)
Profit for the year from continuing operations[3]	**11.8**	10.2	4.6	3.4	6.9
Net assets employed					
Tangible and intangible fixed assets	**67.7**	54.4	53.0	60.1	62.1
Right-of-use assets	**16.5**	8.0	10.7	11.9	–
Lease liabilities	**(20.2)**	(12.0)	(15.4)	(17.1)	–
Working capital and other net assets	**45.9**	30.4	31.2	40.2	33.9
Operating assets	**109.9**	80.8	79.5	95.1	96.0
Goodwill	**28.2**	22.7	21.7	24.0	23.1
Net debt	**(29.8)**	(13.8)	(18.4)	(36.6)	(30.3)
Deferred and current taxation	**(2.0)**	8.4	10.0	8.7	15.5
Provisions	**(5.0)**	(4.0)	(3.9)	(3.1)	(3.3)
Net assets excluding pension obligations	**101.3**	94.1	88.9	88.1	101.0
Pension obligations	**(62.2)**	(87.1)	(102.4)	(97.6)	(101.9)
Total net assets/(liabilities)	**39.1**	7.0	(13.5)	(9.5)	(0.9)
Other data and ratios					
Return on capital employed (%)[1]	**19.6**	14.6	10.4	11.2	12.6
Return on sales (%)[2]	**9.8**	7.8	6.9	7.1	7.3
Capital expenditure (£m)	**9.0**	6.3	3.0	9.1	15.2
Adjusted earnings per share (p) from continuing operations	**6.5p**	4.3p	2.3p	2.9p	3.1p
Basic earnings per share (p) from continuing operations	**5.7p**	4.7p	2.0p	1.5p	3.0p
Employees at year end	**1,864**	1,817	1,739	1,826	2,059

1. Being adjusted operating profit divided by average operating assets and goodwill.
2. Based on adjusted operating profit divided by revenue.
3. The results for the years ended 31 March 2019 and 31 March 2020 exclude the results of discontinued operations. Discontinued operations arise from the disposal of the South African Torque Transmission business unit during the year ended 31 March 2020.
4. The balance sheets at 31 March 2022 and 31 March 2021 have been restated. Refer to Note 27 for details of the restatements.

Alternative performance measures (unaudited)

In order to provide users of the accounts with a clear and consistent presentation of the performance of the Group's ongoing trading activity, the Group uses various alternative performance measures (APMs), including the presentation of the income statement in a three column format with 'Adjusted' measures shown separately from statutory items. Amortisation of acquired intangibles, restructuring costs, discontinued operations and material one-off items or remeasurements are included in a separate column as management seek to present a measure of performance which is not impacted by material non-recurring items or items considered non-operational. Performance measures for the Group's ongoing trading activity are described as 'Adjusted' and are used to measure and monitor performance as management believe these measures enable users of the financial statements to better assess the trading performance of the business. In addition, the Group reports sales and profit measures at constant exchange rates. Constant exchange rate metrics exclude the impact of foreign exchange translation, by retranslating the comparative to current year exchange rates.

The APMs used by the Group include:

APM	Reference	Explanation of APM
adjusted operating profit	A	Adjusted measures are used by the Group as a measure of underlying business performance, adding back items that do not relate to underlying performance
adjusted profit before taxation	B	
adjusted EPS	C	
return on sales	D	
operating profit gearing	D	
revenue at constant exchange rates	E	Constant exchange rate metrics adjust for constant foreign exchange translation and are used by the Group to better understand year-on-year changes in performance
adjusted operating profit at constant exchange rates	F	
return on sales at constant exchange rates	G	
EBITDA	H	EBITDA is a widely utilised measure of profitability, adjusting to remove non-cash depreciation and amortisation charges
adjusted EBITDA	H	
operating cash flow	H	
net debt	I	Net debt, leverage and gearing are used to assess the level of borrowings within the Group and are widely used in capital markets analysis
leverage ratio	J	
gearing ratio	K	
legacy pension cash costs	L	The cost of legacy pensions is used by the Group as a measure of the cash cost of servicing legacy pension schemes
average working capital ratio	M	Working capital as a ratio of rolling 12 month revenue is used to measure cash performance and balance sheet strength

Alternative performance measures (unaudited)

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

(A) Adjusted operating profit

	Year ended 31 March 2023			
	Chain £m	Torque Transmission £m	Head office costs and eliminations £m	Consolidated £m
Operating profit	26.5	5.4	(9.0)	22.9
Add back/(deduct):				
Amortisation of acquired intangible assets	0.7	–	–	0.7
Acquisition costs	–	–	0.6	0.6
Adjusted operating profit	27.2	5.4	(8.4)	24.2

	Year ended 31 March 2022			
	Chain £m	Torque Transmission £m	Head office costs and eliminations £m	Consolidated £m
Operating profit	20.5	4.1	(8.4)	16.2
Add back/(deduct):				
Amortisation of acquired intangible assets	0.1	–	–	0.1
US PPP loan forgiveness	(1.7)	–	–	(1.7)
New lease arrangements on sublet properties	–	–	0.7	0.7
Adjusted operating profit	18.9	4.1	(7.7)	15.3

(B) Adjusted profit before taxation

	2023 £m	2022 £m
Profit before taxation	17.3	12.4
Add back/(deduct):		
Amortisation of acquired intangible assets	0.7	0.1
Acquisition costs	0.6	–
US PPP loan forgiveness	–	(1.7)
New lease arrangements on sublet properties	–	0.7
Adjusted profit before taxation	18.6	11.5

(C) Adjusted earnings per share

Adjusted EPS is reconciled to statutory EPS in Note 5.

(D) Return on sales and adjusted operating profit gearing

	Year ended 31 March 2023			
	Chain £m	Torque Transmission £m	Head office costs and eliminations £m	Consolidated £m
Adjusted operating profit	27.2	5.4	(8.4)	24.2
Total revenue (including inter-segment sales)	202.4	48.8	(4.1)	247.1
Return on sales %	13.4%	11.1%	–	9.8%

	Year ended 31 March 2022			
	Chain £m	Torque Transmission £m	Head office costs and eliminations £m	Consolidated £m
Adjusted operating profit	18.9	4.1	(7.7)	15.3
Total revenue (including inter-segment sales)	159.2	40.4	(4.4)	195.2
Return on sales %	11.9%	10.1%	–	7.8%

	Year ended 31 March 2023			
	Chain £m	Torque Transmission £m	Head office costs and eliminations £m	Consolidated £m
Adjusted operating profit – 2023	27.2	5.4	(8.4)	24.2
Adjusted operating profit – 2022	18.9	4.1	(7.7)	15.3
Year-on-year change in adjusted operating profit (a)	8.3	1.3	(0.7)	8.9
Total revenue (including inter-segment sales) – 2023	202.4	48.8	(4.1)	247.1
Total revenue (including inter-segment sales) – 2022	159.2	40.4	(4.4)	195.2
Year-on-year change in total revenue (b)	43.2	8.4	0.3	51.9
Adjusted operating profit gearing % ((a)/(b))	19%	15%	n/a	17%

	Year ended 31 March 2022			
	Chain £m	Torque Transmission £m	Head office costs and eliminations £m	Consolidated £m
Adjusted operating profit – 2022	18.9	4.1	(7.7)	15.3
Adjusted operating profit – 2021	13.6	5.0	(7.2)	11.4
Year-on-year change in adjusted operating profit (a)	5.3	(0.9)	(0.5)	3.9
Total revenue (including inter-segment sales) – 2022	159.2	40.4	(4.4)	195.2
Total revenue (including inter-segment sales) – 2021	130.0	39.1	(3.8)	165.3
Year-on-year change in total revenue (b)	29.2	1.3	(0.6)	29.9
Adjusted operating profit gearing % ((a)/(b))	18%	(69%)	n/a	13%

Alternative performance measures (unaudited)

(E), (F) & (G) Revenue, adjusted operating profit and return on sales at constant exchange rates

	Year ended 31 March 2023			
	Chain £m	Torque Transmission £m	Head office costs and eliminations £m	Consolidated £m
External customer – transferred at a point in time	201.5	43.4	–	244.9
External customer – transferred over time	–	2.2	–	2.2
Inter-segment	0.9	3.2	(4.1)	–
Foreign exchange retranslation	(12.5)	(2.8)	–	(15.3)
Revenue at constant exchange rates	**189.9**	**46.0**	**(4.1)**	**231.8**
Adjusted operating profit	27.2	5.4	(8.4)	24.2
Foreign exchange retranslation	(1.6)	(0.3)	0.1	(1.8)
Adjusted operating profit at constant exchange rates	**25.6**	**5.1**	**(8.3)**	**22.4**
Return on sales at constant exchange rates %	**13.5%**	**11.1%**	**–**	**9.7%**

(H) EBITDA, adjusted EBITDA (earnings before interest, taxation, depreciation and amortisation) and operating cash flow

	2023 £m	2022 £m
Statutory operating profit from continuing operations	22.9	16.2
Depreciation and amortisation	11.1	9.5
Share-based payments	1.3	1.1
EBITDA[1]	35.3	26.8
Deduct:		
Loss on disposals of plant & equipment	0.3	–
Acquisition costs	0.6	–
US PPP loan forgiveness	–	(1.7)
New lease arrangements on sublet properties	–	0.7
Adjusted EBITDA[1]	36.2	25.8
Inventories (Note 23)	(4.5)	(9.5)
Trade and other receivables (Note 23)	(2.8)	(4.5)
Trade and other payables (Note 23)	(4.2)	13.7
Provisions (Note 23)	1.0	0.1
Movement in working capital	(10.5)	(0.2)
Purchase of property, plant and equipment (Consolidated Statement of Cash Flows)	(7.0)	(4.1)
Purchase of intangible assets (Consolidated Statement of Cash Flows)	(1.4)	(1.2)
Proceeds from property disposals	–	0.2
Net capital expenditure	(8.4)	(5.1)
Operating cash flow	17.3	20.5

1. The calculation of EBITDA, adjusted EBITDA and operating cash flow deliberately excludes an add back for the non-cash share-based payment charge of £1.3m for the year (2022: £1.1m). This is done in order to ensure consistency with the metrics used to assess performance against the annual bonus plan targets.

(I) Net debt

Net debt is reconciled to the statutory balance sheet in Note 23.

(J) Leverage ratio

	2023 £m	2022 £m
Net debt (Note 23)	**29.8**	13.8
Adjusted EBITDA	**36.2**	25.8
Leverage ratio	**0.8 times**	0.5 times

(K) Gearing ratio

	2023 £m	2023 £m	Restated[1] 2022 £m	Restated[1] 2022 £m
Net debt (Note 23)	**–**	**29.8**	–	13.8
Equity attributable to equity holders of the parent	**39.1**	**–**	7.0	–
Net debt (Note 23)	**29.8**	**–**	13.8	–
Total capital plus net debt	**–**	**68.9**		20.8
Gearing ratio %	**–**	**43%**		66%

1. The results for the year ended 31 March 2022 have been restated. Refer to Note 27 for details of the restatements.

(L) Legacy pension cash costs

	2023 £m	2022 £m
Cash contributions to pension schemes	**4.6**	3.7
Pension payments in respect of unfunded schemes	**1.2**	1.1
Scheme administration costs	**0.7**	0.7
	6.5	5.5

(M) Average working capital ratio

	2023 £m	2022 £m
Inventories	**61.8**	48.4
Trade and other receivables	**43.5**	35.7
Trade and other payables	**(57.2)**	(48.5)
Total working capital	**48.1**	35.6
Average working capital[1] (a)	**41.9**	36.1
Revenue (b)	**247.1**	195.2
Average working capital ratio ((a)/(b))	**17%**	18%

1. Calculated as a simple average of the opening and closing balance sheet working capital.

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