

RENOLD

Renold plc Annual Report and Accounts

for the year ended 31 March 2020

Company Number 249688

Resilience by Design



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Introduction

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

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

OUR KEY AREAS OF FOCUS

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

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



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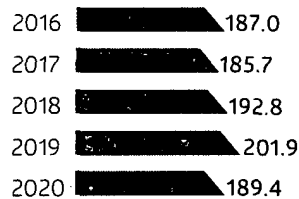
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Highlights

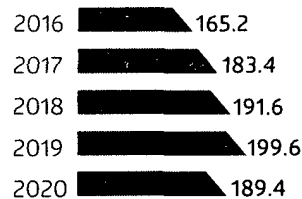
REVENUE AT CONSTANT EXCHANGE RATES^{1,2} (£m) £189.4m

(2019¹: £201.9m)



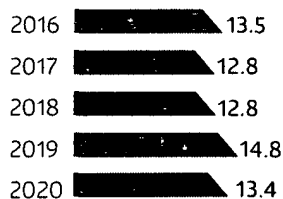
REVENUE¹ (£m) £189.4m

(2019¹: £199.6m)



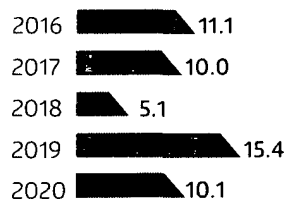
ADJUSTED OPERATING PROFIT^{1,3} (£m) £13.4m

(2019¹: £14.8m)



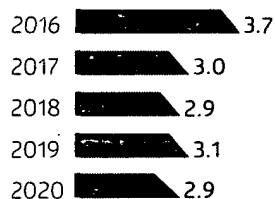
OPERATING PROFIT¹ (£m) £10.1m

(2019¹: £15.4m)



ADJUSTED EARNINGS PER SHARE^{1,3} (PENCE) 2.9p

(2019¹: 3.1p)



EARNINGS PER SHARE¹ (PENCE) 1.6p

(2019¹: 3.0p)



¹ Results for the year ended 31 March 2019 have been re-presented for discontinued activities associated with the disposal of the South Africa business unit and certain changes to the treatment of adjusting items (see Note 28 to the financial statements).

² Constant exchange rate results for prior years are retranslated to current year exchange rates for foreign currencies. Reconciliations to statutory metrics are provided in Note 29 to the financial statements.

³ Adjusted. In addition to statutory reporting the Group reports certain financial metrics on an adjusted basis. Definitions of adjusted measures and information about the differences to statutory metrics are provided in Note 29 to the financial statements.

“During the year ended 31 March 2020, the Group has faced a series of macro-economic challenges on a global scale, and it is satisfying to see the progress Renold has made in being able to face up to and overcome these challenges.”

“In these uncertain times, we have taken swift action to protect our people, to ensure continuity of supply for our customers and to reduce costs and preserve cash.”

MARK HARPER
CHAIRMAN

see page 8 for Chairman's Letter

“Renold holds a leading position in many of its markets and the strategic programme that has been undertaken over the past years has delivered a business far more resilient and better placed to overcome the current challenges.”

“Having successfully completed the substantial infrastructure change programme, we will have greater resources with which to accelerate our growth initiatives. As a result, the Group is well positioned to capture the significant opportunities available to it as markets stabilise and demand recovers.”

ROBERT PURCELL
CHIEF EXECUTIVE

see page 16 for
Chief Executive's Review

OVERVIEW

Group at a Glance

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


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

Renold employed an average of 1,907 people around the world in the last year, with 54% of our staff engaged in direct production activities.

CHAIN

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

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

 Read more about our Chain division on page 22

£14.0m

Adjusted operating profit¹

9.2%

Return on sales¹


1,488

Employees at 31 March 2020

TORQUE TRANSMISSION

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

We have manufacturing sites in the USA and the UK.

 Read more about our Torque Transmission division on page 23

£5.1m

Adjusted operating profit¹

13.4%

Return on sales¹

298

Employees at 31 March 2020

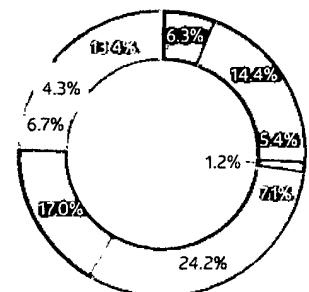
END-USER MARKETS

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

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

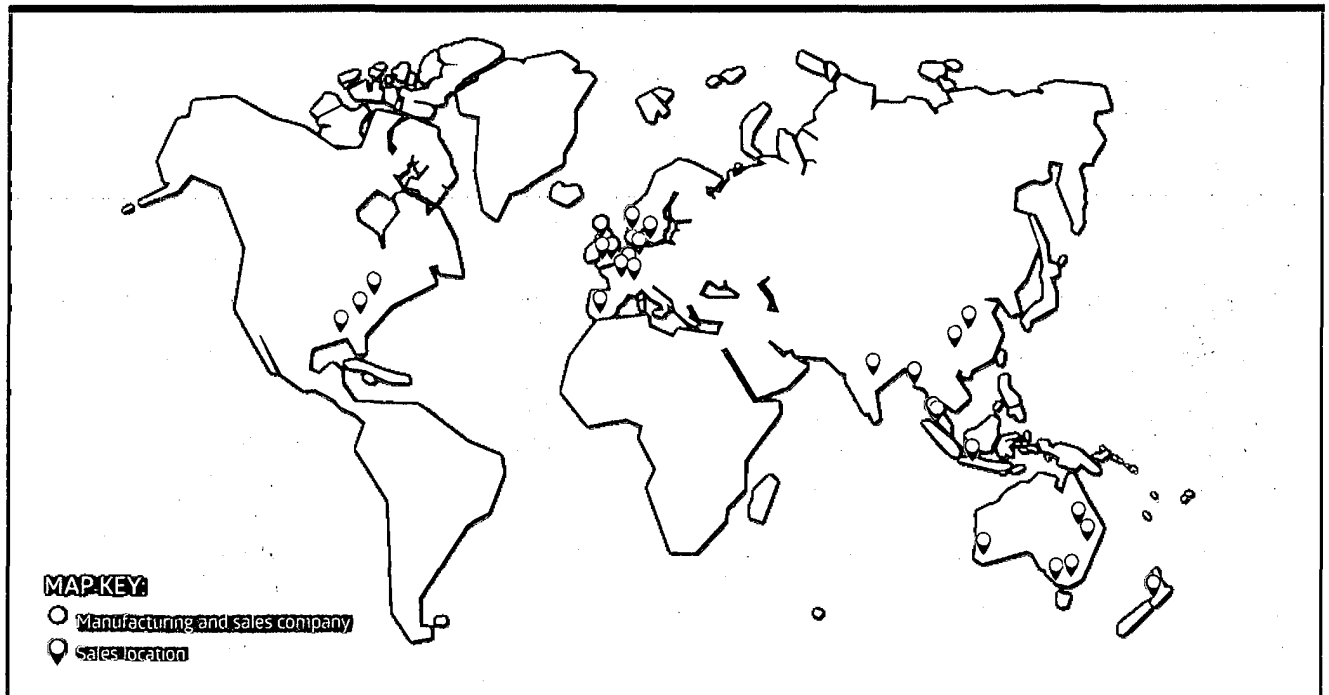
The chart below demonstrates the spread of revenue across a wide range of end-customer markets. However, the data only includes 56% of Renold's revenue as the remaining 44% is supplied by Renold to distributor customers. These distributors will in turn supply products to their end-customers who are likely to further diversify the end-customer base into which Renold's products are supplied.

REVENUE BY SECTOR



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

¹ Adjusted operating profit and return on sales are alternative performance measures used by the Group to assess performance. Note 29 reconciles these measures to statutory measures.



AMERICAS

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 chain and sells transmission chain sourced from elsewhere in the Group.

Renold Ajax focuses on gear spindles and other HiTec coupling products.

42%

of global sales*

EUROPE

Renold Chain and Renold Tooth Chain operate from our two European manufacturing locations in Germany. Along with our European Distribution Centre, our UK-based service centre and our national sales centres, these facilities export transmission chain throughout Europe and all over the world.

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

38%

of global sales*

ASIA PACIFIC

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

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

10%

of global sales*

HIGH GROWTH ECONOMIES

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

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

9%

of global sales*

* Remaining 1% relates to exports to other territories

GLOBAL PRESENCE, LOCAL MARKETS

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

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

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

OVERVIEW

Our Products

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

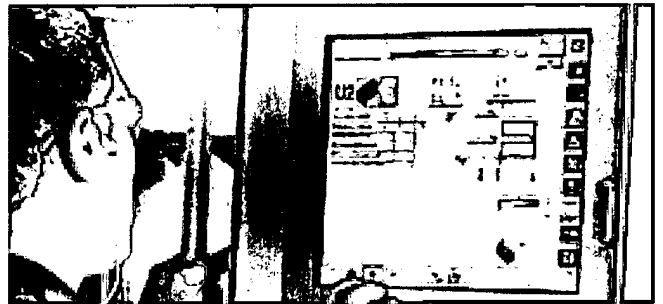
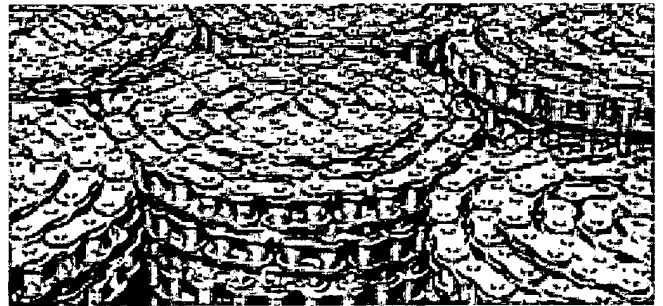
CHAIN

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

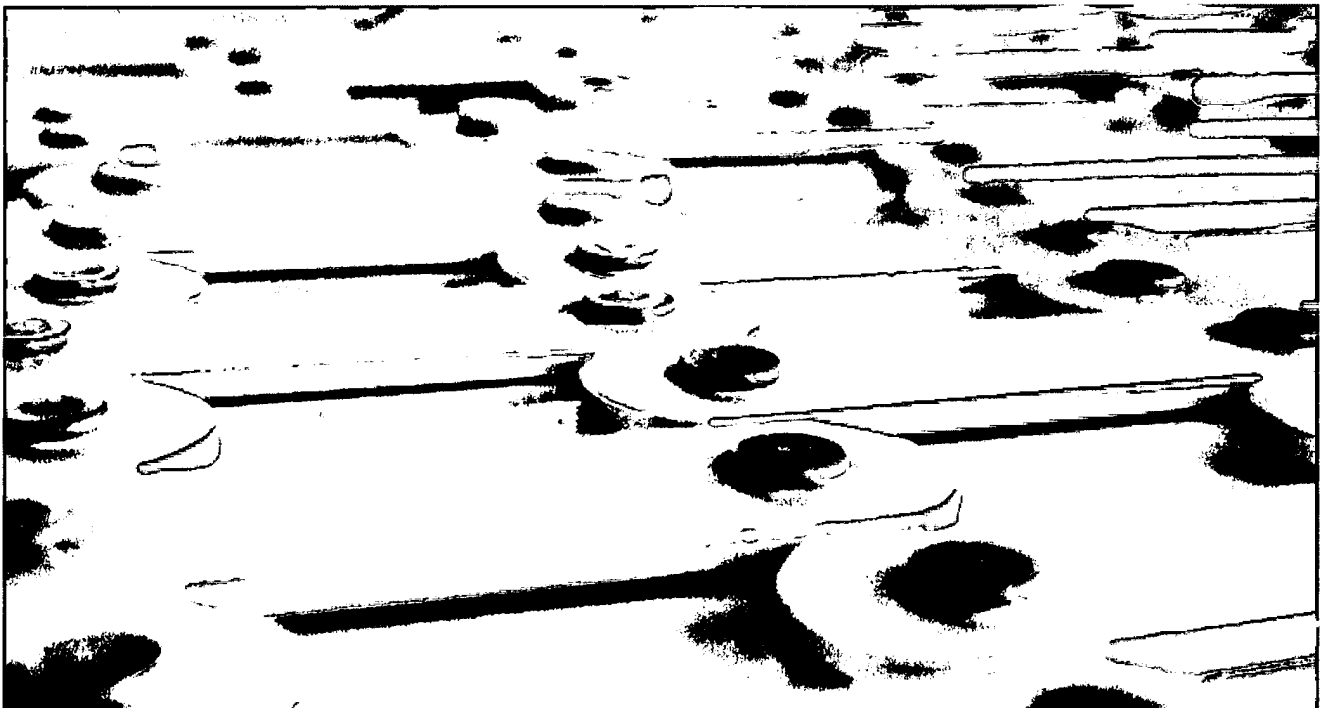
Our vast range of roller chains means that for most requirements there is a Renold solution. Our premier brand, Renold Synergy, offers unbeatable wear and fatigue performance, while our all purpose range of standard chain provides affordable reliability. Continuous research, development, innovation and 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.

Our high specification tooth chain (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.



 Read more about the performance of our two divisions on pages 22 to 23

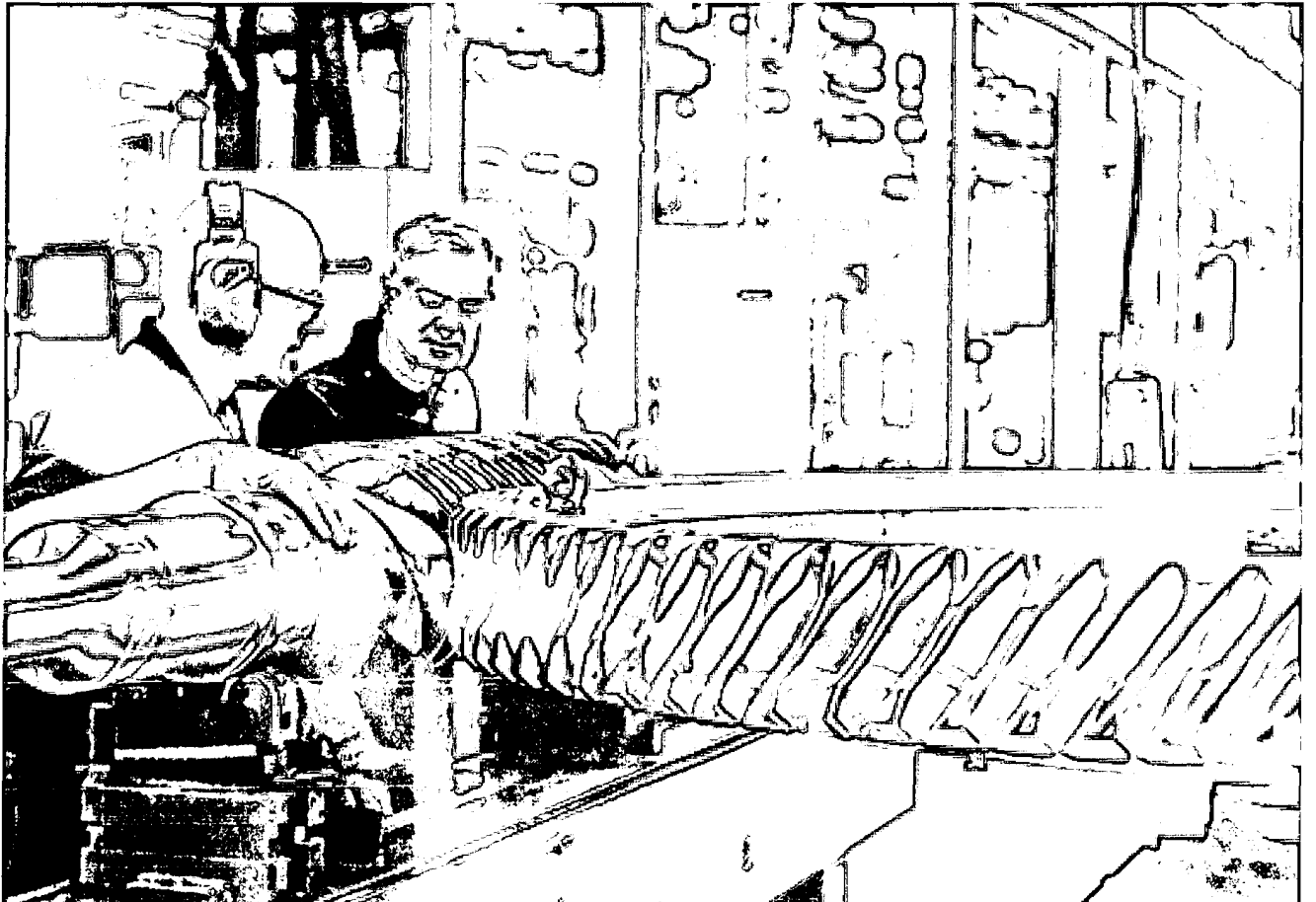
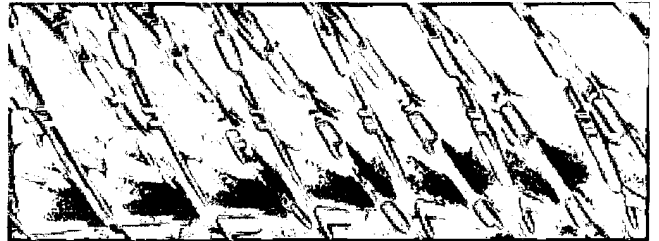


TORQUE TRANSMISSION

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

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

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



Investment Case and Strategic Progress

Renold's 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 perfectly positioned to maximise the benefit of recovering markets.

MARKET AND PRODUCT POSITIONING

VALUED AND RECOGNISED BRAND AND ENGINEERING EXPERTISE

With over 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. Customers frequently ask for our products by name.

BROAD BASE OF CUSTOMERS AND END-USER MARKETS

Renold's products are used in an extremely broad base of final applications, industrial sectors, MRO, OEM and capital goods resulting in a huge spread of customers and markets served. There is no customer or sector dependency. Our product range is second to none.

HIGH SPECIFICATION PRODUCTS THAT DELIVER ENVIRONMENTAL BENEFITS FOR CUSTOMERS

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

- Longer life – reduced material and energy requirements
- Lower or no lubrication requirements – reduced contamination opportunity
- Greater efficiency – reduced energy requirements
- Ability to operate in difficult or harsh environments

GLOBAL MARKET POSITION AND UNIQUE GEOGRAPHICAL MANUFACTURING CAPABILITY

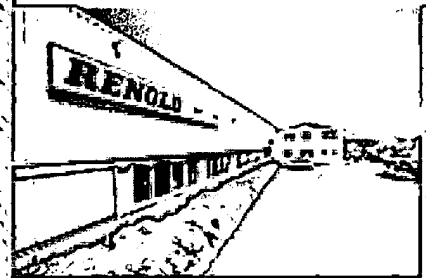
Renold is a global market-leading supplier of industrial chain and torque transmission products produced across the world utilising a unique manufacturing footprint. We are the second largest industrial chain company in the world with less than 10% market share in a highly fragmented market.

LOW COMPONENT COST BUT CRITICAL PRODUCTS

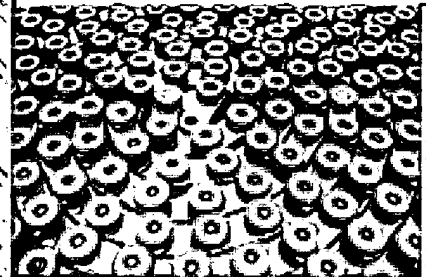
Renold's products are often a relatively low component cost when compared to the cost of the overall assembly of which they are part, but they are critical to the performance of the entire system. The consistent, reliable performance of our class-leading products for over a century has demonstrated to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

PHASES OF STRATEGIC PLAN

PHASE 3 ACQUISITIONS



PHASE 2 ORGANIC GROWTH



PHASE 1 BUSINESS IMPROVEMENT



STRATEGIC PROGRESS DELIVERED

FUTURE OPPORTUNITIES

- Small but meaningful acquisitions delivered
 - Acquired specialist tooth chain manufacturer, adding product specialisation and greater customer reach
 - Purchased minority joint venture shares in India and China creating 100% ownership and control over strategic direction in key growth markets

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

Future benefit: Infrastructure built onto which acquisitions add immediate value

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

- Renold is a major brand in its markets which is on the cusp of major range and service improvement delivery
- Growing market sub-sectors and niche markets where Renold does not currently compete leaves room for substantial expansion

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

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

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

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

Chairman's Letter



“ In these uncertain times, we have taken swift action to protect our people, to ensure continuity of supply for our customers and to reduce costs and preserve cash. ”

MARK HARPER
CHAIRMAN

During the year ended 31 March 2020, the Group has faced a series of macro-economic challenges on a global scale, and it is satisfying to see the progress Renold has made in being able to face up to and overcome these challenges. While in the past, such challenges may have converted profits to losses or required direct shareholder support to recapitalise the Group, the strategic progress that has been made over the past years has delivered a business that is more resilient and far better positioned to weather these storms. This is true for financial performance, but it is also true for the flexibility and adaptability of our people across the world who have been key to delivery in this unprecedented global environment.

REACTION TO THE COVID-19 PANDEMIC

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

With our manufacturing facility in China, we gained early exposure to the operational changes required to ensure the safety of our employees in a Covid-19 environment. These changes were fully implemented upon reopening of the Chinese factory in late February 2020. As Covid-19 spread across the world, particularly to Europe and America, we were well placed to share best practice and quickly implement safe working environments in our other locations. The welfare and safety of our employees have remained paramount throughout the current crisis.

One of the key strengths of Renold is the broad spread of end-use applications for our products and the broad base of customers that we serve. Throughout the various geographic lock-downs across the world, we have sought, where appropriate and safe to do so, to keep our manufacturing operations open in support of various industries that are essential in the current environment. Whether the end application is in agriculture, food processing, energy or a myriad of other essential industries, Renold is playing its part in ensuring our customers can continue to operate.

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

OUR MARKETS

At the half year, we outlined tougher market conditions, particularly in the European and US chain markets and, as expected, these conditions continued into the second half of the year. Market disruption and uncertainty created by

increasing tariff barriers, Brexit and slowing capital investment have impacted elements of our customer base.

Other than domestic orders in China, disruption related to the Covid-19 pandemic occurred too late in the year to have a material impact on market demand, and order levels were not significantly reduced until the final weeks of March. However, supply chain and operational disruption in our manufacturing facilities caused by Covid-19 reduced our production output and revenue in the final months of the year.

TRADING PERFORMANCE

Revenue from continuing operations declined by 5.1% in the year (6.2% at constant exchange rates), reflecting the weakening market conditions which accelerated in the final quarter of the year as the impact of operational disruption from the Covid-19 pandemic materialised.

The volatile market conditions impacted most acutely on the Chain division which experienced a revenue decline of 7.6% (8.6% at constant exchange rates). Unsurprisingly, this affected profitability and adjusted return on sales for the division declined to 9.2% (2019: 11.2%). However, the revenue reduction masks the progress made in improving underlying operational effectiveness.

Torque Transmission's revenue from continuing operations increased by 6.4% (5.0% at constant exchange rates) as project wins were more than sufficient to offset the weakening market conditions. Adjusted return on sales increased in the year to 13.4% (2019: 9.4%) reflecting actions taken to improve the profitability at the Gears business unit and the benefit of successful project wins.

There are a number of accounting changes that affect adjusted operating profit, including adoption of IFRS 16 'Leases' (increases adjusted operating profit by £0.5m in year ended 31 March 2020; no change in adjusted profit before tax), consistent treatment of the disposed South African Torque Transmission business as discontinued activities and re-presentation of adjusting items to no longer adjust for ongoing pension costs (reduces adjusted operating profit in each of the years ended 31 March 2019 and 2020 by £0.8m). Details of these accounting changes are included in the accounting policies on pages 103 and 104, and Note 28.

After applying these changes, adjusted operating profit from continuing operations decreased to £13.4m (2019: £14.8m) with an adjusted operating margin of 7.1% (2019: 7.4%). Statutory operating profit was £10.1m (2019: £15.4m).

STRATEGIC DEVELOPMENTS

During the year, Renold made good progress in delivering strategic change across the Group.

The transfer of the Chinese factory to a new purpose-built facility in Jintan was completed in March 2019. Improvements in productivity ultimately took longer to achieve than originally anticipated with a newly recruited work force to train, but were being delivered prior to the Covid-19 extended shutdown during January and February 2020.

As outlined in the Interim Results announcement on 13 November 2019, during the first half of the year we disposed of the non-core, loss making South African Torque Transmission business unit to management for nominal consideration. We also completed the purchase of our joint venture partner's remaining 25% share of the Indian chain business in November 2019, which became a wholly owned subsidiary creating greater flexibility to source inter-group supply without diluting returns.

During June 2019, we completed the transfer of the Company's listing to AIM in order to improve the Group's ability to execute acquisitions. The rationale for this transfer remains valid, as does the strategic benefit of pursuing an acquisition strategy. While acquisitions are unlikely in the near term as we navigate the uncertainty of the current environment, the greater flexibility offered through trading on AIM positions the Group to react quickly as opportunities arise and markets recover.

The year to 31 March 2020 also represented the final year of the major infrastructure change programme which has provided the platform for the efficiency improvements that the Group has achieved. This is significant for the Group as it will free up cash and so provide Renold with greater capital resources which can be allocated to both organic and inorganic growth opportunities.

We have also made strong progress in improving the control environment, implementing the recommendations identified following the independent review into the previously announced, historical accounting issues at the Gear's business unit.

THE BOARD

Consistent with the cost actions being delivered across the Group, the Board has elected to take a temporary reduction in fees/salary of 20% for Non-Executive Directors and 25% for Executive Directors. Initially, these pay reductions are for a period of four months commencing on 1 April 2020, but will be reviewed and adjusted as required by trading conditions being experienced by the Group.

As previously reported, Ian Griffiths, the Senior Independent Director and Chair of the Remuneration Committee retired on 12 November 2019 after nine years of service to the Company. Consistent with the succession plan outlined in previous Chairman's Letters, Tim Cooper, who joined the Board in November 2018 with a view to taking over Ian Griffiths' remuneration responsibilities, has been appointed as the chair of the Remuneration Committee.

David Landless, the Chair of the Audit Committee, was appointed to the role of Senior Independent Director to replace Ian. I continue to Chair the Nomination Committee.

Also as previously announced, Ian Scapens, Group Finance Director, will be leaving the Company in June 2020. On 12 May 2020, we announced that James Haughey will replace Ian as Group Finance Director, and is expected to commence his role in November 2020.

I would like to extend my thanks to both Ian Griffiths and Ian Scapens for their contributions during their tenure.

PENSIONS

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

The Group's net retirement benefit obligations as determined by IAS 19R decreased in the year to £97.6m (2019: £101.9m).

In the period since 31 March 2020, reflecting the uncertainty in short-term outlook caused by the Covid-19 pandemic, Renold approached the Trustee with a request to defer contributions to the UK scheme for a 12 month period to 31 March 2021. The Trustee supported this proposal and it was agreed that the deferred contributions

will be repaid over a five year period commencing on 1 April 2022. Certain other conditions were required to secure the deferral including an additional contribution to the scheme of 25% of any dividends paid (above the existing 25% requirement) until such time as the deferred contributions have been made good.

GOING CONCERN

Due to the uncertainty in the operating environment caused by Covid-19 and the potential impact on underlying markets, the Board has stress-tested a number of detailed downside scenarios to inform its assessment of going concern. Due to the risk of a breach of banking covenants in the most severe scenario, the Directors' assessment of going concern includes reference to material uncertainty, in common with many other businesses. The Directors confirm, that after due consideration, they have a reasonable expectation that the Group has adequate resources to continue to trade for the foreseeable future and have thereby continued to adopt the going concern basis in preparing the financial statements. More detail on the consideration the Directors have given to going concern is outlined in the Finance Director's Review.

DIVIDEND

The Board fully recognises the importance of dividends to shareholders. However, given the volatile operating environment created by the Covid-19 pandemic and the likely impact on market demand, the Board has decided not to recommend the payment of a dividend on ordinary shares for the year ended 31 March 2020. This approach will remain under active review for future periods.

SUMMARY

In these uncertain times, we have taken swift action to protect our people, to ensure continuity of supply for our customers and to reduce costs and preserve cash. As a direct result of the strategic change that has been delivered, the Group is far more resilient and better positioned to navigate the uncertain market conditions arising from the Covid-19 pandemic. I would like to thank all our employees around the world for their flexibility and commitment in helping the Group to manage through these unprecedented times.

MARK HARPER
CHAIRMAN

16 June 2020

Market Review

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

MARKET TREND: LOGISTICS AND DISTRIBUTION

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

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

OUR RESPONSE

Renold is a leading global supplier of fork-lift truck chain across the world, providing an entry point into global logistics operations.

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

MARKET TREND: TRADE BARRIERS (AND TARIFFS)

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

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

OUR RESPONSE

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

With the introduction of tariffs on goods flowing between the US and China, we have been able to utilise the flexibility retained within our manufacturing base to move certain elements of production out of China into our Indian site. This flexibility creates competitive advantage over those competitors without this level of flexibility.

MARKET TREND: REDUCED MAINTENANCE LEADING TO INCREASED PRODUCTIVITY

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

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

OUR RESPONSE

Renold has always provided the benchmark for high specification products.

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

- Class-leading chain life for fork-lift truck applications, reducing maintenance time for replacement;
- Lubrication free chain, reducing maintenance requirements and providing a product solution for clean environments; or
- RBI couplings, providing a maintenance free alternative to gear couplings.

Routes to market

In order to successfully target the diverse end-customer sectors, Renold goes to market through three main customer channels:

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

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

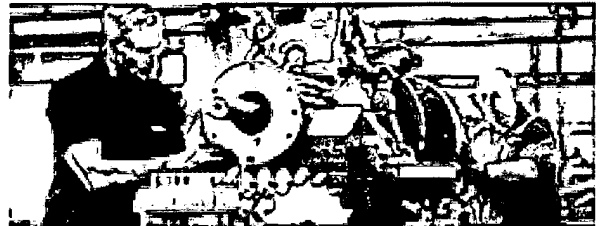
 Read more about our chain and torque transmission performance on pages 22 to 23

END-USERS

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

In the year ended 31 March 2020, 18% (2019: 22%) of revenue was through the end-user channel.

18%
of revenue



OEMs

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

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

In the year ended 31 March 2020, 38% (2019: 36%) of revenue was through the OEM channel.

38%
of revenue

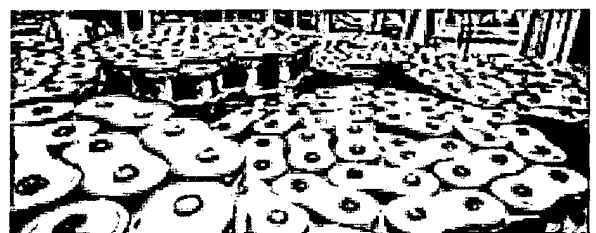


DISTRIBUTION

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

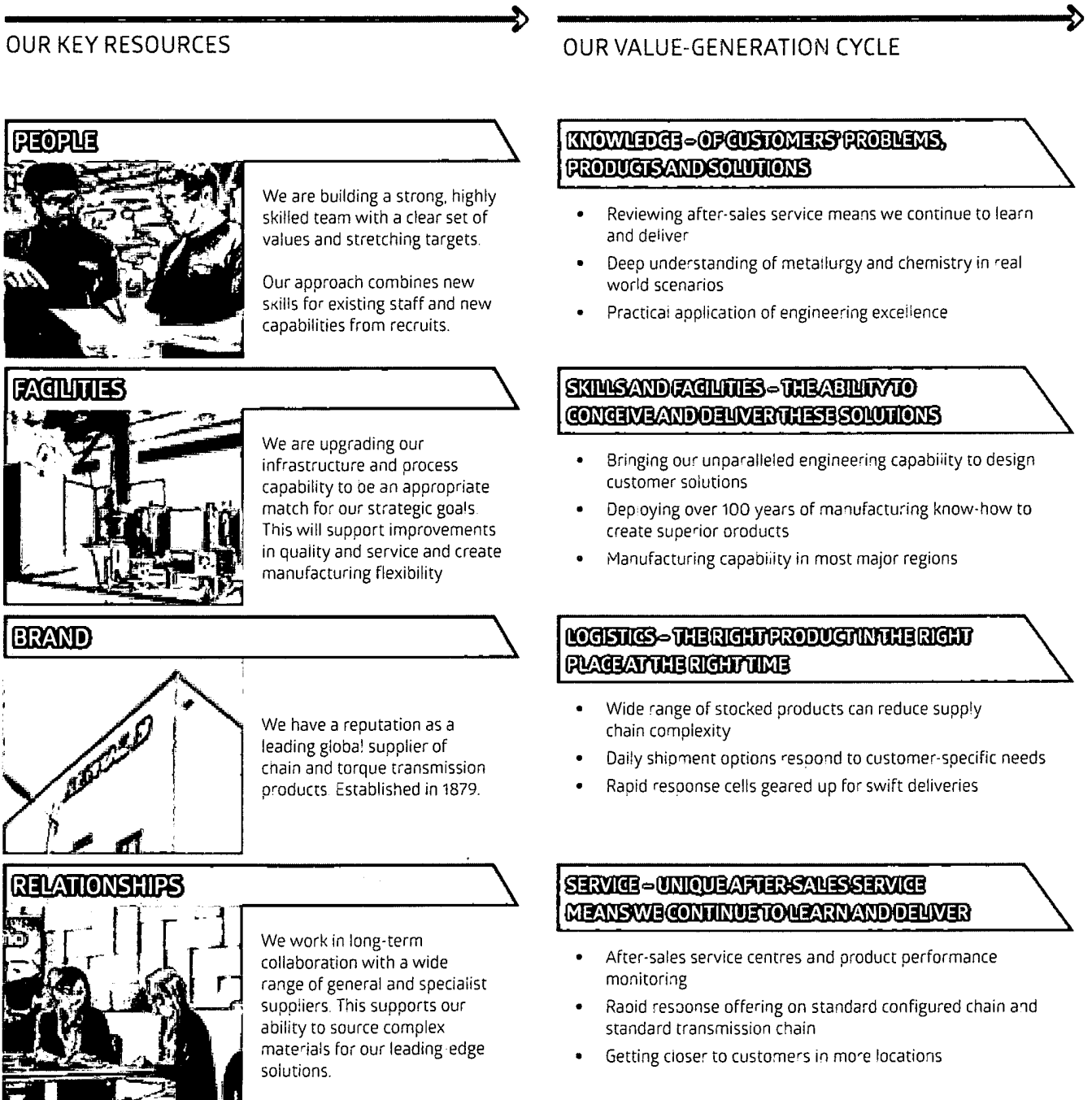
In the year ended 31 March 2020, 44% (2019: 42%) of revenue was through the distributor channel.

44%
of revenue



Business Model

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



OUR COMPETITIVE ADVANTAGES

SKILLED EMPLOYEES

- Over 1900 skilled employees
- Training and development

ENGINEERING CAPABILITIES

- Premium performance segments
- Complex requirements

BROAD PRODUCT RANGE

- Chain and Torque Transmission products
- Broad spread of applications

GEOGRAPHICAL REACH

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

OUR BUSINESS MODEL CREATES VALUE FOR OUR CUSTOMERS ...

END-USERS

- Expert knowledge
- Bespoke solutions
- Unique problems understood and solved
- The Renold brand and engineering capability

18%
of sales

OEMS

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

38%
of sales

DISTRIBUTION

- Trust and customer support
- Reliability
- Access to broad product range
- The Renold brand and engineering capability

44%
of sales

... AND FOR OUR STAKEHOLDERS

OUR EMPLOYEES



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

OUR SHAREHOLDERS



- We have a detailed strategy for growth

OUR PARTNERS



- A long-term relationship
- A collaborative process

OUR COMMUNITY



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

OUR ENVIRONMENT

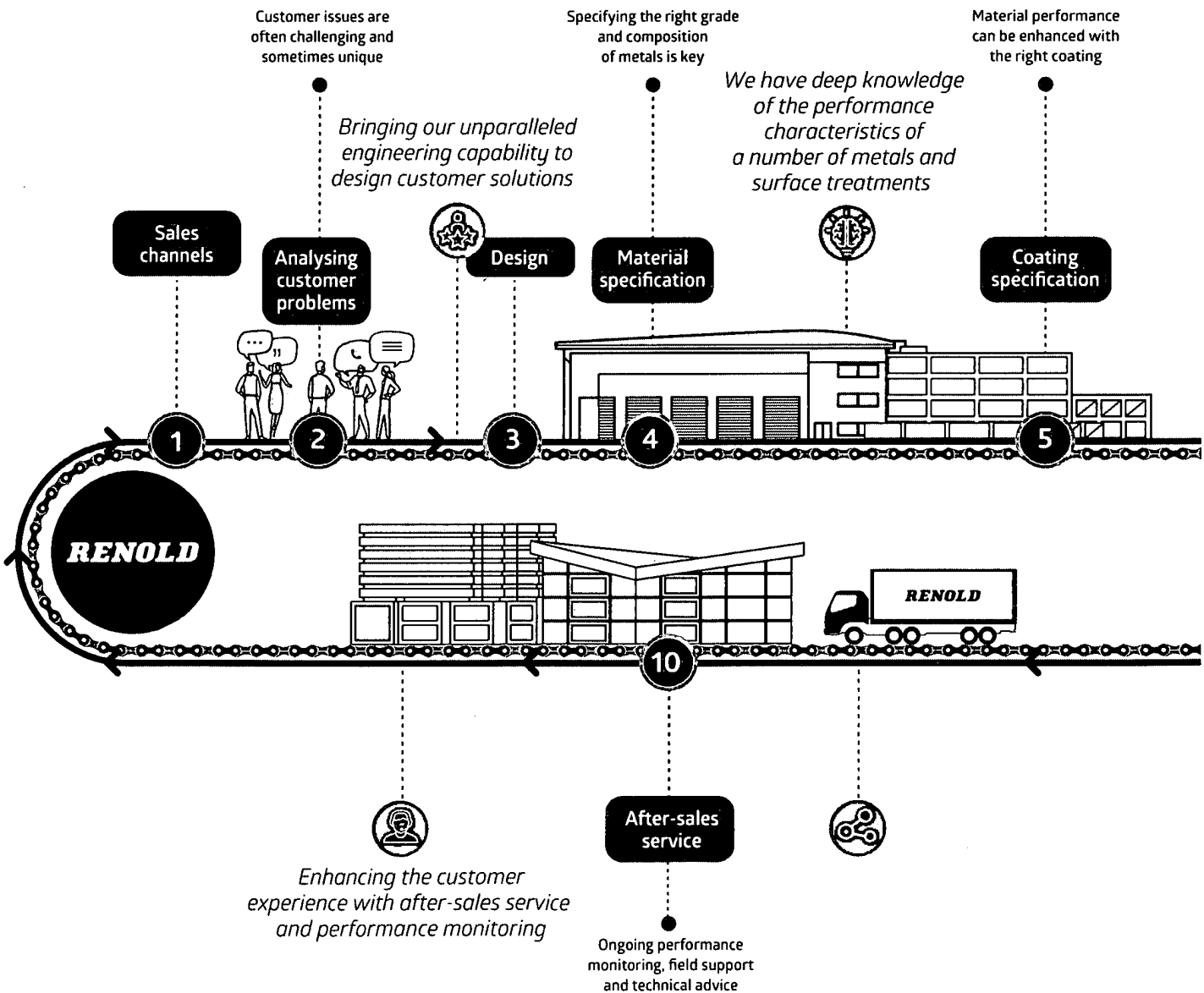


- Meet legislative requirements
- Underlying reduction in energy usage

Our 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.



OUR COMPETITIVE ADVANTAGES

KEY



Knowledge



Skills & Facilities



Service



Logistics

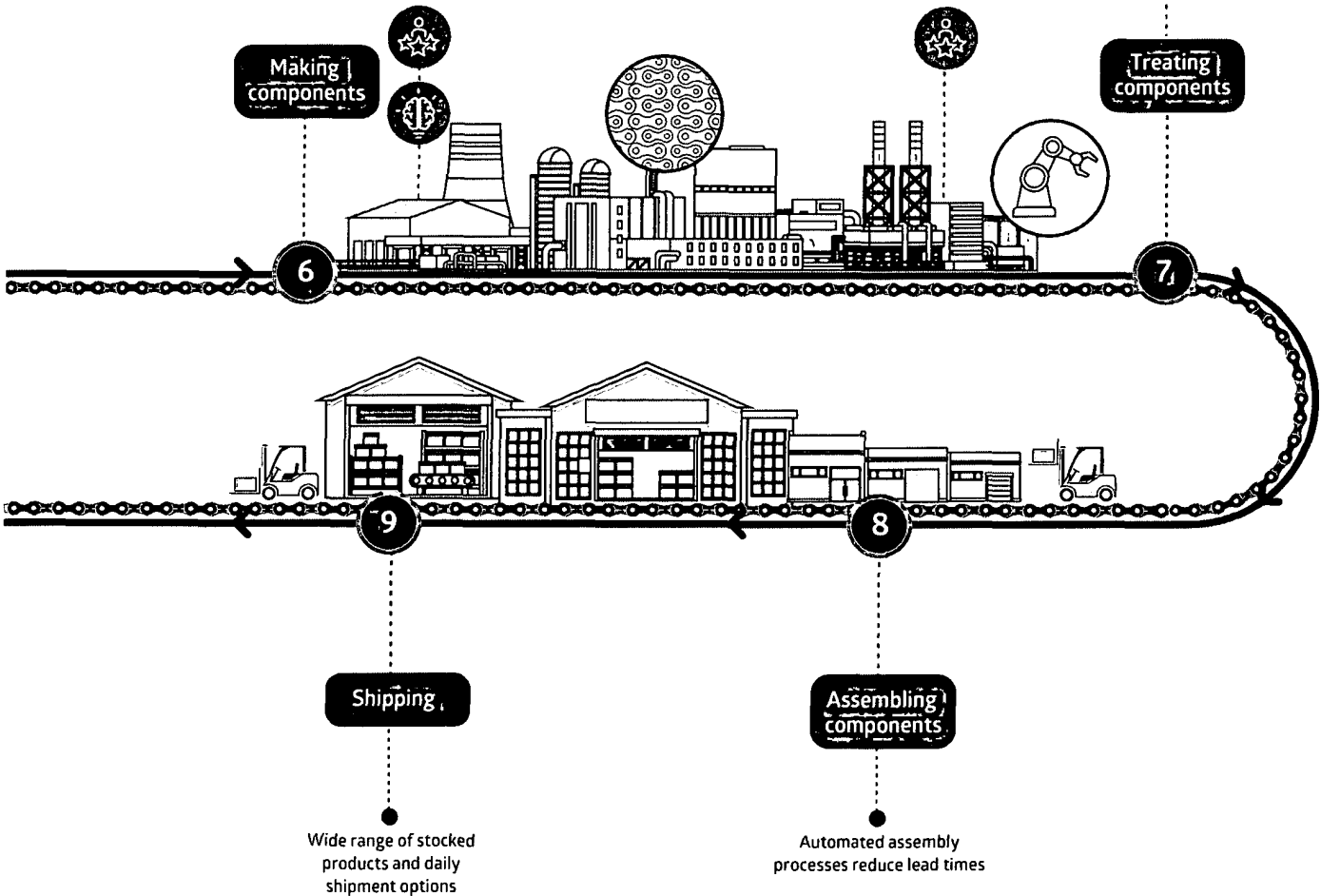


Read more about these key icons in the value-generation cycle section of our business model on page 12

Deploying over 100 years of manufacturing know-how to create superior products

Heat treatment expertise is a key competency in many locations

Heat treatment and other applications to optimise performance



Chief Executive's Review



“Renold holds a leading position in many of its markets and the strategic programme that has been undertaken over the past years has delivered a business far more resilient and better placed to overcome the current challenges.”

ROBERT PURCELL
CHIEF EXECUTIVE

OVERVIEW

The year ended 31 March 2020 has proved to be uniquely challenging, and we can take some comfort that, prior to the outbreak of the Covid-19 pandemic, we were seeing significant progress across the business.

More challenging market conditions, particularly in our key European and US markets, adversely impacted demand. However, the more streamlined and flexible operating model developed through several years of strategic change was proving robust and we had an expectation of improving adjusted operating margins despite lower revenues.

As outlined in our announcement on 28 February 2020, the initial disruption resulting from the Covid-19 related extended shutdown across China impacted our manufacturing capability and supply of chains in certain markets. As lock-downs spread across the world in the final weeks of our financial year, Renold, like many other businesses, experienced manufacturing disruption, either from enforced closure of manufacturing sites or due to increased absence as employees self-isolated or had childcare responsibilities.

As a result of these factors, Group revenue from continuing operations declined by 5.1% to £189.4m, with adjusted operating profit 9.5% lower at £13.4m (2019: £14.8m). Statutory operating profit was £10.1m (2019: £15.4m). Despite a 5.1% reduction in revenue, adjusted operating margin fell only slightly by 0.3 percentage points to 7.1% (2019: 7.4%).

Group order intake reflected the more challenging market conditions through the year and, with the on-set of Covid-19 related lock-downs in the final weeks of our financial year, declined by 11.0% for the year at constant exchange rates. The Group's closing order book at 31 March 2020 was 10.9% lower than the prior year.

The longer-term impact of the Covid-19 pandemic on macro-economic conditions and our markets is as yet uncertain and therefore, the Group is taking a prudent approach to reduce costs and conserve cash, as outlined in more detail below.

COVID-19 – IMPACT ON OPERATIONS AND RENOLD'S RESPONSE

The first impact of the Covid-19 pandemic occurred in the Group's Chinese operations. Following the normal closure of the Chinese factory for the Chinese Spring Festival in January, the government enforced lock-down resulted in almost four weeks of additional closure. This closure reduced sales to domestic Chinese markets and created some disruption in the Group's supply chains for Chinese manufactured product. In addition, our Australasian Chain businesses source some products from other Chinese suppliers, and the extended shutdown resulted in delayed supply of product to them.

Upon release of the Chinese lock-down, operations in our Chinese factory recovered quickly with minimal supply chain disruption and slightly out-performed our expectations in March 2020.

As the Covid-19 pandemic spread around the world, governments took different approaches resulting in inconsistent impacts in different parts of the world. New Zealand, Malaysia and India enforced complete lock-downs, including requirements for complete closure of factories. Across Europe, our manufacturing sites remained open, but with increased levels of absence as school closures resulted in childcare responsibilities for a number of employees and as strict self-isolation procedures were applied. Our US sites followed state requirements which resulted in different approaches. Our Chain factory in Tennessee remained open, designated as an essential supplier. Our Torque Transmission manufacturing site in New York state initially closed but then partially reopened as an essential business. As lock-downs have started to be relaxed across the world, all our locations have reopened.

The geographically different Covid-19 restrictions and the speed with which they have been introduced has required our management teams around the world to quickly assess the impact and requirements on a localised basis. Throughout this period, our highest priority has been the safety and welfare of our employees. Each location has established a Covid-19 operational planning team with best practice and learning being shared across the different geographic teams. The solutions implemented differ by location but include employees not required in our factories working from home, changes to shift patterns to reduce the number of individuals on site at any point in time, changes to operational processes to ensure social distancing is enforced and strict approaches to self-isolation for individuals who are at risk of having been exposed to anybody showing symptoms or having been diagnosed as having the virus.

As we enter the new financial year, the Covid-19 pandemic is causing significant disruptions to our end markets and their respective supply chains, with customer demand falling as activity levels have reduced. In expectation of falling demand, a number of actions have been implemented to reduce costs and preserve cash. These include:

- suspending all discretionary spend and restricting non-committed capital expenditure;
- flexing working hours or operational headcount to match labour to demand;
- rephasing or renegotiating payments on leased properties, direct and indirect tax payments and recovery of over-estimated corporate taxes where paid on account;
- agreeing, with the scheme Trustee, a deferral of contributions to the UK pension fund for 12 months; and
- temporary pay reductions for indirect employees, including a 25% reduction for the Executive Directors and 20% for the Non-Executive Directors.

The above actions include making use of government support packages being provided in different territories, particularly the UK, Germany and USA, where we have sought to avoid redundancies where possible.

In addition to the actions noted above to reduce costs and preserve cash, we have also worked with our banks to revise covenant structures creating additional flexibility in uncertain operating conditions. More details of these temporary changes to borrowing facilities are outlined in the Finance Director's Review.

At 31 March 2020, our committed borrowing facilities were £65.5m and the Group had headroom of £13.1m under these committed facilities in addition to £15.6m of cash. Following the early stages of implementation of the cash preservation actions noted above, the Group's net debt at 31 May 2020 was £35.8m, being £0.8m lower than at 30 March 2020. The Group was profitable in both April and May 2020.

STRATEGIC PLAN – UPDATE ON PROGRESS

As previously outlined, the relocation of the Chinese factory to Jintan was a major project, upgrading the infrastructure and capability of our business in China. Having opened the new factory and completed the transfer from the old factory by 31 March 2019, the focus for the year was to improve operational productivity. Upon transfer to the new site, a largely new operational workforce was recruited and productivity suffered, as expected. Although not as fast as originally envisaged, productivity has progressively improved through the year with employee numbers reducing by almost 20% while increasing output. The financial benefit of this operational improvement in the second half of the year was largely offset by the Covid-19 related, extended shut-down which impacted profitability in China. However, as the site has returned to work, productivity gains have returned quickly, positioning the facility for improved performance when volumes recover.

As part of the Chinese factory move, we bought out our Chinese partner's minority stake creating a wholly owned Chinese subsidiary. In November 2019, the Group also purchased our joint venture partner's remaining 25% share in the Indian chain business unit. These projects complete the significant period of major change in the Chain division and deliver on our objective of having wholly owned chain manufacturing capabilities in each of the key territories in which we operate.

Not only do these transactions ensure we have full ownership and control in markets that are expected to grow significantly in the coming years, they also support these manufacturing facilities playing a greater part in the Group's supply chain strategies without diluting profits through sharing with joint venture partners.

Initial benefits from this strategy have already commenced with India now fully participating within the Group's supply chain. As the US introduced tariffs on Chinese manufactured products, Renold was able to resource certain products from India, ensuring continued supply. For European customers, India now provides additional capability in conveyor chain applications. Short lead time product can continue to be supplied through the Bredbury service centre in the UK. However, this can now be supplemented by lower cost but longer lead time product from India, ensuring greater product coverage for our European customer base.

Progressive future investment will be required to upgrade and align manufacturing capability across the chain facilities, but this, along with increasingly standardised products and components will allow us to access greater economies of scale and production efficiencies.

The South African Torque Transmission business unit had been loss making for a number of years. Despite a number of false starts, the unit had been unable to grow revenue streams without continuing to invest capital. While there were potential opportunities that existed from operating in the South African market, increasingly difficult market conditions and greater opportunities for the Group elsewhere in the world resulted in the unit being classified as non-core. The business unit was sold to its management team for nominal consideration.

These projects highlight an intentional trend in capital allocation decisions for the Group. With the large infrastructure projects complete, capital allocation decisions are now less frequently limited by a site's capability, but are focused on customer service and optimising profitability. Especially for the Chain division, this allows us to access economies of scale and offer a truly global service.

Chief Executive's Review

MACROECONOMIC LANDSCAPE AND BUSINESS POSITIONING

We are living in unprecedented times, with levels of uncertainty that do not permit any realistic assessment of market conditions today, or whether such market conditions will continue into the near-term future.

With this level of short-term uncertainty, it is necessary to look at the underlying fundamentals of the Group and the markets we serve. Many of these fundamentals are unchanged from when I joined the Group seven years ago and include:

- Valued and recognised brand and engineering expertise**
 Renold's brand has been built up over our 150 year history and is trusted by customers.
- Global market position and unique geographical manufacturing capability**
 Renold's global market position has existed for many years. Out, following significant strategic restructuring in the Chain division, the geographical manufacturing footprint is unique, permitting us to service customer demand with unparalleled levels of flexibility – a critical factor in rapidly changing market environments.
- Low component cost, but critical products**
 Chain and torque transmission products are fundamental elements of applications into which they are incorporated. Our products are often a small proportion of cost when compared with the overall end application, but without their seamless, reliable functioning can undermine the entire product.
- Broad base of customers and end-user markets**
 Renold's products are used in an extremely diverse range of end applications resulting in a huge spread of customers and markets served. While some markets will win and some markets will lose in the current dynamically changing environment, Renold will benefit from both diversification as well as the ability to focus commercial efforts where opportunities are the greatest.

- High specification products that deliver environmental benefits for customers**

The Group's products have always been highly specified, premium products which deliver environmental benefits to customers. Whether through product efficiency leading to lower power usage, longer life leading to lower overall usage of materials and energy, or lower lubrication requirements, Renold's products are well placed for an increasingly environmentally aware marketplace.

The progress made in leveraging these fundamentals through the strategic plan has been significant with:

- improvements in productivity and operational efficiency in the year, continuing the improving trend in sales per employee which has increased by almost 20% over five years;
- improvement in levels of customer service being delivered through the Group's 'Step 2 Service' programme; and
- greater flexibility in the cost base as we start to reduce the direct link between revenue and direct labour.

While revenue needs to recover to fully realise the financial benefits of these improvements, the significant investment in infrastructure and cost to change is largely at an end. As markets recover, cash generated from trading will no longer be required to support investment in substantial change programmes creating more flexibility in capital allocation decisions.

In the near-term, market demand will certainly fluctuate as the world addresses the Covid-19 pandemic and certain aspects of life may never return to pre Covid-19 norms. However, through the benefits of the strategic programme already delivered, Renold is more resilient and well positioned to navigate this period of uncertainty.

OUTLOOK

Prior to the Covid-19 pandemic, the Group was on track to deliver improved adjusted operating margins despite a challenging market backdrop resulting in a revenue decline. The combination of a number of strands of the strategic plan were expected to be sufficient to overcome the operational gearing effect of falling revenue.

During the final quarter of the year, the initial impact of the Covid-19 pandemic created short-term disruption and a number of operational challenges. Renold reacted quickly to these challenges, ensuring the safety and welfare of all our employees, compliance with local restrictions and continuity of supply to customers, while at the same time taking steps to reduce costs and preserve cash flow.

The uncertainty caused by the Covid-19 pandemic is likely to result in a period of volatile demand, preventing the Board from giving specific guidance for the year ahead at this stage. The Group's financial position has been strengthened by the flexibility provided by our lenders and the Trustee of the UK pension scheme. Together with the cost and cash actions taken, this supports the Board's confidence that the Group will be able to manage through the current period of disruption.

Renold holds a leading position in many of its markets and the strategic programme that has been undertaken over the past years has delivered a business far more resilient and better placed to overcome the current challenges. Having successfully completed the substantial infrastructure change programme, we will have greater cash resources with which to accelerate our growth initiatives. As a result, the Group is well positioned to capture the significant opportunities available to it as markets stabilise and demand recovers.

ROBERT PURCELL
CHIEF EXECUTIVE

16 June 2020

PROGRESS WITH STRATEGIC OBJECTIVES

Strategic Objective	KPI measures (see pages 20 and 21)	Change	Progress in 2019/20
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A	Significantly improving our health and safety performance	<ul style="list-style-type: none"> • Lost time accident frequency rate • Reportable injury rate • Lost time days • Safety improvements 	Health and safety remains our top priority and a huge amount of activity continues to be delivered. An increase in accident rates in the previous year resulted in a refocusing of health and safety activity. It is pleasing to see that this is delivering improvements in health and safety KPIs, but the increase experienced in the prior year emphasises the point that there is never the capacity for complacency in health and safety.
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B	Generating margin-enhancing growth from our superior product capability	<ul style="list-style-type: none"> • Sales per employee • Return on sales • Total overheads • Adjusted EPS 	Despite the impact of more challenging market conditions through the year and the impact of Covid-19 in the final months of the year, the relatively small reduction in return on sales demonstrates the progress being made in creating a more flexible cost base capable of flexing with changes in revenue.
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C	Enhancing customer service	<ul style="list-style-type: none"> • Customer service improvements remain key to supporting future organic growth. Historically, customer service has been a weak point of the Renold offering. Good progress is being delivered through Renold's 'Step 2 Service' programme which is resolving some deeply embedded attitudes and cultures. Ultimately, this is improving customer service and will, in future, support organic growth. 	
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D	Optimising business processes	<ul style="list-style-type: none"> • Sales per employee • Return on sales 	Sales per employee continues to increase through the ongoing programmes to improve productivity and operational effectiveness. The small reduction in return on sales, despite a 5.1% decrease in revenue, demonstrates the progress being made.
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E	Lowering our breakeven point	<ul style="list-style-type: none"> • Total overheads 	Overheads reduced in the year as costs were flexed, reflecting the macroeconomic conditions, particularly in the European and American chain markets.
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F	Developing our people		The Group has continued to review and strengthen the management team and organisational structures. We continue to invest in future leaders and apprentices to ensure the continuity and stability into the future.
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G	Strengthening and de-risking our balance sheet	<ul style="list-style-type: none"> • Cost of servicing legacy pensions • Average working capital ratio • Leverage ratio • Net debt 	Net debt increased in the year, reflecting continued capital investment, in addition to the purchase of the joint venture share of the Indian chain business unit.
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Our Key Performance Indicators

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

STRATEGIC OBJECTIVES

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

CHANGE KEY

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

 Read more about our strategy on pages 16 to 19

HEALTH & SAFETY MEASURES **A**

WHY IT'S IMPORTANT TO RENOLD

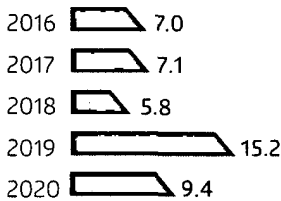
Safety is our number one priority. We believe that every work-related incident and injury is preventable and are committed to providing a safe workplace.

LOST TIME ACCIDENT FREQUENCY RATES

DEFINITION:

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

PERFORMANCE:



COMMENTARY:

Lost time accidents rates reduced during the year.

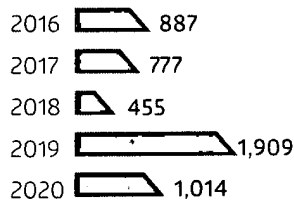
CHANGE 

REPORTABLE INJURY RATES

DEFINITION:

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

PERFORMANCE:



COMMENTARY:

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

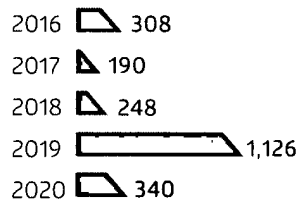
CHANGE 

LOST TIME DAYS

DEFINITION:

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

PERFORMANCE:



COMMENTARY:

Lost time days decreased following the increase in the prior year where a small number of accidents had long recovery times.

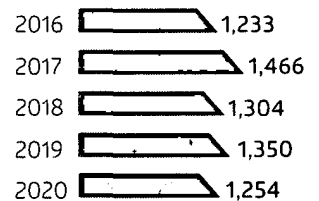
CHANGE 

SAFETY IMPROVEMENTS

DEFINITION:

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

PERFORMANCE:



COMMENTARY:

Small reduction in the year, but safety improvements continue to be identified and implemented.

CHANGE 

PROFIT MEASURES B D E

WHY IT'S IMPORTANT TO RENOLO

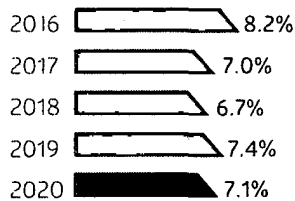
Profit measures give insight into cost management, performance efficiency and growth. We are focused on increasing productivity, reducing operating costs and delivering organic growth.

RETURN ON SALES (%)

DEFINITION:

Adjusted operating profit divided by revenue.

PERFORMANCE:



COMMENTARY:

Broadly stable return on sales despite 5.1% reduction in revenue demonstrates operational efficiency improvement.

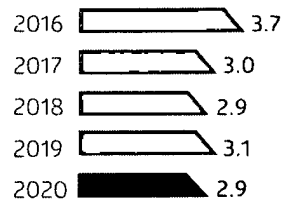
CHANGE

ADJUSTED EARNINGS PER SHARE (p)

DEFINITION:

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

PERFORMANCE:



COMMENTARY:

Adjusted EPS has been recalculated including pension administration costs and pension finance costs. EPS reduction reflects lower adjusted operating profit in the year.

CHANGE

EFFICIENCY MEASURES B D E F

WHY IT'S IMPORTANT TO RENOLO

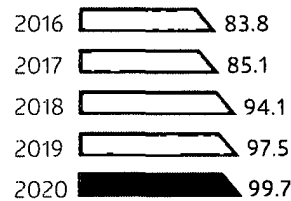
Delivering improved efficiency in everything we do is a core element of our strategic goal of delivering increasing operating margins.

SALES PER EMPLOYEE (£'000)

DEFINITION:

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

PERFORMANCE:



COMMENTARY:

Productivity (measured simplistically as sales per employee) continued to improve in the year.

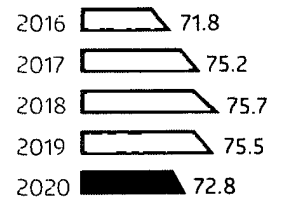
CHANGE

TOTAL OVERHEADS (£m)

DEFINITION:

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

PERFORMANCE:



COMMENTARY:

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

CHANGE

CAPITAL AND CASH MEASURES G

WHY IT'S IMPORTANT TO RENOLO

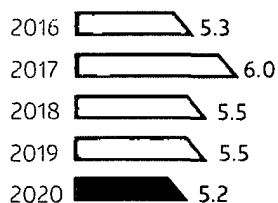
Capital and cash measures reflect how we are managing our cash and balance sheet. A strong balance sheet is essential to remaining robust through the economic cycle and creating the ability to deliver appropriate shareholder returns.

COST OF SERVICING LEGACY PENSIONS (£m)

DEFINITION:

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

PERFORMANCE:



COMMENTARY:

The cost of servicing legacy pensions reduced in the year due to a one off benefit from an insurance policy crystallising.

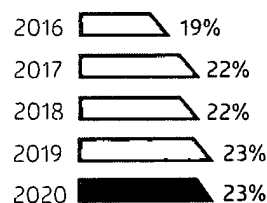
CHANGE

AVERAGE WORKING CAPITAL RATIO (%)

DEFINITION:

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

PERFORMANCE:



COMMENTARY:

The decline in revenue was not matched by reductions in working capital resulting in an increase in the average working capital ratio.

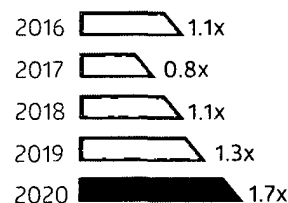
CHANGE

LEVERAGE RATIO

DEFINITION:

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

PERFORMANCE:



COMMENTARY:

Net debt increased (see net debt commentary) as EBITDA reduced, resulting in an increase in leverage to 1.7x.

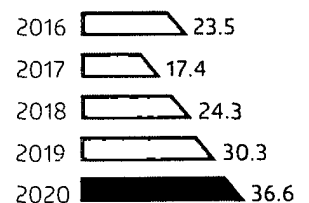
CHANGE

NET DEBT (£m)

DEFINITION:

Total borrowing less cash balances.

PERFORMANCE:



COMMENTARY:

Continued capital investment in addition to the purchase of the joint venture share in India increased net debt in the year.

CHANGE

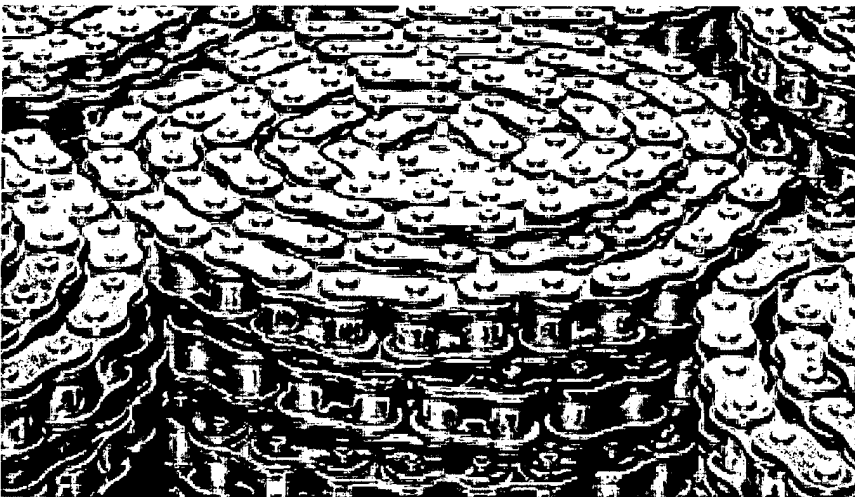
Our Performance

Chain

More challenging market conditions and the impact of Covid-19 related disruption resulted in revenue 8.6% below the prior year, at constant exchange rates. Significant headcount reductions as a result of the strategic change programmes and from volume related cost reductions through the year helped to mitigate the impact on adjusted operating profit which reduced to £14.0m (2019: £18.4m).

CHAIN PERFORMANCE REVIEW

	2020 £m	2019 £m
Revenue	151.4	163.9
Foreign exchange	-	1.8
Revenue at constant exchange rates	151.4	165.7
Adjusted operating profit	14.0	18.4
Foreign exchange	-	0.1
Adjusted operating profit at constant exchange rates	14.0	18.5
Statutory operating profit	11.2	15.3



The Chain division experienced weakening market conditions through the year with the most significant impact in the key European and US markets. In the final quarter of the year, Covid-19 related disruption, initially in China, but more widespread in March, further weakened revenue.

Partly as a result of market conditions, but also arising from the ongoing strategic programme, productivity focused projects and general cost reduction activities resulted in reduced headcount for the division which at 31 March 2020 was 10.6% lower than at

31 March 2019. Revenue of £151.4m for the year was £14.3m (8.6%) below the prior year at constant exchange rates.

European constant exchange rate revenue declined by 5.2% in the first half of the year with the reduction accelerating to 7.7% in the second half of the year, most significantly in March as Covid-19 related disruption affected a number of markets across Europe.

In the Americas, the market decline in the first half of the year was more pronounced with fewer large projects resulting in revenue reducing by 7.6% at constant

exchange rates. Again, this reduction accelerated in the second half of the year which was 16.3% lower at constant exchange rates. The combined 12.0% reduction for the full year is not significantly affected by Covid-19 and represents a significant slowdown across US markets, especially for larger, capital-project chains.

In Australasia, a strong first half performance supported by large projects was more than offset by the closure of the Malaysia factory during March under Covid-19 restrictions and supply chain disruption in Australia for Chinese sourced materials, resulting in a constant exchange rate revenue decline for the year of 6.4%.

Domestic revenues in India also suffered in the year with constant exchange rate revenue 12.2% lower. Growth in domestic Chinese revenues was from a subdued base in the prior year as we relocated the factory and revenue, at constant exchange rates, grew by 5.8%, albeit from a low absolute base.

At constant exchange rates, order intake for the Chain division of £148.3m was £19.0m (11.4%) below the previous year and total orders for the year finished £3.0m (2.0%) behind sales.

Despite the revenue reduction, contribution margin, that is the margin after all variable production costs as a percentage of revenue, remained stable as variable costs, including direct labour, were flexed in line with revenue.

The combined effect of these movements was the delivery of an adjusted operating profit margin of 9.2% (2019: 11.2%).

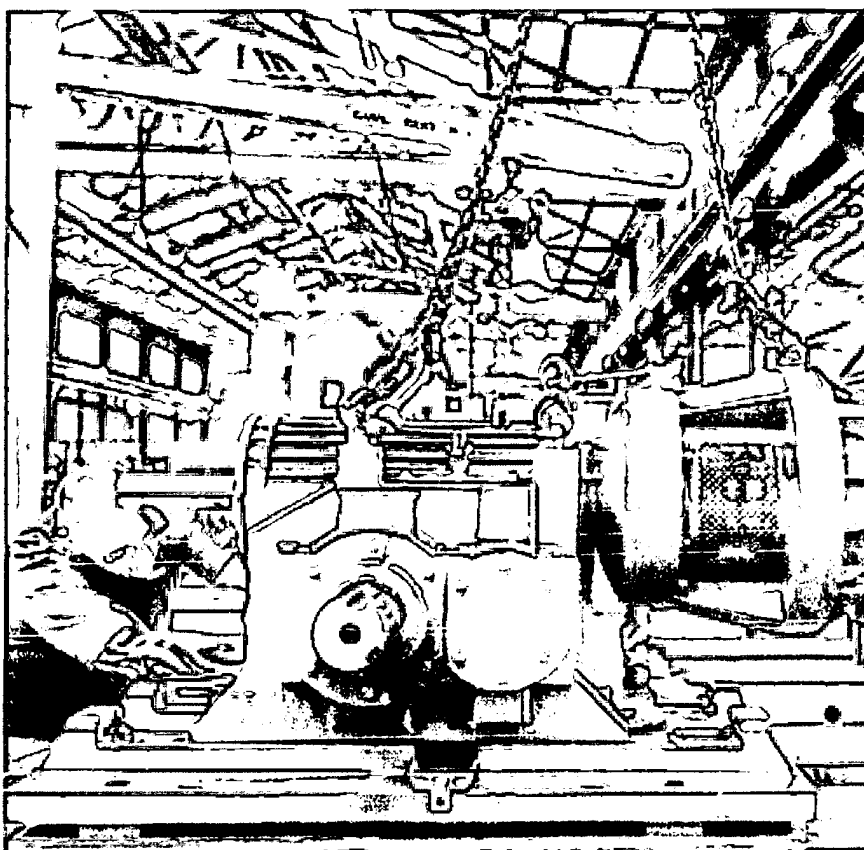
Torque Transmission

Torque Transmission was not sheltered from the more challenging market conditions experienced by the Chain division. However, growth in revenue from specific customer projects, particularly in North America, combined with biennial revenue from a Couplings major project, generating revenue growth from continuing operations of 5.0% at constant exchange rates. Adjusted operating profit from continuing operations increased by 54.5% with increases in all of the division's business units.

TORQUE TRANSMISSION PERFORMANCE REVIEW

	2020 £m	2019 re-presented £m
Revenue from continuing operations	38.0	35.7
Foreign exchange	-	0.5
Revenue from continuing operations at constant exchange rates	38.0	36.2
Adjusted operating profit	5.1	3.3
Foreign exchange	-	0.1
Adjusted operating profit from continuing operations at constant exchange rates	5.1	3.4
Statutory operating profit from continuing operations	4.7	3.3

¹ Results for the year ended 31 March 2019 have been re-presented for discontinued activities associated with the disposal of the South Africa business unit (see Note 28 to the financial statements)



Revenue from continuing operations, at constant exchange rates, of £38.0m increased by 5.0% from the £36.2m delivered in the prior year. On a statutory basis, revenue increased by 6.4%.

The Torque Transmission division experienced more challenging market conditions as the year progressed, following similar trends to the Chain division. However, the revenue phasing of the large multi-year Couplings contract, combined with strong growth in key customer projects in our US operations, was sufficient to more than offset the market decline.

The Gears business unit made good progress following the challenges that were encountered earlier in the year and which were outlined in detail in the 31 March 2019 Revised Annual Report and Accounts. New management for the business unit, along with a re-energised team, have delivered margin improvements and cost reductions while improving customer service.

The South African business unit was largely a stand-alone operation within the division with only small levels of sourcing from other manufacturing units in the division. The deteriorating market environment in South Africa, along with small but consistent operating losses resulted in a business unit that was likely to require continued cash investment, but with limited future upside. This profile resulted in the business being considered non-core and it was sold to its management team in September 2019 for nominal consideration.

After adjusting for the discontinued South African operations, the revenue growth was delivered with largely unchanged overheads resulting in a 54.5% increase in adjusted operating profit to £5.1m (2019: £3.3m). It is pleasing to note that all business units in the division increased their adjusted operating profit in the year. Statutory operating profit from continuing operations was £4.7m (2019: £3.3m).

Order intake was £35.3m, which is 9.7% below the prior year at constant exchange rates. Total orders finished the year £2.7m (71% behind sales).

Finance Director's Review



“More challenging market conditions and the impacts of the Covid-19 pandemic impacted trading performance in the year. However, the effect on underlying adjusted operating margins has been significantly mitigated as a result of cost reduction actions and the benefits of strategic projects.”

IAN SCAPENS
FINANCE DIRECTOR

More challenging market conditions and the impacts of the Covid-19 pandemic affected trading performance in the year. However, the effect on adjusted operating margins has been significantly mitigated as a result of cost reduction actions and the benefits of strategic projects.

RE-PRESENTATION OF RESULTS FOR THE YEAR ENDED 31 MARCH 2019 AND IMPACT OF ADOPTION OF NEW ACCOUNTING STANDARDS

Consistent with the treatment applied in the interim results for the six months to 30 September 2019, we have revised the presentation of 'adjusted' results in the income statement for the year ended 31 March 2020. In previous years, the pension administration costs and the IAS 19R finance charges have been treated as adjusting items as they relate to historical pension schemes which are not indicative of the underlying performance of the operating businesses. While this continues to be the case, Renold's treatment of these items differs from other companies in the peer group and in order to assist users of the financial statements, the legacy pension costs will no longer be treated as adjusting items. The results for the year ended

31 March 2019 have been re-presented on this basis.

As part of this re-presentation, and following the disposal of the South African Torque Transmission business unit in the year, the results for the year ended 31 March 2019 have also been adjusted to separately identify the results of this business unit as discontinued. A full reconciliation of this re-presentation is set out in Note 28.

Renold has adopted IFRS 16 'Leases' with effect from 1 April 2019. Adoption of this standard changes the presentation of the statement of comprehensive income and introduces right-of-use assets and lease liabilities to the balance sheet. For the year ended 31 March 2020, this has had the effect of increasing operating profit by £0.5m, which is offset in finance costs with no net impact in profit before tax. More details of the impact of adoption of the accounting standard is set out in the accounting policies note on pages 103 and 104. As the impact on operating profit is considered small, particularly at the business unit level, I have not attempted to adjust for this change when outlining year on year changes in this report, or in other sections of the Strategic Report.

ORDERS AND REVENUE

Reconciliation to reported results	2020			2019 (re-presented ¹)		
	Order intake £m	Revenue £m	Operating profit £m	Order intake £m	Revenue £m	Operating profit £m
Continuing operations	183.6	189.4	10.1	203.9	199.6	15.4
Restructuring costs	-	-	2.4	-	-	2.9
Pension past service credits	-	-	-	-	-	(4.4)
Amortisation of acquired intangible assets	-	-	0.9	-	-	0.9
Adjusted	183.6	189.4	13.4	203.9	199.6	14.8
Impact of foreign exchange	-	-	-	2.5	2.3	0.2
Adjusted revenue at constant exchange rates	183.6	189.4	13.4	206.4	201.9	15.0

¹ Results for the year ended 31 March 2019 have been re-presented for discontinued activities associated with the disposal of the South Africa business unit and certain changes to the treatment of adjusting items (see Note 28 to the financial statements)

Order intake for the Chain division was impacted by increasingly challenging market conditions through the year with a reduction of 6.0%, at constant exchange rates, in the first half of the year (2019: growth of 5.5%), accelerating to 17.5% in the second half (2019: 4.0%). Together, this resulted in an overall decline in constant exchange rate order intake of 11.4% for the year. Order intake in the Chain division fell slightly behind revenue with the ratio of orders to revenue (book-to-bill) being 98.0% in the year (2019: 101.0%).

Orders from continuing operations in the Torque Transmission division were also impacted by the deteriorating market conditions, falling by 9.7% (2019: 4.2% reduction), at constant exchange rates. The book-to-bill ratio for continuing operations for the division was 92.8% (2019: 107.9%).

Group revenue from continuing operations for the year reduced by £10.2m (5.1%) to £189.4m. Deteriorating market conditions through the year combined with Covid-19 related disruption in the final months of the year. As a result, reductions in constant exchange rate revenue from continuing operations of 2.6% in the first half of the year accelerated to a 9.7% reduction for the second half.

On a divisional basis, the Chain division saw constant exchange rate revenue from continuing operations decrease by 8.6% while Torque Transmission increased by 5.0%.

OPERATING PROFIT

The Group generated an adjusted operating profit from continuing operations for the year of £13.4m (2019: £14.8m). Reported operating profit from continuing operations after adjusting items was £10.1m (2019: £15.4m).

Despite a 5.1% reduction in revenue from continuing operations, adjusted operating margins fell by only 0.3 percentage points during the year to 7.1% (2019: 7.4%). The operational leverage acting on reducing revenue would normally result in a large drop in adjusted operating margins. However, cost reductions in the face of increasingly challenging market conditions combined with the benefits of a number of strategic projects to mitigate a large proportion of the negative operational leverage.

FOREIGN EXCHANGE RATES

Foreign exchange rates have remained volatile during the year, reflecting a depreciation of sterling against a number of currencies through the year. The rates of our major currencies, USD and EUR, have not moved significantly between our half year at 30 September 2019 to our year end at 31 March 2020. However, this masks a period of significant volatility in the second half of the year. The most significant movement for Renold has been the 5% strengthening of the US Dollar against Sterling between March 2019 to March 2020. However, due to the phasing of movements over the current and prior years, the impact on the weighted average exchange rate used to translate US Dollar only reflects a 3% strengthening of the US Dollar based on a weighted average rate of 1.27 for the year ended 31 March 2020 (2019: 1.31).

The Sterling to Euro rate has experienced similar volatility, although the euro ended the year 3% stronger at 31 March 2020 when compared to 31 March 2019. Again, phasing of movements over the current and prior year mean the weighted average exchange rate used to translate Euro trading results is less volatile, strengthening by 1% based on a rate of 1.14 for the year ended 31 March 2020 (2019: 1.13).

FX Rates (% of Group sales)	Mar 19 FX rate	Sep 19 FX rate	Sep 19 Var %	Mar 20 FX rate	Mar 20 Var %
EGBP / Euro (27%)	1.16	1.13	(3%)	1.13	(3%)
EGBP / US\$ (37%)	1.30	1.23	(5%)	1.24	(5%)
EGBP / C\$ (5%)	1.74	1.64	(6%)	1.77	2%
EGBP / A\$ (5%)	1.83	1.83	nil%	2.03	11%

If the year-end exchange rates had applied throughout the year, there would be an estimated increase of £0.9m to revenue and no change to operating profit.

ADJUSTING ITEMS

Restructuring costs of £1.5m, disclosed as a loss from discontinued operations, relate to the disposal of the South African Torque Transmission business unit and comprise asset write-downs (£1.2m) and operating losses in the period (£0.3m).

Restructuring costs of £2.4m, shown as adjusting items in calculating adjusted operating profit, arise principally from the costs associated with headcount reductions, but also include costs associated with the Indian joint venture purchase, the costs of investigating the historical overstatement of profit in the Gears business unit and closure costs associated with Australian branch restructuring.

FINANCING COSTS

Total net interest costs in the year were £5.2m (2019: £5.0m).

Total loan financing costs include external interest on bank loans and overdrafts of £2.1m (2019: £1.9m), amortisation of arrangement fees and costs of refinancing, including the additional costs from the refinancing completed in March 2019, of £0.2m (2019: £0.3m), and, for the first time following adoption of IFRS 16, £0.5m of interest expense on lease liabilities. In the prior year, the cost of writing off remaining bank facility arrangement fees from the old facility, arising as a result of amending and extending the facility, was £0.3m.

The net IAS 19R finance charge (which is a non-cash item) reduced slightly to £2.2m (2019: £2.4m).

Financing costs also include £0.2m resulting from the unwinding of discounts on the deferred build costs of the Chinese factory, classified as non-current trade and other payables. In the prior year, the £0.1m on discount unwind on provision related to the onerous lease provisions established for the Bredbury factory site. Following adoption of IFRS 16, a stand-alone provision for the onerous lease is no longer required but is included within lease liabilities.

Finance Director's Review

PROFIT BEFORE TAX

Profit before tax was £4.9m (2019: £10.4m). Adjusted profit before tax, which excludes restructuring costs and amortisation of acquired intangible assets (plus in the prior year amortisation of financing costs and discounts on provisions), was £8.2m (2019: £10.2m).

TAXATION

The current year tax charge of £1.5m (2019: £3.5m) is made up of a current tax charge of £0.6m (2019: £1.1m) and a deferred tax charge of £0.9m (2019: £2.4m). The tax charge in the year to 31 March 2019 was high as a result of the deferred tax charge on the pension cost service credit arising in the year.

The Group cash tax paid was £1.6m (2019: £1.8m).

GROUP RESULTS FOR THE FINANCIAL PERIOD

A profit after tax of £1.9m was achieved for the financial year ended 31 March 2020 (2019: £6.7m). Adjusted earnings per share was 2.9p (2019: 3.1p). Basic earnings per share of 1.5p compares to 3.0p for the year ended 31 March 2019.

BALANCE SHEET

Net liabilities at 31 March 2020 were £0.4m (2019: net liabilities £0.9m). Although net profit of £1.9m was delivered for the year, including the impact of other elements, including the adoption of IFRS 16 and acquisition of the Indian joint venture share, ultimately results in a small decrease in net liabilities.

Net liabilities continue to be impacted by the pension deficit which, on an IAS 19R basis, decreased to £97.6m (2019: £101.9m). The net liability for pension benefit obligations was £80.2m (2019: £85.3m) after allowing for a net deferred tax asset of £17.4m (2019: £16.6m). Overseas schemes now account for £29.6m (30.3%) of the net pension deficits and £23.9m of this is in respect of the German scheme which is unfunded.

CASH FLOW AND BORROWINGS

Cash generated from operating activities was £10.9m (2019: £8.3m) and reflects the impact of changes to lease accounting under IFRS 16. Gross capital expenditure in the year was £9.2m (2019: £10.8m).

Working capital was £4.5m higher than in the prior year, reflecting increased inventory holdings in support of improving customer service through the 'Step 2 Service' programme and a reduction in outstanding payables from the high level at 31 March 2019.

Group net debt at 31 March 2020 of £36.6m was £6.3m higher than the opening position of £30.3m comprising cash and cash equivalents of £15.6m (2019: £17.6m) and borrowings of £52.2m (2019: £47.9m). The increase in net debt reflects the investment in the new Chinese factory, purchase of the Indian joint venture share plus capital investment across the Group.

DEBT FACILITY AND CAPITAL STRUCTURE

In March 2019, the Group's core banking facilities were amended and extended to March 2024. Following the amendment, the Group's committed multi-currency revolving credit facility (MRCF) totalled £61.5m, with an additional £20.5m accordion facility providing a route to additional funding if required, although this element is not committed. As a result of the extension of term, the facility matures in March 2024.

At 31 March 2020, the Group had unused credit facilities totalling £131m and cash balances of £15.6m. Total Group credit facilities amounted to £65.5m, all of which were committed.

The Group's facilities contain both leverage and interest cover covenants, tested semi-annually. The net debt/adjusted EBITDA ratio as at 31 March 2020 was 1.7 times (covenant requirement: up to 2.5 times;

2019: 1.3 times), calculated in accordance with the banking agreement. The adjusted EBITDA/interest cover as at 31 March 2019 was 9.0 times (covenant requirement: greater than 4.0 times; 2019: 10.0 times), again in accordance with the banking agreement.

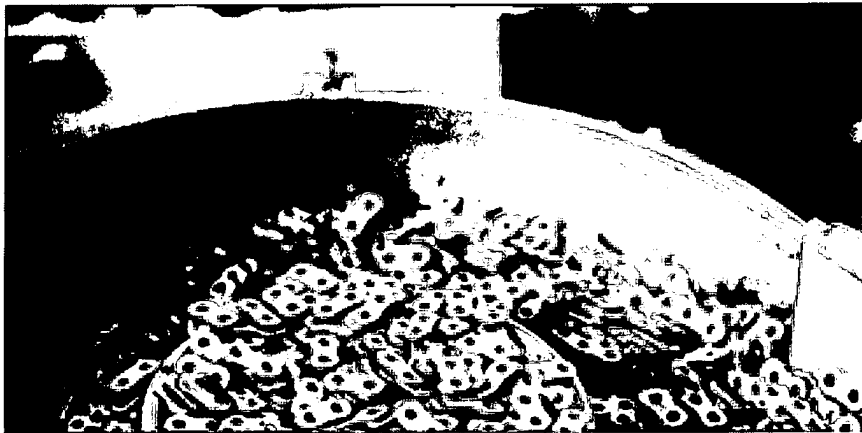
While liquidity remains sufficient under the bank facility, the unprecedented economic uncertainty arising from the Covid-19 pandemic results in a degree of risk around the Group's ability to remain within its leverage covenant in the future. Therefore, the Group has agreed with its banking partners to amend the covenant structure over the next 16 months to September 2021. This revised structure replaces the net debt to EBITDA and EBITDA to net financing charge tests with minimum rolling 12-month EBITDA and minimum available liquidity tests at quarterly test dates, creating additional flexibility in uncertain operating conditions. We expect to remain within the revised covenant levels, even in a severe but plausible scenario which the Group has modelled, and which is described in the Going Concern section below.

GOING CONCERN

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

Further information in relation to the Group's business activities, together with the factors likely to affect its future





development, performance and position is set out in the Strategic Report on pages 10 to 47, including the Principal Risks and Uncertainties section on pages 32 to 36.

The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Strategic Report on pages 10 to 47. In addition, Note 25 to the financial statements includes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities and its exposure to foreign exchange, credit and interest rate risk. Further details of the Group's cash balances and borrowings are included in Notes 13, 14 and 24 to the financial statements.

The facility has historically been subject to two covenants, which are tested semi-annually: net debt to EBITDA (average) and EBITDA to net finance charges. In recognition of the current macroeconomic uncertainty, the Group's banks have amended the covenant test structure, replacing the existing tests with minimum rolling 12-monthly EBITDA and minimum available liquidity tests, tested on a quarterly basis for the period to March 2021. After March 2021, the facility reverts to the original net debt to EBITDA and EBITDA to net finance charge covenants, but with a greater level of flexibility (i.e. 3.5 times net debt to EBITDA versus original 2.5 times) until September 2021 when the original covenant tests resume.

The Directors believe that the Group is well placed to manage its business risks and, after making enquiries including a review of forecasts and predictions, taking account of reasonably possible changes in trading performances and considering the existing

banking facilities, including the available liquidity and amended covenant structure, have a reasonable expectation that the Group has adequate resources to continue in operational existence for the next 12 months following the date of approval of the financial statements.

The uncertainty as to the future impact on the Group of the current Covid-19 pandemic has been considered as part of the Group's adoption of the going concern basis. Our Chinese manufacturing facility reopened in March 2020 and all other facilities which had been closed due to national restrictions have now reopened, although some with reduced staffing levels. Across the Group, public health measures advised by governments are being followed, operating costs have been reduced, including by utilising government-backed support schemes to maintain employment, and capital expenditure and other cash demands are being managed.

As part of its assessment, the Board has considered downside scenarios that reflect the current unprecedented uncertainty in the global economy and which we consider to be severe but plausible. The results of these scenarios show that there is sufficient liquidity in the business for a period of at least 12 months from the date of approval of these financial statements. However, the most severe downside case indicates the potential for a covenant breach during the test period, notwithstanding the recent changes to the covenants over the period to 30 September 2021 which create greater headroom. Lenders remain supportive as evidenced by the recent covenant amendments, and further flexibility may be available in the future if required. The scenario considered assumed Group revenue being more than 20% below revenues for

the year ended 31 March 2020, and more than 25% below revenues in the year ended 31 March 2019, being the last period which was not impacted by the Covid-19 pandemic. Set against this were mitigating actions including discretionary cost reductions, management of headcount, utilisation of government schemes to maintain employment, pay reductions across a broad range of global employees, and cash preservation actions including deferral of contributions to the UK pension scheme, deferral of rent and tax payments and significant reductions to capital expenditure.

The most severe but plausible downside scenario, arising due to risk over levels of future revenue, indicate a material uncertainty related to events or conditions which may cast significant doubt over the Company's and Group's ability to continue as a going concern in the event that, following a covenant breach, lenders elected to trigger a repayment of outstanding debt in such circumstances, and without further mitigating actions, the Company and Group may be unable to realise assets and discharge liabilities in the normal course of business. The Company and Group consolidated financial statements do not include the adjustments that would result if the Company and Group were unable to continue as a going concern.

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

TREASURY AND FINANCIAL INSTRUMENTS

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

To manage foreign currency exchange risk on the translation of net investments, certain US Dollar denominated borrowings taken out in the UK to finance US acquisitions are designated as a hedge of the net investment in US subsidiaries. At 31 March 2020 this hedge was fully effective. The carrying value of these borrowings at 31 March 2020 was £73m (2019: £67m).

Finance Director's Review

At 31 March 2020, the Group had 1% (2019: 1%) of its gross debt at fixed interest rates. Cash deposits are placed short-term with banks where security and liquidity are the primary objectives. The Group has no significant concentrations of credit risk with sales made to a wide spread of customers, industries and geographies. Policies are in place to ensure that credit risk on individual customers is kept to a minimum.

PENSION ASSETS AND LIABILITIES

The Group has a mix of UK (82% of gross liabilities) and overseas (18%) defined benefit pension obligations as shown below.

	2020		2019		Deficit
	Assets £m	Liabilities £m	Assets £m	Liabilities £m	
Defined benefit schemes					
UK scheme	128.9	(196.9)	138.6	(211.2)	(72.6)
Overseas schemes	12.8	(42.4)	13.8	(43.1)	(29.3)
	141.7	(239.3)	152.4	(254.3)	(101.9)
Deferred tax asset			17.4		16.6
Net deficit			(80.2)		(85.3)

The Group's retirement benefit obligations decreased from £101.9m (£85.3m net of deferred tax) at 31 March 2019 to £97.6m (£80.2m net of deferred tax) at 31 March 2020. The largest element of the decrease relates to the UK scheme where the deficit decreased from £72.6m to £68.0m. Reflecting changes in assumptions for discount rates and inflation rates, the deficit of the overseas schemes increased by £0.3m to £29.6m.

UK FUNDED SCHEME

The deficit of the UK scheme decreased in the year to £68.0m (2019: £72.6m) reflecting a number of changes in assumptions and factors:

The net reduction in liabilities of £14.3m arises from a combination of the inflation assumption reducing (CPI) of 2.0% compared with 2.4% in the prior year, experience gains from mortality being greater than assumed in the calculation of liabilities and settlement of liabilities through pension payments and transfers out of the scheme.

Offsetting the reduction in liabilities is a reduction in scheme assets through the combined effects of payments of benefits and reductions in asset values reflecting the impact on equity markets of the Covid-19 pandemic, partially offset by contributions paid into the scheme.

The latest triennial actuarial valuation of the UK Scheme, with an effective date of 5 April 2019, was agreed in March 2020 and identified a deficit of £91m. This is significantly lower than the AS 19R deficit, largely as the triennial valuation places a value on the Group's future cash payments to the scheme under the central asset reserve structure established in June 2013. It is expected that the triennial valuation deficit can be recovered through asset outperformance, above the prudent levels assumed in the valuation, over the remaining life of the scheme. As a result, there are no changes to the contribution arrangements. Contributions in the year ended 31 March 2020 were £31m (2019: £3.0m), increasing annually in future by RPI plus 1.5% capped at 5%. Additional contributions will be due to the scheme in future based on 25% of any dividend paid or £1.0m per annum if the Group delivers adjusted operating profit of over £16.0m. The next triennial valuation date will be as at 5 April 2022.

In the period since 31 March 2020, reflecting the uncertainty in short-term outlook caused by the Covid-19 pandemic, Renold approached the Trustee with a request to defer contributions to the UK scheme for a 12-month period to 31 March 2021. The Trustee supported this proposal and it was agreed that the deferred contributions will be repaid over a five-year period commencing on 1 April 2022. Certain other conditions were required to secure the deferral, including an additional contribution to the scheme of 25% of any dividends paid (above the already existing 25%) until such time as the deferred contributions have been made good.

OVERSEAS SCHEMES

The largest element of the overseas schemes is the German unfunded scheme, with a total deficit of £23.9m. Other overseas funded schemes comprise a number of smaller schemes around the world, with a combined deficit of £5.7m. The combined deficits of all the overseas schemes were largely unchanged, increasing by £0.3m. These changes were most significantly a reduction in the liability of the unfunded German scheme due to reduced inflation assumptions, offset by increased liabilities in the US schemes due to reduced discount rates.

For overseas pension schemes, the Company contributions in the year were £13.3m (2019: £1.6m).

CONTROL ENVIRONMENT IMPROVEMENTS IN RESPONSE TO HISTORICAL MISSTATEMENT OF RESULTS IN THE GEARS BUSINESS UNIT

Following the events reported on in the revised Annual Report and Accounts for the year ended 31 March 2019 relating to the historical misstatement of results in the Gears business unit, significant progress has been made in implementing the findings and recommendations from the independent investigation and from the Group's Auditor. Control environment enhancements include:

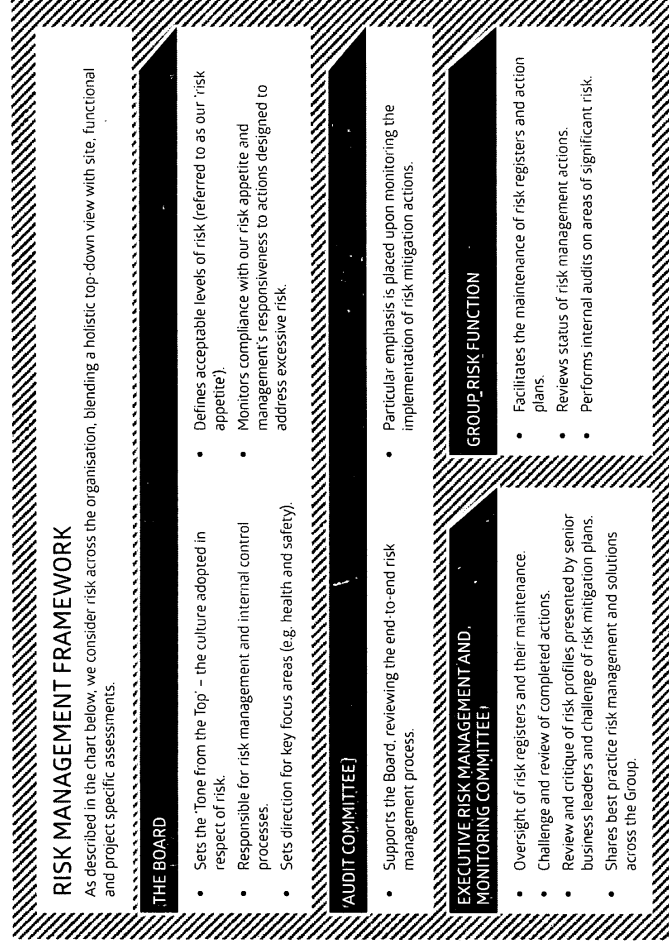
- Greater levels of approval, review and oversight across all levels of financial reporting.
- On-going activity designed to reduce the level of manual input required, with certain solutions being rolled out alongside the wider M3 ERP system roll-out across the Group.
- Additional manual compliance and control checks being implemented until the adoption of systemised solutions being rolled out across the Group.
- Amendment of the Group's internal audit programme with a greater focus on financial control compliance.

IAN SCAPENS

GROUP FINANCE DIRECTOR

16 June 2020

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



OUR APPROACH TO RISK

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

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

RENOLD'S RISK APPETITE

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

OUR RISK MANAGEMENT PROCESS: THE EXECUTIVE RISK MANAGEMENT AND MONITORING COMMITTEE

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

The ERMMC comprises the Executive Directors. Senior members of the business attend Committee meetings by invitation presenting risk profiles for their functional areas and the aligned action plans to mitigate risk. The Group Business Systems

Director, the Group HR Director, the Group Head of Risk and Assurance and the Group General Counsel and Company Secretary also attend each meeting

A detailed risk management status report is presented at each ERMCMC meeting. This report provides an insight on newly identified risks and updates on progress over delivery of mitigating actions. Other topical risk issues also feature on the standing agenda, e.g. there is focus on the Group's response to, and management of, important health and safety-related events. The ERMCMC is also provided with information in the form of reports on health and safety, material litigation and whistle-blowing.

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

HOW WE ASSESS RISK

Our approach combines sharing best practice across sites, guidance from the Group Head of Risk and Assurance, and local 'on the ground' experience and knowledge of specific risk factors

Risk workshops involving local and functional staff are used to develop risk profiles and action plans. The Group Head of

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

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

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

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

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

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

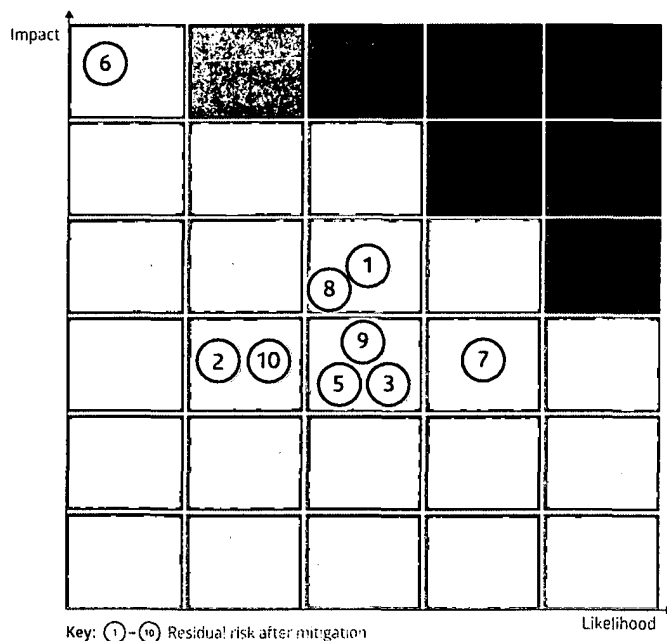
HOW WE MANAGE RISK

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

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

- Green: within appetite. Ongoing monitoring in place.
- Amber: out of appetite. Some actions are required to treat the risk to bring this within acceptable levels
- Red: significantly out of appetite. High combination of residual probability and impact. Management actions required, with some urgency, to treat the risk, reducing this to acceptable levels
- Grey/black: risks that are deemed to have such an impact that they could theoretically impact the ability of the business to continue in existence. If any, they would need consideration in assessing the Directors' Viability Statement.

RISK HEAT MAP AS AT 31 MARCH 2020



KEY: RISK HEAT MAP

- ① Macroeconomic and political volatility
- ② Strategy execution
- ③ Corporate transactions/business development
- ④ Health and safety in the workplace*
- ⑤ Effective deployment and utilisation of IT systems
- ⑥ Prolonged loss of a manufacturing site
- ⑦ People and change
- ⑧ Liquidity, foreign exchange and banking arrangements
- ⑨ Pensions deficit volatility
- ⑩ Regulatory and legal compliance

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

Principal Risks and Uncertainties

The Group has deployed an online integrated risk management system (IRMS) across all locations. This is used to capture risk profiles and action plans are maintained across the Group. Risk reports for the various Executive committees derive data from the IRMS.

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

Set out on pages 32 to 36 are the principal risks and uncertainties which could have a material impact on the Group. The numbers correspond to the risk identified on the heat map.

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

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

1 MACROECONOMIC AND POLITICAL VOLATILITY		FY20	FY19
<p>DETAILED RISK</p> <p>Material changes in prevailing macroeconomic or political conditions could have a detrimental impact on business performance. We operate in 17 countries and sell to customers in over 100 and therefore we are necessarily exposed to economic and political risks in these territories.</p> <p>LINK TO STRATEGIC OBJECTIVES B G</p>	<p>POTENTIAL IMPACT</p> <p>Potential touchpoints include:</p> <ul style="list-style-type: none"> 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. 		
<p>EXISTING MITIGATION CONTROLS</p> <ul style="list-style-type: none"> Our diversified geographic footprint inherently exposes us to more countries where risks arise but conversely provides some degree of resilience and flexibility. Actions to lower the Group's overall breakeven point also serve to reduce the impact of any global economic slowdown A focus on 'predict and respond', e.g. sales forecasting and raw material price monitoring, leading to operational change such as sales price increases or cost reductions. Strong core banking group with multi-currency debt facility. Covenants amended for period to 30 September 2021. <p>FY20 risk trend impacted by continued political risk, restricting free movement of goods, combined with increase macroeconomic risk arising from the after-effects of the Covid-19 pandemic. Significant management actions have been implemented in mitigation.</p>			

2 STRATEGY EXECUTION		FY20	FY19
<p>DETAILED RISK</p> <p>The Group's strategy requires the co-ordinated delivery of a number of complex projects, e.g. during the year we have been improving the performance of the recently relocated Chinese factory.</p> <p>LINK TO STRATEGIC OBJECTIVES B C D E F G</p>	<p>POTENTIAL IMPACT</p> <p>While these projects are designed to deliver targeted benefits, they have the potential to negatively impact the Group's operations if not appropriately managed.</p>		
<p>EXISTING MITIGATION CONTROLS</p> <ul style="list-style-type: none"> The Strategic Plan has been developed to deliver a turnaround in performance and to make that performance more stable and less exposed to revenue volatility The Board reviews progress against the different strategic projects in each of its meetings. This is based on a regularly updated report from the CEO which groups the individual projects into themes linked directly to our Strategic Objectives Major projects are all managed in accordance with best practice project management techniques with at least one member of the Executive team on the relevant Steering Committees. <p>FY20 risk trend decreasing as major infrastructure changes (such as the China factory relocation) are largely completed.</p>			

STRATEGIC OBJECTIVES

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



Read more about our strategy on pages 16 to 19

3 CORPORATE TRANSACTIONS/BUSINESS DEVELOPMENT

FY20

FY19

DETAILED RISK

Part of the Group's strategy is to grow through selective acquisitions. Performance of acquired businesses may not reach expectations, impacting Group profitability and cash flows. Similarly, poorly managed asset sales may result in under-achievement of value.

POTENTIAL IMPACT

- Any corporate transaction involves risks at various stages of the project life cycle.
- During the acquisitions phase, value can be lost through over-paying, missing key issues in due diligence or potential value leakage through poor contract negotiation. Value can also be lost through a poorly planned or executed integration phase. Finally, failure to deliver anticipated benefits during the 'business as usual' phase can also lead to a loss of value.
- A poorly managed asset sale or corporate disposal may realise a lower value.

LINK TO STRATEGIC OBJECTIVES **B E G**

EXISTING MITIGATION CONTROLS

- Monitoring of specific acquisition targets: Business acquisition process incorporating concept evaluation, business case, indicative offer/heads of terms, due diligence (covering a range of criteria), integration planning and execution and post integration appraisal which in turn feeds back to the business acquisition process.
- Use of third party specialists to address risks specific to each corporate transaction.
- Formation of top-down cross-functional project teams and plans. These specifically address any issues or risks identified during the planning and due diligence processes.
- Deployment of detailed benefits realisation plans.

FY20 risk trend unchanged.

4 HEALTH AND SAFETY IN THE WORKPLACE

FY20

FY19

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.

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.

LINK TO STRATEGIC OBJECTIVES **A F G**

EXISTING MITIGATION CONTROLS

- Group policies and a Group-wide management system known as the Framework, to set control expectations, with a support training programme for all managers.
- The Group operates a rolling programme of health and safety audits to assess compliance against the Framework.
- Continual hazard assessments to ensure awareness of risks.
- Live tracking of accident rates and root cause analysis via the IRMS plus monthly Board reporting focused on a range of KPIs.
- Specific initiatives include the BAT (Be safe; Act safe; Think safe) safety logo and the Annual Health and Safety Awards Scheme to recognise success.

FY20 risk trend unchanged. No matter what mitigating actions are undertaken, there remains a risk of death or serious injury. We therefore continue to assess the risk as the highest possible impact, but through the mitigation actions seek to reduce the likelihood. Significantly improving our health and safety performance continues to be our number one strategic objective.

SEVERITY


High Medium Low

TREND DIRECTION

increasing unchanged decreasing

Principal Risks and Uncertainties

5 EFFECTIVE DEPLOYMENT AND UTILISATION OF INFORMATION TECHNOLOGY SYSTEMS

FY20 FY19 

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

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


LINK TO STRATEGIC OBJECTIVES **C D E**

EXISTING MITIGATION CONTROLS

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

The overall risk for FY20 is unchanged, as the decreasing risk of system reliance as we roll out new systems is offset by the increased cyber-crime and cyber-fraud environment.

6 PROLONGED LOSS OF A MANUFACTURING SITE

FY20 FY19 

DETAILED RISK

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

POTENTIAL IMPACT

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

LINK TO STRATEGIC OBJECTIVES **A E G**

EXISTING MITIGATION CONTROLS

- Preventative maintenance programmes and new investments to reduce risk of interruption of manufacturing.
- A Group Fire Safety Policy mandating preventative, detective and containment controls.
- Alternate manufacturing capacity exists for a growing portion of the Group's product range, with this manufacturing capability spread across geographic territories.
- Inventory maintained to absorb and flatten out shorter-term raw material supply and production volatility risks.
- The Group has comprehensive insurance policies to mitigate the impact of a number of these risks, albeit subject to carve out of cover for specific risks (e.g. SARS and related disease outbreak) and claim limits.
- Amendments to operational processes to permit social distancing along with other Covid-19-related disease transmission procedures implemented at all operational sites.

The risk trend for FY20 is categorised as unchanged, largely as a result of already being classified at maximum risk levels. The Covid-19 pandemic has crystallised this risk at certain locations, but changes to operating procedures and other health and safety actions have been implemented in mitigation.

7 PEOPLE AND CHANGE

FY20 FY19 

DETAILED RISK

The Group's operations are dependent upon the ability to attract and retain the right people with an appropriate range of skills and experience.

Succession planning and the ability to swiftly replace staff retiring or leaving is also critical.

LINK TO STRATEGIC OBJECTIVES **A D F**

POTENTIAL IMPACT


Failure to retain, attract or motivate the required calibre of employees will negatively impact business performance. The delivery of the Strategic Plan and our strategic goals may also be delayed.

EXISTING MITIGATION CONTROLS

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

FY20 risk trend increasing as higher levels of employment are increasing the challenge of attracting high quality individuals.

8 LIQUIDITY, FOREIGN EXCHANGE AND BANKING ARRANGEMENTS

FY20 FY19 

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.

In the past, banking markets and Renold's own performance have made access to debt facilities difficult.

LINK TO STRATEGIC OBJECTIVES **D E G**

POTENTIAL IMPACT

- Potentially cause under-investment and sub-optimal short-term decision making.
- Limiting investment could prevent efficiency savings and reduce competitiveness.
- In an extreme situation, the Group's ability to operate as a going concern could also be jeopardised.

EXISTING MITIGATION CONTROLS




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

FY20 risk trend increased. Facilities continue through to March 2024, but uncertainty arising due to Covid-19 pandemic reduces visibility of future performance and increases the risk of a future covenant breach.

SEVERITY

 High  Medium  Low

TREND DIRECTION

 increasing  unchanged  decreasing

Principal Risks and Uncertainties

9 PENSIONS DEFICIT VOLATILITY FY20  FY19 

DETAILED RISK

The principal pensions risk is that short-term cash funding requirements of legacy pension schemes diverts much needed investment away from the Group's operations.

Secondly, the size of the reported balance sheet deficit can operate as a disincentive to potential investors or other stakeholders limiting the Group's ability to raise financing on capital markets

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

LINK TO STRATEGIC OBJECTIVES 

EXISTING MITIGATION CONTROLS

- The UK triennial funding review has been updated to March 2022.
- The major UK pension cash flows (over 50% of all defined benefit pension cash costs) are stable under the 25-year asset-backed funding scheme put in place during 2013. A further 25% of the annual cash flows are pensions in payment in Germany in a mature scheme that has passed its peak funding requirement.

FY20 risk trend is unchanged as underlying factors have not significantly changed from the prior year.

POTENTIAL IMPACT

- Given the Group's cash needs to invest in the business, the pace of performance improvement could be slowed if cash has to be diverted to the pension schemes.
- The balance sheet pension deficit and its volatility could act as a disincentive to potential investors and could reduce the Group's ability to raise new equity or debt financing, limiting the strategic options open to the Group.

10 REGULATORY AND LEGAL COMPLIANCE FY20  FY19 

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 

EXISTING MITIGATION CONTROLS

- Communication of a clear compliance culture.
- Risk assessments and ongoing compliance reviews at least annually at all major locations.
- Published up-to-date policies and procedures with clear guidance and training issued to all employees.
- Monitoring of compliance with nominated accountable managers in each business unit.

FY20 risk trend unchanged.

POTENTIAL IMPACT

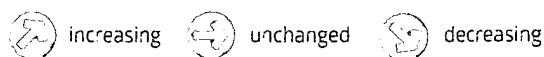
Failure by the Group or its representatives to abide by applicable laws and regulations could result in:

- Administrative, civil or criminal liability.
- Significant fines and penalties.
- Suspension of the Group from trading.
- Reputational damage

SEVERITY



TREND DIRECTION



Viability Statement

STRATEGIC REPORT

The UK Corporate Governance Code requires the Directors to assess the prospects of the Group over a period significantly longer than 12 months from the date of approval of the financial statements which is used as the basis for assessing Going Concern

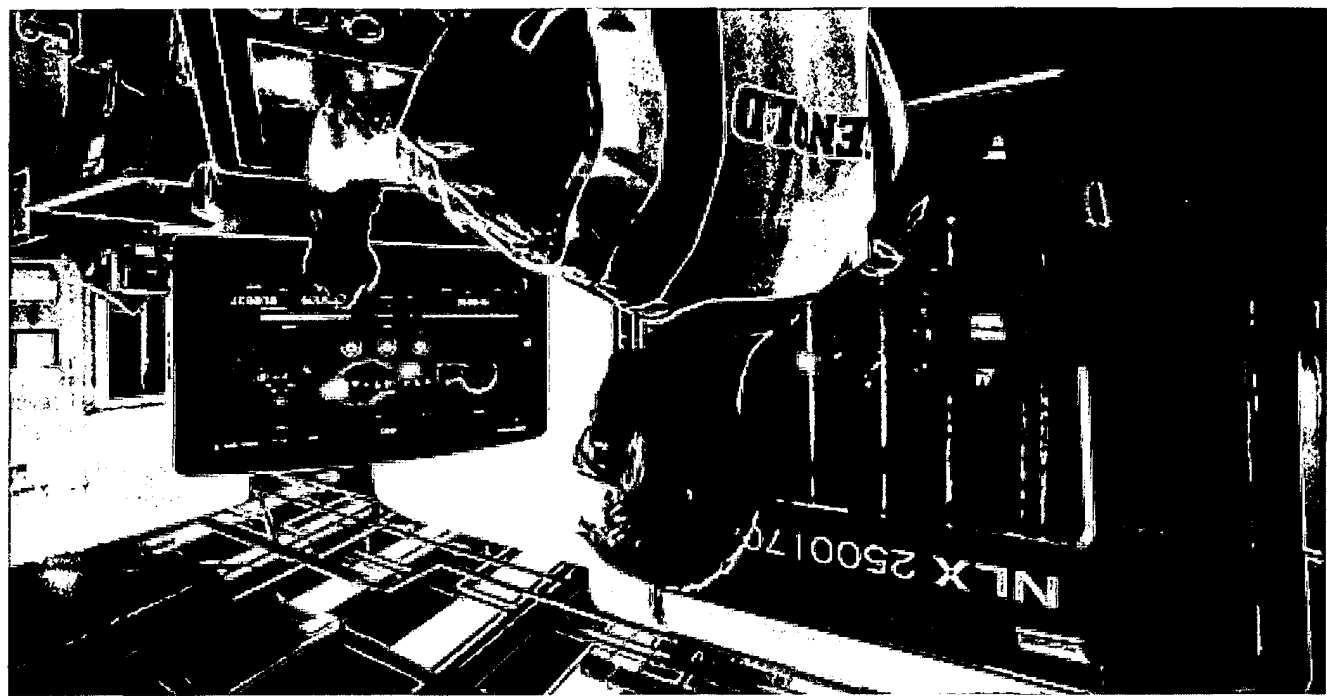
The Group's Strategic Plan covers the three-year period to March 2023. Following amendment and extension, the Group's core financing facility expires in March 2024 out, following normal market practice, is likely to be renegotiated at least 12 months earlier. The Board determined that an appropriate and relevant period for preparing forecasts and relevant period for preparing forecasts linked to the Group's Strategic Plan was the three-year period to March 2023, and that the viability review should be performed using this plan as the basis

As in prior years, the Board and Audit Committee have continued to review and assess the Group's ongoing risk appetite, register of critical 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 30 to 31 also serve to mitigate exposure to single risk events that could create the Groups longer term viability. While all risks have the potential to impact longer term viability, the principal risks deemed more relevant for a reasonable assessment of viability are set out below:

- **Strategy Execution:** The risk of the Group's inability to successfully implement the Strategic Plan which could lead to the Group continuing to experience volatile financial results and weak levels of cash generation
- **Macroeconomic and political volatility:** Uncertainty driven by global events is undoubtedy creating volatility. These events range from global pandemics, Brexit, increased protectionism and geopolitical uncertainty. As an international manufacturing business, the Group is dependent on stable trading environments to deliver our products and the resulting shareholder value. Significant changes in global trading dynamics have the potential to undermine the Group's longer term prospects

The Board has continued to review the Strategic Plan during the current year. This included an additional detailed review of our markets, competitors and product strategies in addition to financial forecasts. The review assessed the results of stress tests on financial forecasts in light of the short-term disruption to markets caused by the Covid-19 pandemic, further scenarios have been considered, commencing with the short-term forecasts used in the going concern assessment, but assuming more aggressive recovery to pre-pandemic trading levels over a period of time. 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.

The Group maintains a conservative approach to borrowing. Banking covenants have been amended for the period to 30 September 2021, but at this point revert back to the original facility limits. While this includes a leverage limit of 2.5x Adjusted EBITDA, the Board generally seeks to operate within an internally imposed 2.0x leverage limit ensuring access to short-term borrowing to cope with short-term financial shocks. Based on the results of the processes described above and noting the material uncertainty with regard to the impact of covid-19, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of assessment.



Sustainability

Introduction

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

OUR COMMITMENTS



Provide a rewarding and safe working environment



Work in accordance with our values



Act in an ethical manner in all our business relationships



Work with the communities in which we operate



Minimise the environmental impact of our products and processes

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

The Board has overall responsibility for corporate social responsibility, with the Chief Executive taking direct leadership responsibility supported by the regional and business unit Executive teams. Aligned to this is our continuous commitment to uphold good corporate governance principles, in respect of which further details are set out in our Corporate Governance Report on pages 52 to 59.

LINKING TO THE UNITED NATIONS SUSTAINABILITY GOALS

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

MORE INFORMATION CAN BE FOUND ON THE FOLLOWING PAGES:

HEALTH & SAFETY

Pages 40 and 41

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

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

OUR PEOPLE

Pages 42 and 43

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

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

OUR COMMUNITY

Page 44

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

OUR ENVIRONMENT

Pages 45 to 47

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



STAKEHOLDER ENGAGEMENT

DIRECTORS' DUTIES

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

Our People

WHY IT IS IMPORTANT TO ENGAGE

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.

STAKEHOLDERS' KEY INTERESTS

- Opportunities for development and progression.
- Fair reward and recognition of performance.
- An inclusive environment.

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.

Our Customers

WHY IT IS IMPORTANT TO ENGAGE

Our customers are ultimately the key users of our products, and without their continued support, we would not have the potential to grow and develop.

STAKEHOLDERS' KEY INTERESTS

- 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.

WAYS WE ENGAGE

We regularly engage with our diverse customer base at various levels of the organisation, often directly through our sales teams, our technical engineering teams and our operational management teams.

At Board level, the broad-based, geographically spread customer base does not support significant direct customer interaction. Through reports from local management teams, monitoring of customer service levels and explicit reports of product issues, the Board ensures customers continue to receive the high quality products and levels of service that the Renold brand stands for.

Our Partners

WHY IT IS IMPORTANT TO ENGAGE

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.

STAKEHOLDERS' KEY INTERESTS

- Clear communication of requirements
- Fair payment.
- A partnership approach that seeks to provide long-term benefits to all parties.

WAYS WE ENGAGE

Due to scale and geographic diversity, the Group generally operates localised supply chains in the territories in which it operates. This allows direct interaction between our supply chain teams, our business unit management and local suppliers, ensuring short lines of communications and the ability to react quickly.

Our Investors

WHY IT IS IMPORTANT TO ENGAGE

Our investors are the owners of our business and are critical to supporting future strategic development of the Group.

STAKEHOLDERS' KEY INTERESTS

- A successful, clearly communicated strategy that is delivering results.
- Delivery of sustainable improvement for the long term.

WAYS WE ENGAGE

The Board is available to all shareholders, particularly retail investors at the Annual General Meeting, and responds to all letters and emails throughout the year.

The Executive Directors regularly meet with institutional investors, particularly after full-year and interim results announcements, and where available, feedback received following those meetings is considered by the Board.

Details of changes to the investor base are reviewed at every Board meeting, supplemented by advice from the Group's brokers where required.

Our Local Communities

WHY IT IS IMPORTANT TO ENGAGE

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

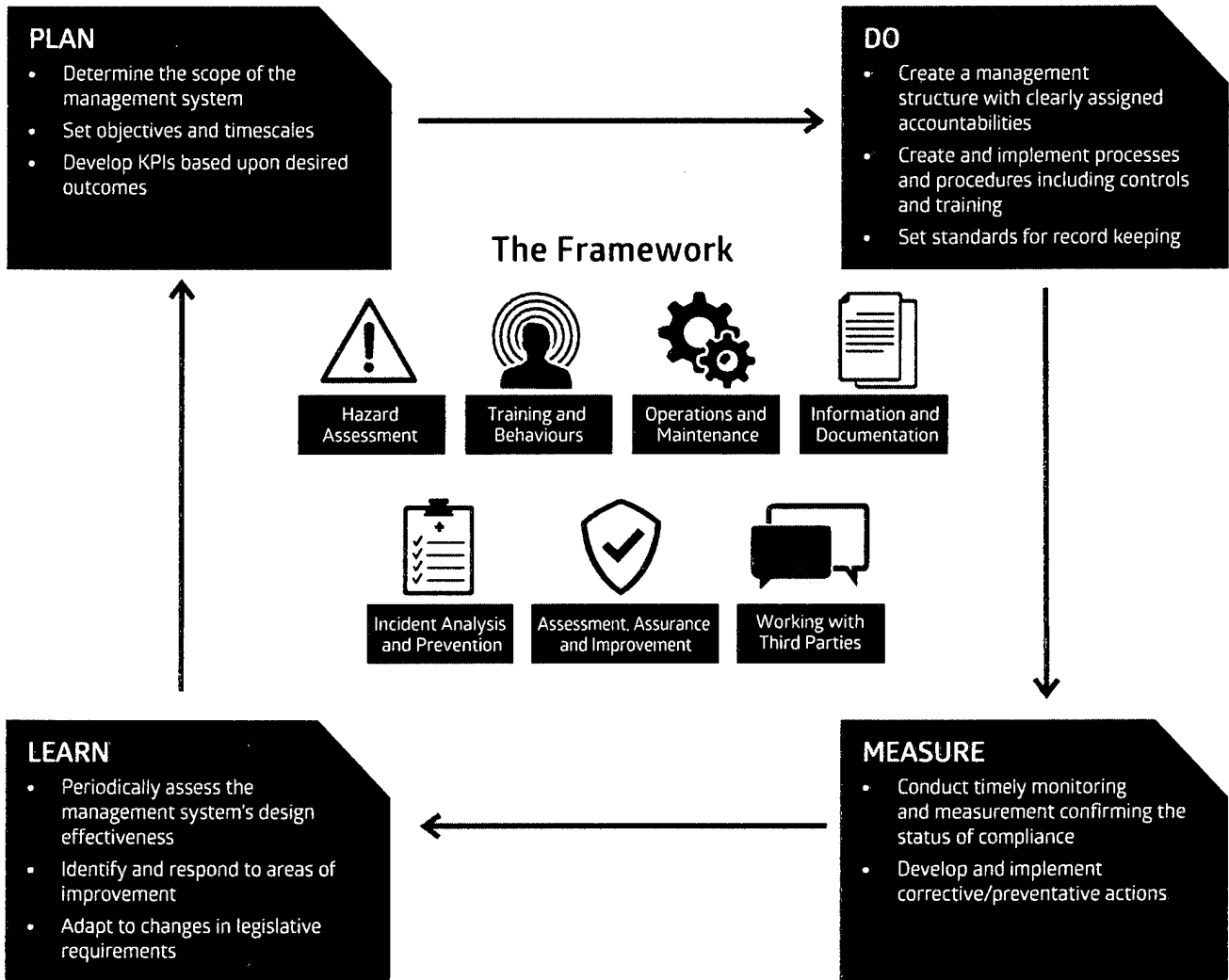
- To interact in a manner that makes a positive contribution to the local areas within which we operate
- To provide sustainable solutions both to our customers and in how we operate

WAYS WE ENGAGE

The Group's largest interaction is with people in the communities in which we operate, supporting education and development. This encompasses a range of activities from the graduate and apprenticeship schemes we operate, through to supporting infrastructure projects at schools in India.



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



KEY STRATEGIC OBJECTIVE

Significantly improving our health and safety performance remains a key Strategic Objective and all Renold's locations across the world operate against a Group Health and Safety Management Framework (the Framework).

HEALTH AND SAFETY GOVERNANCE

Governance structures are clearly defined and include a Group Health and Safety Policy which is reviewed annually. Cascading from this is the Framework, which defines the Board's expectations regarding health and safety control and performance.

Management across all locations are required to adhere to the Framework. This Framework contains principles and expectations 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. Going forward, all sites have the objective to migrate from OHSAS 18001 to ISO 45001 by 2021.

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 a range of processes and data mining functionality. This allows sites to manage accident reporting, opportunities for improvement, hazard assessment and to track all improvement actions. Performance data to inform monthly Board reporting and site reviews are extracted from the system.

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

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

Over the last few months, through the period of the Covid-19 pandemic, the safety and welfare of employees has been the overriding objective. Following the establishment of Covid-19 operational planning teams at each location, we have implemented site specific protection measures to ensure that our facilities can continue to operate where appropriate to do so. The following measures are common across our locations:

- A complete cessation of all international travel.
- Restructuring of shift patterns to reduce the number of employees on-site at any point in time
- Implementation of specific health protection protocols to ensure social distancing, including in communal areas such as canteens. Physical segregation such as plexiglass has been installed where social distancing cannot be satisfactorily implemented
- Hand washing and sanitisation mandated with appropriate infrastructure being provided.
- Temperature checks for employees as they arrive on-site
- Additional cleaning and disinfection in high risk locations.
- Provision of additional PPE where required and appropriate to do so
- Where possible to do so, support staff are working from home utilising technology solutions to access systems and for communication.
- Employee well-being communications issued

IMPROVEMENT INITIATIVES

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

- Focus on benchmarking and best practice sharing throughout the business with monthly reviews including all site safety professionals.
- Material handling risks reviewed and capex allocated to safe storage and handling of parts and raw materials.
- Improving safety culture through employee engagement activities.
- A programme of machinery safety risk assessments completed on all of our machines throughout the business to identify and mitigate risks to employees.
- Review of PPE at all sites to ensure adequate protection of hands and fingers via cut resistant gloves.

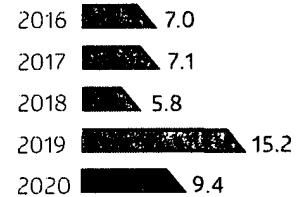
We continue to recognise improvements being made across the Group by delivering our annual Health and Safety Awards. The aim of the awards scheme is to encourage continuous improvement aligned to the Framework. Ten awards were made in 2019 including four 'Excellence' awards, the highest level of award currently available. The awards for 2020 are due for allocation in July 2020 after extending the submission deadline to account for the Covid-19 disruption.

GROUP-WIDE PERFORMANCE

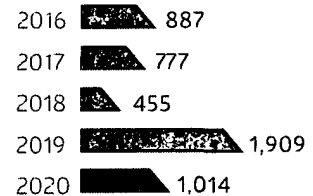
The Group uses a number of KPIs to monitor performance. Each Board meeting considers a comprehensive report from the Group Risk and Assurance function, which includes a rolling analysis of a range of KPIs along with other relevant criteria. Examples are provided on this page showing performance for the five years to 31 March 2020. Performance in the year ended 31 March 2020 shows a steady decrease in accidents throughout the year with a total of 155 accidents recorded. This is a significant improvement against the number of accidents reported in the previous reporting period. The positive trend is also reflected in the following:

- Reduction in the total number of lost time accidents with lost time accidents accounting for 29% of the total accidents.
- Significant reduction in the number of lost time days indicating a reduced severity of the injuries reported.
- Only 11 accidents resulted in >7 days absence from work.

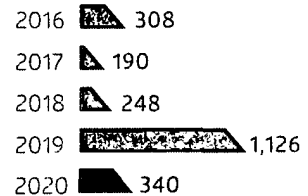
LOST TIME ACCIDENT FREQUENCY RATES¹



TREND OF REPORTABLE INCIDENTS²



LOST TIME DAYS²



¹ Lost time accident frequency rate = (no of lost time accidents in the 12-month period/total hours worked in the 12-month period) x 1,000,000

² Trend of reportable injury rates = (no of lost days from accidents greater than three lost days divided by average number of employees in the 12-month period) x 100,000. Note that while accidents greater than seven days are reportable events in the UK, Reno, ID monitors both three and seven

Sustainability

Corporate Social Responsibility

SDG FOCUS:



OUR PEOPLE

The Group requires motivated, talented employees, with a clear understanding of their role within the business to deliver our Strategic Objectives. Consequently, Renold remains focused on the delivery of actions in the areas set out below.

OUR VALUES

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

TALENT ACQUISITION AND OPTIMISATION OF ORGANISATION STRUCTURES

As in previous years, the Group has continued to review and strengthen the management team and organisation structures. The business has increasingly been able to focus on clarifying, developing and strengthening the capability of management and staff at deeper levels in the organisation.

During the year, we have continued to evolve our recruitment processes to enable the sourcing and assessment of high-calibre people at the right time into well-defined roles with clear deliverables and accountabilities. We have extended the use of our leadership competency framework to enable us to focus on the competencies and behaviours that are critical to a job role and seek to objectively and accurately assess potential candidates against these factors. We continue to apply a more rigorous use of core ability assessments in areas such as numerical and verbal reasoning, and the insistence on standards of high performance in these areas is beginning to bear fruit.

Renold continues to invest in our Future Leaders Graduate Programme. Each of these graduate Future Leaders has had a real job in the organisation from their first day of employment and are participants in a structured programme of training and development with 12 training modules being delivered by external experts over a two-year period. These modules aim to provide participants with a broad range of skills and knowledge to act as a base upon which they can further develop as their careers progress. Additionally, they have the opportunity to be involved in critical business projects and have regular exposure to the senior leadership team. Once again, we were able to include a Future Leader from outside the UK, being based in the United States. This is a trend we plan to continue. The Future Leaders programme is beginning to bear fruit as we have six of our participants on overseas assignments and others have taken up important roles within the Group.

We expect this programme to be one of the key processes through which the business continues to ensure that we internally develop our leaders of the future.

VALUES, BEHAVIOUR AND ENGAGEMENT

The Renold Values and Behaviours continue to act as an important standard to which we hold both ourselves and our employees. Since the launch of the Renold Values we have continued the work of embedding these in the business.

The Values and Behaviours are clearly communicated across the Group and are increasingly becoming integrated into the way in which we do things. In particular, we have focused on ensuring that our recruitment methodology incorporates our Values and Behaviours and that we specifically seek future hires who are able to demonstrate alignment with these desirable traits. The Values and Behaviours have also been incorporated into our Performance and Development Review Process.

Across our global locations we continue to align the requirement to embed Organisational Values and Behaviours in the terms and conditions of employment. The importance of our Values is emphasised during the induction process for new employees.

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



COMPLIANCE

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

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

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

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

BUSINESS INTEGRITY AND ETHICS

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

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

Every Renold employee has the responsibility to ask questions, seek guidance and report suspected violations of the Group's code of ethics. A free of charge, independent whistle-blowing hotline continues to be available to all employees across the Group, enabling them to report any concerns about theft, fraud and other malpractice in the workplace.



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

The Group Anti-Corruption policy forms part of that commitment, together with the Gifts and Hospitality policy, both of which are designed to assist Renold employees in meeting corporate and individual obligations under anti-corruption laws and specifically the UK Bribery Act.

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

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

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

Sustainability

Corporate Social Responsibility

SDG FOCUS:



HUMAN RIGHTS

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

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

treatment. Respect for the individual is also enshrined in Renold's statement of Values and Behaviours.

The Group has not been made aware of any incident in which the organisation's activities have resulted in an abuse of human rights.

Following the introduction of the UK Modern Slavery Act 2015, we have published a statement on our website which sets out the steps being taken by the Group to ensure that slavery and human trafficking are not taking place in the business or the supply chain relating to our goods. The Group is committed to ensuring that our business and business partners do not undertake any activity which contravenes the Modern Slavery Act.

DIVERSITY

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

As at 31 March 2020, the Group employed 1,826 people including 290 in the UK. Of the total number of employees, 284 (16%) are female. The Company recognises the need to encourage and support more gender diversity throughout the employee population as well as at Board level.

Set out in the table below is a breakdown of the gender of employees as at 31 March 2020.

	As at 31 March 2020			As at 31 March 2019		
	Male	Female	Total	Male	Female	Total
Board of Directors	5	-	5	6	-	6
	100%	-		100%	-	
Executive Management Team (excluding Directors)	3	1	4	5	1	6
	75%	25%		83%	17%	
Other senior managers ¹	24	3	27	25	3	28
	89%	11%		89%	11%	
Other employees	1,510	280	1,790	1,697	322	2,019
	84%	16%		84%	16%	
Total	1,542	284	1,826	1,733	326	2,059
	84%	16%		84%	16%	

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. Whilst 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.

OUR COMMUNITY

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

We continue to support The Outward Bound Trust, an educational charity that uses the outdoors to help develop young people from all walks of life. This year we supported a school in the Manchester area. Two employee ambassadors from Renold also attended the programme with the students to provide actual hands-on support.

We also have a relationship with The Learning Partnership. We supported three schools during the year, one near each of our three UK locations. The Learning Partnership provides inspirational and effective STEM learning programmes for schools in the UK, including the 'Race To The Line' model rocket car national competition.

In India, Renold has been working with communities and relevant stakeholders to assist local government schools in the provision of better infrastructure and educational facilities. Renold India's 'Corporate Social Responsibility Vision' has been formulated in connection with the statutory requirement in India. The areas listed in the statute include promoting

education. Renold India believes that education is the tool for creating an empowered, enlightened society. More than 60% of children in India are enrolled in government schools; however, the infrastructure and facilities and quality of the education are often below acceptable levels. Through better facilities and higher quality education around it is anticipated there will be a reduction in the dropout rate of students. This year Renold India assisted the local Government Aided School with the continued construction of a compound wall for the safety and security of the children, the provision of steel desks and facility repair including the laying of kota stones.



OUR ENVIRONMENT

The environmental impact of our activities is at the forefront of our strategy. Across all our operations, we meet all legislative requirements concerning environmental issues, including those relating to energy usage. As a part of the Group's commitment to minimising the impacts of its business operations on the environment, we cooperate with regulators, suppliers, neighbours and customers to develop and achieve improved standards of environmental protection. All of our production facilities either hold or are working towards ISO 14001.

STRATEGIC ENVIRONMENTAL GOVERNANCE

A recent introduction to the governance structure is the establishment of a Sustainability Committee. The advent of this Committee is testament to the Group's commitment to reducing the environmental impact of operations in addition to supporting customers with engineered solutions that support their sustainability objectives. The Committee is initially focused on the development of a sustainability statement and will continue to establish challenging environmental targets.

ENVIRONMENTAL IMPROVEMENT PROJECTS

During the year, a range of projects have delivered environmental improvements. These include:

- The commencement of a furnace replacement programme in Chain Americas, increasing energy efficiency as part of an upgrade in capability
- Replacement of factory and warehouse lighting in Einbeck, Germany utilising low energy LED equipment
- Replacement of oils and lubricants to lower hazard versions

Our ongoing programme of investment in new equipment will continue to bring further efficiencies over the coming years.

Sustainability Our Environment

SDG FOCUS:



GREENHOUSE GAS (GHG) EMISSIONS

Renold continues to comply with its obligations under the carbon reporting requirements.

Energy usage across the Group is collated using data captured through the Group's Integrated Risk Management web-based IT system. This energy consumption database makes data readily available. Data is actively reviewed in order to target additional energy reduction programmes.

The main contributors to GHG emissions arise from our use of electricity and fuels, such as natural gas and fuel oil, burnt on our premises.

The table opposite shows the Group's GHG data in tonnes for the last five 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 which was provided for the first time last year.

Renold continues to sustain an underlying reduction in energy usage. Related cross-site initiatives include:

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

STREAMLINED ENERGY AND CARBON REPORTING PROGRAMME (SECR)

In compliance with new UK reporting requirements, the energy consumption data for the year ended 31 March 2020 has been collated and will be used to establish our baseline consumption. We have committed to establishing an energy strategy during 2020 which will set targets for energy intensity reductions and will support engagement in energy reduction across the Group. Our data shows a progressive reduction in emissions intensity over the past six years.



	2015	2016	2017	2018	2019	2020
Scope 1 ¹	9,750	8,097	9,104	8,258	9,044	7,795
Scope 2 ²	20,503	18,012	19,264	17,667	17,689	17,578
Total annual GHG emissions ³ on (tCO ₂ e)	30,253	26,109	28,368	25,925	26,733	25,373
Emissions Intensity ⁴	165.8	158.1	154.5	135.3	132.0	134.0
Energy consumption (m kWh)						
Total Scope 1 fuel usage					48.3	39.4
Total overseas Scope 1 fuel usage					44.9	36.4
Total electricity usage					34.6	33.1
Total overseas electricity usage					30.9	29.6

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

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

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

⁴ The UK Government guidance was considered when selecting the Company's chosen intensity measurement which is total emissions reported normalised to £m external revenue.

STRATEGIC REPORT APPROVAL

The Strategic Report, on pages 10 to 47, incorporates: Market Review, Business Model, Our Customer Journey, Chief Executive's Review, Our Key Performance Indicators, Our Performance, Finance Director's Review, Our Risks, Principal Risks and Uncertainties, Viability Statement and Sustainability and was approved by the Board on 16 June 2020.

For and on behalf of the Board

ROBERT PURCELL
CHIEF EXECUTIVE



IAN SCAPENS
FINANCE DIRECTOR




Chairman's Letter



“The Board is committed to maintaining high standards of corporate governance and behaviour and recognises that good governance is critical to long-term business success.”

MARK HARPER
CHAIRMAN

DEAR SHAREHOLDER,

On behalf of the Board I am pleased to present the Governance Report for the year ended 31 March 2020.

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

On 7 June 2019, the Company's ordinary and preference shares were re-listed on the Alternative Investment Market of the London Stock Exchange (AIM). On admission to AIM, the Directors elected to adopt the Quoted Company Alliance Code (QCA Code) as the relevant corporate governance code to apply to the Company. However, the Directors also committed that they would continue to operate a governance regime which is consistent with the spirit of the governance regime in force during the Company's main market listing, namely the UK Corporate Governance Code 2016 (2016 Code). The QCA Code does not require a comply or explain approach to governance matters.

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

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

BOARD COMPOSITION

This year Ian Griffiths, the Senior Independent Director and Chair of the Remuneration Committee, retired on 12 November 2019 after nine years of service to the Company. Consistent with the succession plan outlined in previous Chairman's Letters, Tim Cooper, who joined the Board in November 2018 with a view to taking over Ian Griffiths' remuneration responsibilities, has been appointed as the Chair of the Remuneration Committee.

David Landless, the Chair of the Audit Committee, was appointed to the role of Senior Independent Director to replace Ian. I continue to Chair the Nomination Committee.

As previously announced, Ian Scapens, Group Finance Director, will be leaving the Company in June 2020. On 12 May 2020, we announced that James Haughey will replace Ian as Group Finance Director, and is expected to commence his role in November 2020.

TONE FROM THE TOP

The Board continues to believe strongly in operating to the highest standards of ethical business conduct and in the importance of setting the right 'tone from the top'. These principles are reflected in the statement of our Values and Behaviours and Renold requires the same from all employees in the performance of their duties.

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

In addition to matters of corporate governance and ethics, the key priority for the Board remains the delivery of the Strategic Plan. On page 55 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 11.00am on Wednesday, 24 July 2020 at the Company's registered office, Trident 2, Trident Business Park, Styal Road, Wythenshawe, Manchester, M22 5XB.

As at the date of this letter, social distancing measures imposed by the UK Government remain in place and these include prohibiting public gatherings of more than two people and non-essential travel, save in certain limited circumstances. In light of these measures, the 2020 AGM will be run as a closed meeting and shareholders will not be able to attend in person. The Company will ensure that the legal requirements to hold the AGM can be satisfied through the attendance of a minimum number of Director shareholders.

The situation surrounding the outbreak of Covid-19 is constantly evolving. Any changes to the AGM will be communicated to shareholders before the AGM through our website at investors.renold.com and, where appropriate, by announcement by a Regulatory News Service. Although shareholders are not able to attend the AGM in person this year, shareholder participation and engagement remains important to us.

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

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

We thank shareholders for their support at this difficult time.

MARK HARPER
CHAIRMAN

16 June 2020



Compliance with Corporate Governance

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

When the Company re-listed on AIM, it elected to adopt the QCA Code as its principal corporate governance code and the Board's compliance for the year ended 31 March 2020 is therefore measured against the requirements of the QCA Code. However, the Board of Directors highlighted that they would not seek to materially depart from the governance standards in place before the move to AIM. The standards of governance previously adhered to by the Company was the 2016 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 2020.

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

Board of Directors

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

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



MARK HARPER
CHAIRMAN

COMMITTEE MEMBERSHIPS:



APPOINTMENT TO THE BOARD:
May 2012

EXPERIENCE

Mark, aged 64, was appointed to the Board as a Non-Executive Director and Chairman-elect on 1 May 2012. He took on the role of Chairman at the close of the AGM on 12 July 2012. His appointment was extended on 1 May 2018 to May 2021. Prior to joining Renold, Mark became the Chief Executive of Filtrona plc at the time of its demerger from Bunzl plc in June 2005 and led a successful period of growth until his retirement in May 2011. He also held a number of senior operational management positions within Bunzl plc, being appointed to the Bunzl plc Board in September 2004, and has previously acted as a Non-Executive Director of BBA Aviation plc.



ROBERT PURCELL
CHIEF EXECUTIVE

COMMITTEE MEMBERSHIPS:



APPOINTMENT TO THE BOARD:
January 2013

EXPERIENCE

Robert, aged 58, 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.



IAN SCAPENS
FINANCE DIRECTOR

COMMITTEE MEMBERSHIPS:



APPOINTMENT TO THE BOARD:
January 2017

EXPERIENCE

Ian, aged 46, joined the Group on 3 January 2017 as Group Finance Director. Ian has extensive experience in all aspects of finance in large, complex organisations. He joined Renold from Keepmoat Group, where he had been Deputy Chief Financial Officer since June 2015. Previously, Ian spent ten years at Speedy Hire Plc, latterly as Group Financial Controller, from 2010 to 2015. Ian is a member of the Institute of Chartered Accountants of England and Wales.

COMMITTEE MEMBERSHIPS KEY:

- Audit Committee
- Nomination Committee
- Remuneration Committee
- Executive Risk Management and Monitoring Committee



DAVID LANDLESS
SENIOR INDEPENDENT
NON-EXECUTIVE DIRECTOR

COMMITTEE MEMBERSHIPS:



APPOINTMENT TO THE BOARD:
January 2017

EXPERIENCE

David, aged 60, was appointed to the Board as a Non-Executive Director on 9 January 2017 and became Chairman of the Audit Committee from 19 July 2017. The appointment as Senior Independent Director was made on 13 November 2019. David, a fellow of the Chartered Institute of Management Accountants, has significant experience at senior levels of international businesses in the industrials sector. He was most recently Group Finance Director of Bodycote plc from 1999 until his retirement on 1 January 2017. Prior to that, he held a range of finance roles for 15 years at Courtaulds in the UK and US, latterly as Finance Director of Courtaulds Coatings (Holdings) Ltd, from 1997 to 1999. David is currently a Non-Executive Director of European Metal Recycling Limited, a large private scrap metal recycling company, the Non-Executive Chairman of Luxfer Holdings plc and a Non-Executive Director and Chair of the Audit Committee of Innospec Inc.



TIM COOPER
NON-EXECUTIVE DIRECTOR

COMMITTEE MEMBERSHIPS:



APPOINTMENT TO THE BOARD:
November 2018

EXPERIENCE

Tim, aged 61, was appointed as a Non-Executive Director of Renold in November 2018 and became Chairman of the Remuneration Committee on 13 November 2019. Tim was an Executive Director of Victrex Plc, a position he held from October 2012 until 30 September 2019. Tim joined Victrex in January 2010 as Managing Director of Victrex Polymer Solutions. Tim has over 30 years of international business management and commercial experience, having held senior leadership positions in a number of industries. Prior to joining Victrex, Tim was with Umeco Plc, initially as Managing Director of Aerovac Systems Ltd, but later becoming Group Managing Director of Umeco Composites Process Materials. He has been Managing Director of Tellermate Plc and Avery Berkel Ltd, having developed his international career with GEC, BP and Land Rover. Tim is currently a Non-Executive Director of Pressure Technologies Plc.



ANDREW BATCHELOR
GROUP GENERAL COUNSEL
AND COMPANY SECRETARY

APPOINTMENT:
July 2018

EXPERIENCE

Andrew, aged 54, was appointed to his role in July 2018. Andrew has extensive experience in private practice, becoming a partner with the law firm Edge Ellison, then continuing his career in-house as the General Counsel and/or Company Secretary to a variety of UK main market listed companies. His previous roles include JD Sports Fashion Plc, Promethean World Plc and Itnet plc. Andrew has also held the roles of Head of Risk and General Counsel for the large private company retailer, Wilko.

Corporate Governance Report

Compliance with Corporate Governance

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

When the Company re-listed on AIM, it elected to adopt the QCA Code as its principal corporate governance code and the Board's compliance for the year ended 31 March 2020 is therefore measured against the requirements of the QCA Code. However, the Board of Directors highlighted that it would not seek to materially depart from the governance standards in place before the move to AIM. The standards of governance previously adhered to by the Company was the 2016 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 2020.

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

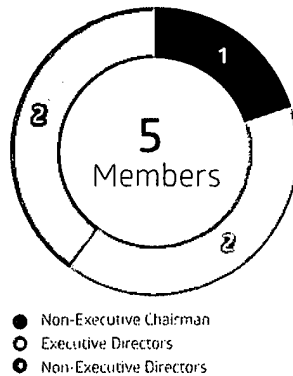
Board composition, responsibilities and activities

MEMBERSHIP OF THE BOARD

During the financial year, Ian Griffiths retired as a Director on 12 November 2019. In expectation of this retirement after nine years of service, Tim Cooper was appointed as a Director on 13 November 2018. Having served for 12 months as a member of the Remuneration Committee, Tim was appointed as Chairman of the Committee following Ian's retirement. David Landless, the Chair of the Audit Committee, was appointed to the role of Senior Independent Director to replace Ian.

The Board continues to have a balance of Executive and Non-Executive Directors. Currently, the Board comprises a Non-Executive Chairman, two Non-Executive Directors and two Executive Directors as shown below.

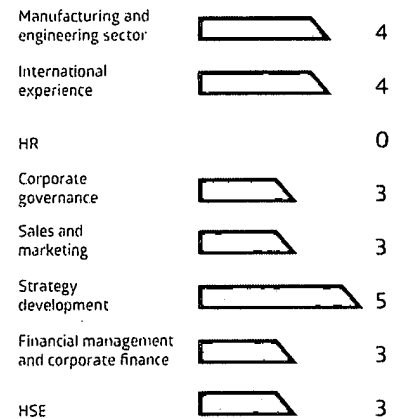
The Board's consideration of its composition in the context of its diversity is set out in the Nomination Committee Report on pages 66 and 67.



EXPERIENCE OF THE BOARD

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

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



RESPONSIBILITIES OF THE BOARD

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

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

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

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

RISK MONITORING

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

The ongoing process for the review of the system of internal controls by the Directors has been in place for the whole of the year ended 31 March 2020 and up to the date of approval of this report and the financial statements.

Internal controls and the risk management processes are reviewed on a regular basis by the Audit Committee, which reports directly to the Board. This review includes a report from the Executive Risk Management and Monitoring Committee (ERMMC) after each meeting to the Audit Committee.

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

The Board has also reviewed and considered in detail the consequences of the control failings at the Gears business unit and the impact upon the Group's financial results.

Further details about the composition and activities of the ERMMC and the Group's risk management framework can be found on pages 30 and 31 of the Strategic Report. A description of the Audit Committee's oversight of the ERMMC can be found in the Audit Committee Report on page 60.

INDIVIDUAL DIRECTORS' KEY RESPONSIBILITIES

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

TITLE	RESPONSIBILITY
CHAIRMAN Mark Harper	To ensure the effectiveness of the Board in setting the direction of the Company and the agenda of the Board.
CHIEF EXECUTIVE Robert Purcell	To manage the business and implement the strategy agreed by the Board.
FINANCE DIRECTOR Ian Scapens	To ensure sound financial management of the Group's business and provide strategic and financial guidance to ensure that the Company's financial commitments are met.
SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR David Landless	In addition to the role of an independent Non-Executive Director, to ensure that the views of each Non-Executive Director are given due consideration and act as a sounding board for the Chairman.
INDEPENDENT NON-EXECUTIVE DIRECTOR Tim Cooper	To constructively challenge the Executive Directors and help develop proposals on strategy, including satisfying themselves on the integrity of financial information and ensuring financial controls and systems of risk management are robust and defensible.

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

Corporate Governance Report

BOARD AND COMMITTEE MEMBERSHIP AND ATTENDANCE

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

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

The table below shows the number of meetings of the Board and its Committees during the year and individual attendance by Board and Committee members at those meetings. Seven core meetings have been

held this year, supplemented by additional meetings to support the investigation and resolution of the issues surrounding the historical accounting misstatements in the Gears business unit. In addition, the Board met for a separate full day to discuss the further evolution of the Group's Strategic Plan.

	Mark Harper ¹	Robert Purcell ²	Ian Scapens ²	Ian Griffiths ³	David Landless	Tim Cooper
BOARD 9 meetings	9	9	9	5	9	9
AUDIT COMMITTEE 6 meetings	6	6	6	4	6	6
NOMINATION COMMITTEE 4 meetings	4	4	4	2	4	4
REMUNERATION COMMITTEE 6 meetings	6	6	6	3	6	6
ERMM COMMITTEE 3 meetings	-	3	3	-	-	-

¹ Mark Harper attended Audit and Remuneration Committee meetings or part thereof by invitation

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

³ Prior to his resignation in November 2019, Ian Griffiths attended all Board, Audit, Nomination and Remuneration Committee meetings other than two Board meetings, one Nomination Committee meeting and one Remuneration Committee meeting, which were missed due to illness.

BOARD FOCUS DURING THE YEAR

During the year ended 31 March 2020, the Board has provided its main focus on the following matters:

	OVERVIEW	ACTIVITY IN YEAR	STRATEGIC OBJECTIVE*
GOVERNANCE AND RISK	<ul style="list-style-type: none"> Implementation and review of compliance with the requirements of the QCA Code. Ensure a sound system of internal control and risk management including review of the Group risk profile. 	<ul style="list-style-type: none"> Consideration of the QCA Code and the implications of re-listing the Company's ordinary and preference shares on AIM. Consideration of the Viability Statement and agreeing the Group's risk profile, principal risks and uncertainties and risk appetite. Review of the effectiveness of the risk management and internal control systems. Conducting and reviewing an evaluation of the effectiveness of the Board and its Committees. 	A G
STRATEGY	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> Board Strategy Day held to debate and discuss the Group's performance under the Strategic Plan. Supporting the Chief Executive in the evolution of the Strategic Plan. Review of ERP effectiveness and monitoring progress of new ERP implementation. Review of customer service enhancement initiatives including the 'Step 2 Service' service improvement programme. Oversight of performance improvement programme following the relocation of the Chain manufacturing facility in China. Received presentations from Group senior management on operations and continued implementation of the Strategic Plan across the divisions and functions. Considered and approved, for subsequent approval by shareholders, the cancellation of listing on the Official List and admission to trading on AIM. 	A B C E F G
LEADERSHIP	<ul style="list-style-type: none"> Responsibility for the overall leadership of the Group and setting the Group's Values. Setting the 'tone from the top'. 	<ul style="list-style-type: none"> Monitoring health and safety performance. Succession planning in relation to the Board and senior management. Support to ongoing organisational development. 	A F
FINANCIAL STEWARDSHIP	<ul style="list-style-type: none"> Approval of financial reporting and controls. Approval of relevant policies. Review of system of internal control. 	<ul style="list-style-type: none"> Review of investigation of issues identified at the Gears business unit. Review and monitoring of the improvement to the financial control environment following the accounting issues identified in the Gears business unit. Approval of the annual operating and capital expenditure budgets. Review of monthly business performance reports. Review of dividend policy. Review and approval of the half-year and full-year results and related announcements. Review and approval of the delegated authorities matrix. Review and approval of the Group tax strategy. Specific approval for major capital investment projects. Review of matters affecting the Group involving material litigation or disputes. 	B E G
SHAREHOLDER RELATIONS	<ul style="list-style-type: none"> Ensuring a satisfactory dialogue with shareholders, including approval of key information to shareholders. 	<ul style="list-style-type: none"> Received and discussed feedback from roadshows and presentations to shareholders. Approval of Annual Report and Accounts and information to shareholders for the AGM. 	

* See key on page 33

Corporate Governance Report

EXPECTED BOARD FOCUS FOR NEXT YEAR

The Board will continue to review the areas set out in the table on page 55. In addition, it is anticipated that the following areas will receive focus by the Board for the year ending 31 March 2021.

- Review and monitor management's response to the Covid-19 pandemic supporting the safety and wellbeing of all employees and ensuring the viability of the Group in uncertain market conditions.
- Review the Group's capital structure in view of the trading environment and determine the appropriate allocation of cash generation.
- Continue to monitor progress and governance of the Strategic Plan.
- Consider Board composition and succession planning, to include succession for senior management.
- Review the Group's governance structures to align with regulatory developments and evolving market practice.

In light of the findings of the independent investigation into the accounting issues at the Gears business unit, the Board, in conjunction with the Audit Committee, has reviewed the robustness of the internal control environment, taking into account the findings of the independent investigation including identified control weaknesses. In response to findings raised by Deloitte, the Board has ensured improvements are appropriately implemented and continues to monitor compliance.

DIRECTOR INDUCTION AND DEVELOPMENT

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

the Remuneration Committee in relation to market trends in executive remuneration. As part of the re-listing of the Group's shares on AIM, the Board has received training from Peel Hunt in relation to AIM rules and the requirements of the QCA Code.

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.

Prior to a cessation of travel due to the Covid-19 pandemic, the Executive Directors have continued to visit Renold sites around the world, including the USA, India, China, Germany, Malaysia and Australia. The Board itself also met during the year at Renold's manufacturing sites in Jintan, China and Einbeck in Germany.

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 is supportive of the principle of evaluation of the Board, as set out in paragraph B.6 of the 2016 Code, and recognises that evaluation of its performance is important in enabling it to realise its maximum potential. A formal process for evaluating the performance of the Board, its members and its Committees is conducted annually. This process gives the Directors the opportunity to identify areas for improvement both jointly and individually through the use of questionnaires and/or open discussion. An evaluation of the Chairman is also carried out annually, led by the Senior Independent Non-Executive Director.

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

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

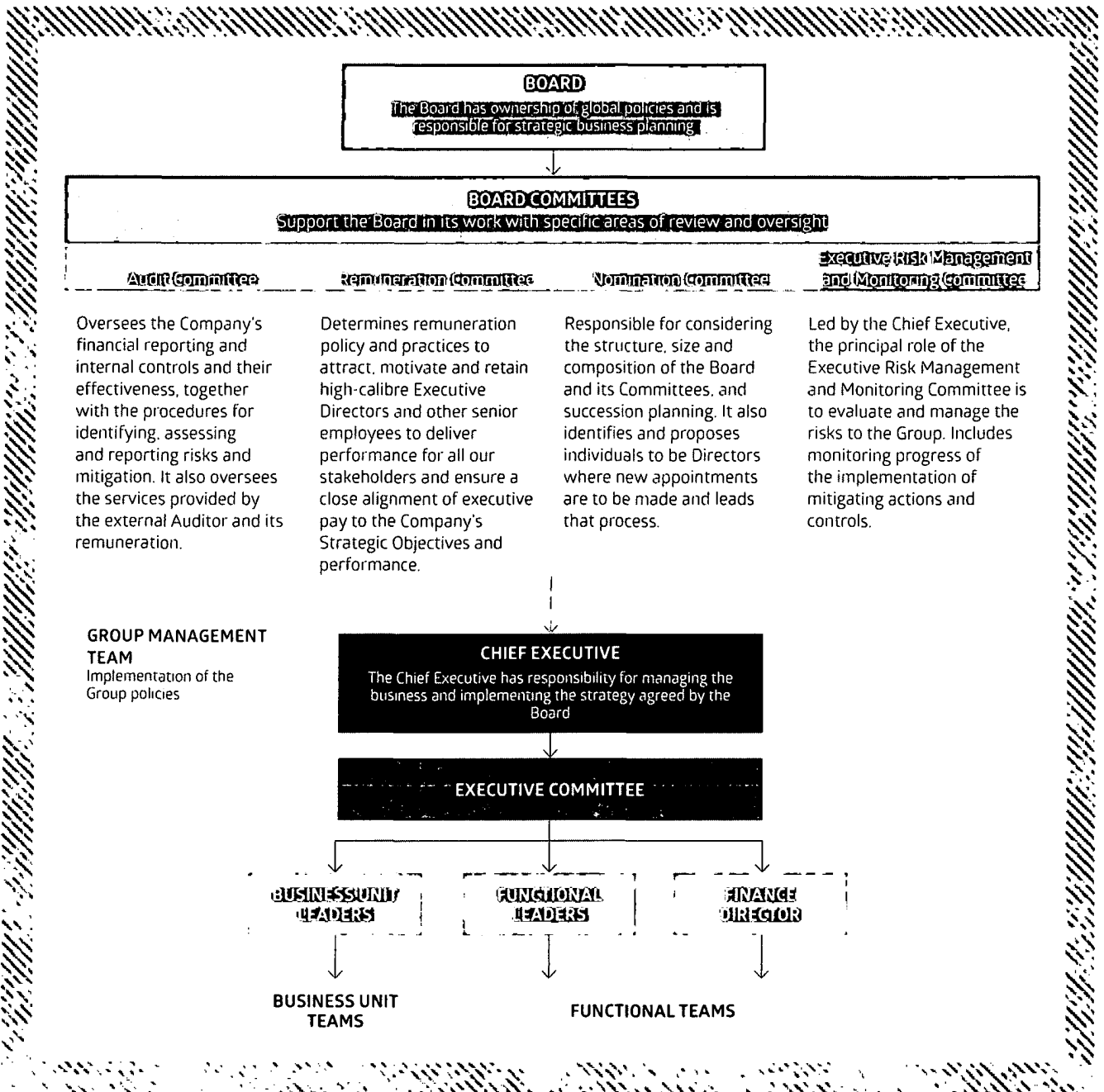
In accordance with the 2016 Code, the evaluation process also included a number of discussions during the year between the Chairman and the Non-Executive Directors, without the Executive Directors present, to discuss feedback arising from the process and the performance of each Executive Director. The Senior Independent Director also met with the other Directors as part of the Chairman's performance evaluation process.

ELECTION OF DIRECTORS

The 2016 Code recommends that all Directors of FTSE 350 companies should be subject to annual election by shareholders. This provision is not applicable to the Company. However, with a view to complying voluntarily with all terms of the 2016 Code, where practical, all Non-Executive Directors are subject to annual election.

Biographical and experience details of the current Directors appear on pages 50 and 51. Further details of the Directors' service contracts and letters of appointment are set out in the Directors' Remuneration Report.

GOVERNANCE STRUCTURE



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

THE BOARD AND ITS COMMITTEES

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

INTERNAL CONTROL

During the year ended 31 March 2020, the responsibility to review internal control effectiveness was delegated to the Audit Committee and reported to the Board as follows:

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

In addition, following identification of accounting issues in the Gears business unit, the Board has, in conjunction with the Audit Committee, completed an independent investigation into the issues. The identified control weaknesses were addressed as a matter of priority and the Board and Audit Committee continue to closely monitor compliance in this area.

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

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

FINANCIAL REPORTING

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

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

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

FAIR, BALANCED AND UNDERSTANDABLE REPORTING

The Annual Report and Accounts taken as a whole must be fair, balanced and understandable. The process for ensuring the Annual Report and Accounts meets the fair, balanced and understandable requirement involves it being reviewed in the first instance by a Disclosure Committee and subsequently the Audit Committee and the Board. Further details on this process are in the Audit Committee Report on page 60 and the Director's responsibility statement for the fair, balanced and understandable requirement is on page 87.



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 meet shareholders on request, can attend shareholder visits at Company sites and are available for discussions with analysts and the Company's broker.

The reporting calendar is driven by the publication of interim and final results each year, in which the Board reports to shareholders on its management of the Company. Formal regulatory news service announcements are also made in accordance with the Company's reporting obligations. Comments on Group financial performance in the context of the business risks faced and objectives and plans for the future are set out in the Strategic Report on pages 10 to 47.

The Company continues to keep shareholders informed of its strategy and progress at other times during the year, with updates provided to the London Stock Exchange and shareholders via the Company's website, investors.renold.com. The Board receives feedback from the Company's NOMAD, Peel Hunt, throughout the year. In addition, the Chief Executive and Finance Director meet with major shareholders and potential investors to discuss Group strategy and performance and update the Board as a whole at each meeting. The Board also receives reports prior to each Board meeting which set out the main changes to the composition of the Company's share register.

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

ANNUAL GENERAL MEETING

The AGM will be held at 11.00am on Wednesday, 24 July 2020 at the Company's registered office at Trident 2, Trident Business Park, Styal Road, Wythenshawe, Manchester, M22 5XB.

As explained by the Chairman in his letter, at this unprecedented time, and in common with other listed companies, Renold will be holding a closed AGM with only two director/shareholders present.

Notice of the AGM will be sent to shareholders at least 21 business days before the meeting. Shareholders are encouraged to use their proxy vote to appoint the Chairman of the meeting as their proxy.

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 the London Stock Exchange and published on the company website at investors.renold.com.

All resolutions were passed at last year's AGM.

Audit Committee Report



“During the year, the Committee’s focus has centred upon the integrity of the Group’s financial reporting and the continuing development of the internal control environment and risk management processes.”

**DAVID LANDLESS,
CHAIRMAN OF THE AUDIT
COMMITTEE**

KEY OBJECTIVES

In support of the Board’s duty of stewardship, the Committee aims to ensure appropriate corporate governance is applied to the Group’s systems of internal control, risk management, financial reporting, internal audit and other compliance matters such as UK anti-bribery legislation. We monitor the integrity of financial information published externally for use by shareholders. We also ensure that the integrity of the financial statements is supported by an effective external audit.

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

GOVERNANCE

The terms of reference of the Audit Committee were reviewed during the year and have been updated to reflect the change in Corporate Governance Code adopted by Renold following the re-listing on AIM, various administrative changes and clarifications to simplify and avoid duplication. The terms of reference are available on the Company’s website, www.renold.com.

RESPONSIBILITIES

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

- The integrity and compliance of the financial information provided to the shareholders, including the Strategic Report and Financial Statements.
- The appropriateness of accounting policies and the supporting key judgements and estimates.

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

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

COMPOSITION

The Committee, of which I am the Chairman, consists of two Non-Executive Directors. Tim Cooper, was a member of the Committee throughout the year. Ian Griffiths was a member of the Committee until his retirement as a Non-Executive Director on 12 November 2019.

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

AUDIT COMMITTEE MEMBERS AND MEETINGS ATTENDED

Name	Position	Meetings attended
David Landless	Chairman	6 of 6
Ian Griffiths ¹	Non-Executive Director (retired November 2019)	4 of 4
Tim Cooper	Non-Executive Director	6 of 6

¹ Ian Griffiths attended all meetings prior to his retirement in November 2019.

Biographical details and experience of members are set out on pages 50 and 51.

EXPERTISE

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

COMMITTEE MEETINGS

The Committee meets at least four times each year. During the year ended 31 March 2020 the Committee met six times with the additional meetings being arranged to address the accounting issues in the Gears business unit (which were reported on in the Annual Report and Accounts for the year ended 31 March 2019) and, more particularly, to approve and monitor improvements in the financial control environment across the Group. The meetings are attended by the independent Non-Executive Directors (the members), the Company Secretary and, by invitation, the Chairman, the Chief Executive, the Group Finance Director, the Group Head of Risk and Assurance and the Group Financial Controller. Full details of Director attendance during the year are set out in the table of all Committee meetings on page 54.

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

RESPONSE TO THE HISTORICAL MISSTATEMENT OF RESULTS IN THE GEARS BUSINESS UNIT

During the early part of this financial year, a review of the Gears business unit was undertaken which identified a historical misstatement of results in this business unit. The approach to the investigation and the conclusions were outlined in my report included in the revised Annual Report and Accounts for the year ended 31 March 2019.

Following the identification of these issues, the Committee has ensured improvement in the control environment, following the findings of the independent investigation and the recommendations from the Group's Auditor. This has included:

- Implementation of financial reporting processes and procedures that require a greater degree of approval and oversight across all areas of financial reporting;
- An ongoing programme of activity designed to reduce the level of manual input required by the Group's reporting procedures, with certain solutions being rolled out alongside the wider M3 ERP system roll-out across the Group;
- Additional manual compliance and control checks being implemented in advance of systemised solutions being rolled out across the wider Group;
- Amendment of the Group's internal audit programme, with a greater focus on financial control compliance.

MAIN ACTIVITIES OF THE COMMITTEE DURING THE YEAR

During the year, the Committee met to assess the implications of the historical misstatement of results in the Gears business unit and the implications on the Annual Report and Accounts for the year ended 31 March 2019. The Committee determined that it was appropriate to revise the Annual Report and Accounts and following this recommendation to the Board, a revised Annual Report and Accounts was prepared and made available to shareholders on 27 August 2019.

The Committee also met to consider proposals from the external Auditor regarding the approach to the audit strategy for the year ended 31 March 2020 and reviewed the findings of that audit. It also considered the results of internal audit activity during the year.

The Committee's prime areas of focus have been:

- The integrity, completeness and consistency of financial reporting and disclosures, including the adoption of the new accounting standard relating to leasing;
- The areas where significant judgements and estimates are required in the preparation of the financial statements, including those outlined on pages 62 to 64;
- The materiality level to apply to the audit;
- Whether the going concern basis should continue to apply in the preparation of the financial statements and the appropriateness of the Board's statement on viability;
- The appropriateness of presenting alternative performance measures and the clarity of disclosure relating to these measures;
- The appropriateness of the improvements to the internal control environment implemented following the identification of historical misstatement of results in the Gears business unit (as summarised above);
- Ensuring the amended internal audit areas of focus are being appropriately assessed, reported on and followed up as required.

Audit Committee Report

SIGNIFICANT ISSUES CONSIDERED IN RELATION TO THE FINANCIAL STATEMENTS

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

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

The Committee's considerations are supported by input from other assurance providers, e.g. the Group's actuarial advisers and the Group Head of Risk and Assurance, as well as our external Auditor.

The Covid-19 pandemic has created significant uncertainty in markets in which Renold operates. While it is difficult to accurately quantify these effects on financial performance, the Committee has reviewed various future scenarios, including a severe but plausible downside scenario, produced by management incorporating mitigating actions which have in many cases already been implemented. The Committee has reviewed the Group's cash flow forecasts taking into account available funding headroom and covenant tests

Under the severe but plausible downside scenario, while there is sufficient liquidity in the business for at least 12 months from the date of approval of these financial statements, there is the potential for a covenant breach during the test period. This indicates a material uncertainty which may cast significant doubt over the Company's and Group's ability to continue as a going concern without further mitigating actions

The Committee is aware that lenders to the Group have expressed a strong commitment to support the business through this difficult period, including by amending the covenant test structure to introduce greater flexibility. Moreover, Government measures are also being implemented to support businesses economically through the downturn and this reinforces the Committee's view that the going concern principle remains appropriate in preparing the financial statements

Summarised in the table below are some of the significant issues the Committee considered during the year in relation to the financial statements. These are separated into items of particular focus this year and recurring items that the Committee regularly addresses. The table also sets out the key performance indicators impacted by each of these issues in the financial statements, their relevance to the financial statements and an assessment of the degree of judgement required in concluding on each item.

Review matters	Relevant KPIs	Relevance	Judgement required
Pension accounting and disclosure	Financing charges Net assets	<ul style="list-style-type: none"> IAS 19R finance charge £2.2m (2019: £2.4m) Net pension liability £97.6m (2019: £101.9m) 	Moderate
Carrying value of intangible assets, deferred tax assets and investments in subsidiary undertakings	Adjusted results Net assets	<ul style="list-style-type: none"> Amortisation charge £0.9m (2019: £0.9m) Net intangible assets £8.0m (2019: £6.6m) Deferred tax assets £20.4m (2019: £21.5m) Unrecognised deferred tax assets £22.2m (2019: £20.8m) Investments in subsidiary undertakings (Company balance sheet) £62.0m (2019: £62.0m) 	High
Inventory valuations and provisioning	Inventory value Average working capital ratio Net assets	<ul style="list-style-type: none"> Net inventory value £46.1m (2019: £44.3m) Working capital percentage of sales 23% (2019: 23%) Net liabilities £0.4m (2019: £0.9m) 	Moderate
Restructuring costs	Adjusted results RoS%	<ul style="list-style-type: none"> Adjusted operating profit impact £2.4m (2019: £2.9m) RoS impact 1.3% (2019: 1.4%) 	Moderate

PENSION ACCOUNTING AND DISCLOSURE

(RECURRING ANNUAL ITEM: SEE NOTE 18 TO THE FINANCIAL STATEMENTS)

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

Assumption sensitivity	Change in liability
Impact of 0.5% increase in UK discount rates	£12.6m decrease
Impact of 0.5% decrease in UK discount rates	£14.0m increase
Impact of 0.5% increase in UK inflation rates	£8.6m increase
Impact of 0.5% decrease in UK inflation rates	£9.4m decrease
Impact of 1 year higher life expectancy in UK	£8.9m increase

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

The Committee has also encouraged additional disclosure of financial information in respect of defined benefit pension schemes. Largely graphical in nature, this is designed to give greater clarity of the risks, issues and opportunities in what is a complex area of accounting: see pages 28 and 29 of the Finance Director's Review.

The Committee has reconsidered the treatment of financing charges and administration costs of the closed defined benefit pension schemes for the purposes of assessing underlying performance as reported in adjusted operating profit and adjusted EPS. The costs involved relate to closed legacy pension schemes that have no bearing or relevance to understanding the underlying performance of the ongoing business. However, the Committee, after considering professional advice, has concluded that in order to provide greater comparability in financial reporting with other similar businesses, Renold will no longer exclude pension costs from adjusted results. Prior year numbers have been restated to be consistent with this approach.

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

CARRYING VALUE OF INTANGIBLE ASSETS, DEFERRED TAX ASSETS AND INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

(RECURRING ANNUAL ITEM: SEE NOTES 7, 8 AND 17 TO THE FINANCIAL STATEMENTS)

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

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

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

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

INVENTORY VALUATIONS AND PROVISIONING

(RECURRING ANNUAL ITEM: SEE NOTE 11 TO THE FINANCIAL STATEMENTS)

As a manufacturer, the Group adds value to raw materials as part of its normal production processes. In order to provide shorter lead times and better customer service, the Group also holds a significant amount of stock. Inventory therefore represents a material component of the Group's balance sheet. The basis of valuation includes the allocation of amounts for

labour and overhead costs which require the exercise of management judgement. The overall process is governed by accepted accounting methodologies for the absorption of labour and overheads into stock. While these methodologies help to reduce risk, based on the scale of inventory holdings and the extensive product range, the overall level of judgement required is assessed as moderate.

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

VIABILITY STATEMENT

(RECURRING ANNUAL ITEM: SEE PAGE 37)

The Board is required to assess the prospects of the Company over a period longer than 12 months from the approval of the financial statements.

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

The Company's full Viability Statement can be found on page 37 of the Strategic Report. Other recurring matters reviewed by the Committee:

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

Audit Committee Report

RESTRUCTURING COSTS (CURRENT YEAR FOCUS ITEM: SEE NOTE 2(C) TO THE FINANCIAL STATEMENTS)

The STEP 2020 Strategic Plan envisaged a number of years of restructuring activity within the Group. Each year the Committee focuses on and challenges management's allocation of costs and credits between adjusting and ordinary items. We ensure that the adjusting items genuinely need to be excluded so as to allow users of the accounts to form an accurate assessment of the performance of the underlying business.

We concluded that the net charges were sufficiently material and not related to the underlying business so as to require separate disclosure

INTERNAL CONTROL, RISK AND COMPLIANCE

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

Following the identification of historical accounting issues in the Gears business unit, the Committee has considered the findings of the independent investigation and the recommendations from the Group's Auditor and ensured that appropriate improvements to the control environment have been implemented. The specific actions implemented have been outlined earlier in this report.

The Executive Risk Management and Monitoring Committee (ERMMC) receives regular reports from the Group Head of Risk and Assurance to convey the status of risk profiles and actions arising from the risk assessment process. The ERMMC reports the results of its meetings to the Committee.

Further details of our internal control and risk management systems, including the financial reporting process, can be found on pages 30 and 31. Our primary risk factors are shown in the Strategic Report on pages 32 to 36

CONFIDENTIAL REPORTING PROCEDURES AND WHISTLE-BLOWING

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

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

INTERNAL AUDIT

The Committee receives and considers reports on the control environment from the Group Head of Risk and Assurance. These reports highlight key improvement themes and recommend areas for business focus, with additional observations provided around root cause analysis and cultural and behavioural themes. In addition, the Committee has visibility of management responses and action tracking via the Group's Integrated Risk Management System at each meeting. The annual internal audit plan, which contains mandatory, risk-based and cyclical review has been revised following the identification of accounting issues in the Gears business unit, with a greater focus on financial control and compliance.

In the new financial year, the annual internal audit plan will include site financial control audits, site health and safety audits and project assurance.

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

EXTERNAL AUDIT

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

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

AUDITOR INDEPENDENCE AND OBJECTIVITY

The independence of the external Auditor is essential to the provision of an objective opinion on the true and fair view presented in the financial statements. Auditor independence and objectivity is safeguarded by limiting the nature and value of non-audit services performed by the external Auditor. The Group has a policy of not recruiting senior employees of the external Auditor, who have worked on the audit in the past two years, to senior financial positions within the Group, and the rotation of the lead engagement partner at least every five years. The current lead engagement partner was appointed during the audit tender process in 2015 and this is therefore the fifth year end he has been in post. The Committee will work with Deloitte to ensure there is no compromise in the suitability, independence and objectivity following the rotation of the lead engagement partner ahead of the audit process for the year ending 31 March 2021

NON-AUDIT SERVICES PROVIDED BY THE EXTERNAL AUDITOR

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

To safeguard the independence and objectivity of the Auditor, the Committee has approved a policy on non-audit services provided by the Auditor in line with professional practice and in accordance with ethical standards published by the Audit Practices Board of the Financial Reporting Council. Control of non-audit services is exercised by ensuring that all non-audit services where fees exceed an agreed limit are subject to the prior approval of the Committee. The policy is available on the Company's website, www.renold.com.

During the year ended 31 March 2020, the Committee continued with the appointment of other accountancy firms to provide non-audit services to the Group and anticipates that this will continue during the year ending 31 March 2021.

Total non-audit services provided by Deloitte during the year ended 31 March 2020 were £nil (2019: £0.1m related to work in support of moving the Company's listing to AIM). Total audit and audit-related fees include the statutory audit fee and fees paid to Deloitte for other services which the external Auditor is required to perform. Examples might include reporting to banking partners in territories where no statutory accounts are required to be prepared. Non-audit fees represent all other services provided by Deloitte not included in the above. There were no significant non-audit services provided by Deloitte in the year.

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

AUDIT FOCUS

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

ASSESSMENT OF EFFECTIVENESS OF EXTERNAL AUDIT

The Committee has a formal system for evaluating the performance and independence of the external Auditor. This system involves active dialogue with the lead engagement partner, a formal questionnaire and feedback process

involving senior management in direct contact with the audit team, and Deloitte's response to accounting, financial control and audit issues as these arise.

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

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

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

Following this year's annual review, the Committee was satisfied with the effectiveness, independence and objectivity of the external Auditor. As noted below, the Committee has made a recommendation to the Board to reappoint Deloitte as the Group's external Auditor and a resolution to that effect will be included in the ordinary business of the AGM to be held on 24 July 2020. There are no contractual obligations restricting the choice of external Auditor nor has the Company entered into any Auditor liability agreements.

AUDIT INFORMATION

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

FAIR, BALANCED AND UNDERSTANDABLE: THE ROLE OF THE DISCLOSURE COMMITTEE

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

The consideration of the fair, balanced and understandable requirement is detailed on page 58. In summary, the Disclosure Committee carried out the following activities:

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

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

COMMITTEE EVALUATION

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

We welcome feedback from shareholders on this report.

DAVID LANDLESS
CHAIRMAN OF THE AUDIT COMMITTEE

16 June 2020

Nomination Committee Report



“We are confident that our current Board is balanced and has a wide range of relevant skills, knowledge and experience.”

MARK HARPER
CHAIRMAN OF THE NOMINATION
COMMITTEE

As previously announced on 12 May 2020, we are pleased to confirm that James Haughey will be joining Renold to replace Ian Scapens as Group Finance Director. We are confident that our current Board is balanced and has a wide range of relevant skills, knowledge and experience. We are committed to maintaining and building on this broad base of skills, and continue to focus on enhancing our succession planning.

KEY OBJECTIVES

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

COMPOSITION OF THE NOMINATION COMMITTEE

Our two Non-Executive Directors are both members of the Committee, which I chair. This year has seen the retirement of Ian Griffiths in November 2019. The Committee meets during the year as required.

NOMINATION COMMITTEE MEMBERS AND MEETINGS ATTENDED

Name	Position	Meetings attended
Mark Harper	Chairman	4 of 4
Ian Griffiths ¹	Non-Executive Director	2 of 3
David Landless	Non-Executive Director	4 of 4
Tim Cooper	Non-Executive Director	4 of 4

¹ Ian Griffiths attended all meetings prior to his retirement in November 2019 other than one which was missed due to illness.

GOVERNANCE

The Committee's terms of reference were reviewed and updated following re-listing on AIM and are available on the Company's website, investors.renold.com.

RESPONSIBILITIES

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

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

POLICY ON APPOINTMENTS TO THE BOARD AND DIVERSITY

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

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

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

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

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

PROCESS FOR SELECTION OF GROUP FINANCE DIRECTOR

Following receipt of the notice of the resignation of Ian Scapens in November 2019, the recruitment process for selection of a Group Finance Director commenced with the Chief Executive and myself initiating an executive recruitment search in December 2019, engaging Odgers Berndtson to assist with the process. The brief was to identify potential candidates who have appropriate skills and experience to successfully deliver the role, with a view to making an appointment which supports our diversity aspirations, if appropriate to do so. Early on in the process it was made clear that there was a very small pool of candidates who would satisfy the diversity criteria and that the scale of Renold's operations would not have appeal to such candidates.

A longlist of candidates was prepared in conjunction with Odgers Berndtson. Those candidates were then interviewed, initially by the Chief Executive and the Group HR Director with a shortlist of candidates subsequently interviewed by myself and the other Directors.

In the meeting held on 23 April 2020, the Nominations Committee recommended the appointment of James Haughey as Group Finance Director of the Company. James is expected to start his role during November 2020.

BOARD COMPOSITION

During the current reporting period, we experienced a period of change for the Board. 2019 saw the retirement of Ian Griffiths as a Non-Executive Director and the subsequent appointment of David Landless as the Senior Independent Director and Tim Cooper as Chairman of the Remuneration Committee. We now have a Board consisting of five members, with two Executive Directors and two Non-Executive Directors.

The Committee considers that the current capability of the Board has been appropriate in the current reporting period. This view reflects the need to deliver excellent corporate governance while balancing the need for cost control as we continue to progress the Group's strategy.

Other than in relation to gender and ethnicity, the current Board is diverse in terms of the different skill sets of each member. These include professional qualifications and career work experience but also wider experience relevant to our global business with most of the Board members having worked and lived overseas for significant periods. For further information, see the chart on page 52.

SUCCESSION PLANNING AND RESPONSIBILITIES OF DIRECTORS

Our previously outlined succession planning enabled an orderly handover of responsibilities with Tim Cooper succeeding Ian Griffiths as Chairman of the Remuneration Committee, slightly earlier than scheduled, in November 2019.

OTHER SUCCESSION PLANNING

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

EFFECTIVENESS REVIEW

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

MARK HARPER CHAIRMAN OF THE NOMINATION COMMITTEE

16 June 2020

Directors' Remuneration Report

Annual Statement



“The Remuneration Policy was reviewed and approved by shareholders at the 2019 AGM. The Committee believes that this policy continues to align executive remuneration arrangements with the interests of our stakeholders.”

TIM COOPER
CHAIRMAN OF THE
REMUNERATION COMMITTEE

Following the retirement of Ian Griffiths, this is my first report as Chairman of the Remuneration Committee. I have worked closely with Ian since joining the Committee and would like to take this opportunity to thank him for his support and counsel during this period. It was pleasing to see the strong investor support for our remuneration arrangements at the last AGM and the Committee continues to be mindful of the views of the Company's stakeholders, particularly in these challenging and fast changing times. In view of the Covid-19 pandemic, the Committee is sensitive to developing 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 potential windfall gains.

The Remuneration Policy as outlined in last year's Annual Report and Accounts was reviewed and approved by shareholders at the 2019 AGM. The Committee believes that this policy continues to align executive remuneration arrangements with the interests of our shareholders while supporting the delivery of the Company's Strategic Objectives.

STRUCTURE OF OUR DIRECTORS' REMUNERATION REPORT

This report is on the activities of the Remuneration Committee for the period to 31 March 2020. It sets out the Remuneration Policy and remuneration details for the Executive and Non-Executive Directors of the Company. It has been prepared in accordance with Schedule 8 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended in August 2013.

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

- The Committee and its Activities, which sets out the responsibilities and work undertaken by the Remuneration Committee.
- The At a Glance section, which gives an easily accessible overview of this year's Directors' Remuneration Report.
- The Directors' Remuneration Policy, which sets out the Company's policy on Directors' remuneration which is intended to apply for three years from the 2019 AGM.
- The Annual Report on Remuneration, which shows the implementation of the Directors' Remuneration Policy during the year ended 31 March 2020 and how it is proposed to be applied for the year ending 31 March 2021.

The Directors' Remuneration Policy was approved at the 2019 Annual General Meeting on 20 September 2019 and took effect from this date. The Annual Report on Remuneration provides details on remuneration in the period and other information required by the Regulations. It will be subject to an advisory shareholder vote at the 2020 Annual General Meeting.

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

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

KEY REMUNERATION OUTCOMES FOR THE YEAR

Following no increases in the Chief Executive's salary since his appointment in January 2013, a review was undertaken in the year, resulting in a 3.3% increase, effective from 1 August 2019. The Group Finance Director's salary has remained unchanged in the year to 31 March 2020.

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

- **Annual bonus:** Partially as a result of the impact of the Covid-19 pandemic, the Company delivered a reduced EBITDA in the year, and net debt increased, reflecting a number of factors including the purchase of the joint venture share of the Indian Chain company.

The Committee assessed performance against adjusted EBITDA and net debt targets (both based on constant budgeted exchange rates) set at the beginning of the year, as follows. The adjusted EBITDA for the year ended 31 March 2020 of £22.1m was below the target range of £23.3m to £25.3m. Average net debt during the year was £39.2m and was above the bonus matrix target threshold of £38.4m. In accordance with the rules of the bonus scheme, the Committee concluded that no bonus was earned or payable.

- **PSP:** The performance period for the PSP awards granted in June 2017 ended on 31 March 2020. The performance conditions required growth of 10% per year in adjusted EPS for threshold vesting. Adjusted EPS decreased over the testing period from 3.0p for the period ended 31 March 2017 to 2.9p (measured on a basis consistent) for the period ended 31 March 2020, and therefore the awards will not vest.

RESPONSE TO THE COVID-19 PANDEMIC

As outlined in the Chief Executive's Review on page 16, a broad range of corporate actions have been implemented in response to the unique circumstances arising as a result of the Covid-19 pandemic. Specifically in relation to remuneration, the Executive Directors have elected to take a reduction in salary of 25% and the Non-Executive Directors a reduction in fees of 20%, commencing on 1 April 2020 for an initial four-month period.

The duration of this voluntary reduction will be reviewed periodically and may be extended or reduced.

EXECUTIVE DIRECTOR CHANGES

As announced in November 2019, Ian Scapens has resigned and will step down from his role as Group Finance Director in June 2020. Ian will not be entitled to any bonus in respect of the year ending 31 March 2021 and all outstanding LTIP awards will lapse.

As announced on 12 May, James Haughey will replace Ian as Group Finance Director and is expected to be appointed in November 2020. His remuneration package will be aligned with that of Ian, including a salary of £200,000, but with a reduced pension entitlement at 7.5% of salary, which is aligned with the pension provision for the wider UK workforce.

REMUNERATION POLICY

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

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

Good progress has been made under the Strategic Plan, but there remains much to do to fully deliver upon the Strategic Objectives of the Group. However, the Committee firmly believes that the Long Term Incentive Plan (LTIP) continues to appropriately incentivise the Executive Directors and supports the delivery of the Strategic Objectives. In addition, the shareholding requirements for Executive Directors will continue to align management's interests with those of shareholders.

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

The Committee continues to focus on clear reporting of past remuneration and future policy. We are aware that the landscape for executive pay is changing. We will respond to changes and best practice as they develop in so far as they are appropriate to the Company's governance regime.

TIM COOPER
CHAIRMAN OF THE REMUNERATION COMMITTEE

16 June 2020

Directors' Remuneration Report

The Committee and its Activities

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

REMUNERATION COMMITTEE COMPOSITION AND MEETINGS ATTENDED

The members of the Committee are the Non-Executive Directors, all of whom are considered by the Board to be independent. Members of the Committee during the year are set out below and further biographical details can be found on pages 50 and 51.

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
Ian Griffiths ¹	Chairman (resigned November 2019)	3 of 4
Tim Cooper	Non-Executive Director and Chairman from November 2019	6 of 6
David Landless	Non-Executive Director	6 of 6

¹ Ian Griffiths attended all meetings prior to his resignation in November 2019, other than one meeting which was missed due to illness.

The Executive Directors, the Chairman of the Board and the Group HR Director attend meetings by invitation. PwC, the external advisers to the Committee, also attend meetings by invitation. Further details in relation to PwC's engagement as adviser to the Committee can be found below. No Director is involved in deciding his 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 and have been updated to reflect the re-listing on AIM. The terms of reference are available on the Company'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 2020 and this review concluded the Committee has operated effectively.

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

KEY RESPONSIBILITIES OF THE COMMITTEE

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

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

ADVISER TO THE COMMITTEE

During the year, the Committee received independent advice from PwC in relation to remuneration reporting, operation of the Company's share plans, advice on long-term incentive performance measurement and information on market trends in executive remuneration. Total fees for services provided over the year amounted to £17,250.

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

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

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

MAIN ACTIVITIES OF THE COMMITTEE DURING THE YEAR

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

Theme	Agenda items
Best practice	Considering the current UK 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	<p>Reviewing the base salaries payable to each of the Executive Directors</p> <p>Reviewing performance under the annual bonus scheme and consideration of any bonuses payable for the financial year ended 31 March 2020</p> <p>Approving the annual bonus structure, quantum and performance targets for the financial year ending 31 March 2021</p> <p>Approving the awards made under the Company's Performance Share Plan (PSP) during the year</p> <p>Recommending the remuneration package for James Haughey</p>
Chairman	Reviewing the fee payable to the Chairman
Committee performance	Reviewing the Committee's performance
Performance of external advisers	Reviewing the performance of PwC and considering whether to retain them as external remuneration consultants
Policy	Reviewing and determining administrative amendments to the Company's PSP scheme rules
Terms of reference	Reviewing the Committee's terms of reference to ensure that such terms are consistent with and in compliance with the QCA Code and the AIM Rules for Companies

Directors' Remuneration Report

At a Glance

OUR REMUNERATION PRINCIPLES AND ELEMENTS OF REMUNERATION

Principle	Attract, retain and motivate Executive Directors to deliver high performance	Align Executive Director pay to Company strategy and performance
Elements	<ul style="list-style-type: none"> Fixed pay Base salary Pension Other benefits 	Short-term variable <ul style="list-style-type: none"> Annual bonus Long-term variable <ul style="list-style-type: none"> PSP
Purpose	<ul style="list-style-type: none"> Provide appropriate level of minimum pay commensurate with role 	<ul style="list-style-type: none"> Drive annual Company performance Align to earnings generation and shareholder value

HOW WE HAVE PERFORMED THIS YEAR

Element	Measure	Threshold target	Maximum target	Actual
Bonus¹	Adjusted EBITDA	£23.3m	£25.3m	£22.1m
	Average net debt	£38.4m	£35.9m	£39.2m
PSP	Growth in adjusted EPS	10% p.a. growth	15% p.a. growth	1% ² p.a. decline

¹ The 'actual' amounts disclosed are calculated using constant budgeted exchange rates in accordance with the rules of the Scheme.

² Measured on a consistent basis.

SINGLE TOTAL FIGURE OF REMUNERATION FOR EXECUTIVE DIRECTORS

Executive Directors	Salary (£'000)	Benefits (£'000)	Bonus (£'000)	LTIP (£'000)	Pensions (£'000)	Total 2020 (£'000)	Total 2019 (£'000)
Robert Purcell	307	25	–	–	46	378	434
Ian Scapens	200	13	–	–	30	243	283

GOVERNANCE

Directors' Remuneration Report

Directors' Remuneration Policy

INTRODUCTION

This section of the Directors' Remuneration Report (from pages 73 to 77) sets out the Company's Remuneration Policy for the remuneration of its Directors as adopted by the Company at the 2019 AGM.

The application of the current policy for the year ended 31 March 2020 is set out in the Annual Report on Remuneration on pages 78 to 83.

POLICY REVIEW/TIMING

This Policy Report describes the principles and policy that will be used to set and manage the Directors' remuneration with effect from 20 September 2019, and it is intended this Policy will apply for three years from the date of the 2019 AGM.

REMUNERATION PRINCIPLES FOR EXECUTIVE DIRECTORS

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

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

We believe the mix of our remuneration package provides an appropriate and balanced set of rewards. Executive reward at Renold is relatively modest compared to our peer group and this has been validated by independent third parties. This is consistent with the key Strategic Objective of lowering our breakeven point – this applies to executive pay as much as it does to any business expenditure. However, we are careful to ensure that appropriate incentive opportunities remain for sustainable improvements in business performance.

To ensure a close alignment of executive pay to the Company's Strategic Objectives and performance.

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

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

POLICY TABLE

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

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

Directors' Remuneration Report

Directors' Remuneration Policy

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

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

Directors' Remuneration Report

Directors' Remuneration Policy

SHAREHOLDER VIEWS

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

DISCRETION OF THE COMMITTEE

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

DIFFERENCES IN REMUNERATION POLICY FOR ALL EMPLOYEES

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

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

STATEMENT OF CONSIDERATION OF EMPLOYMENT CONDITIONS ELSEWHERE IN THE GROUP

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

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

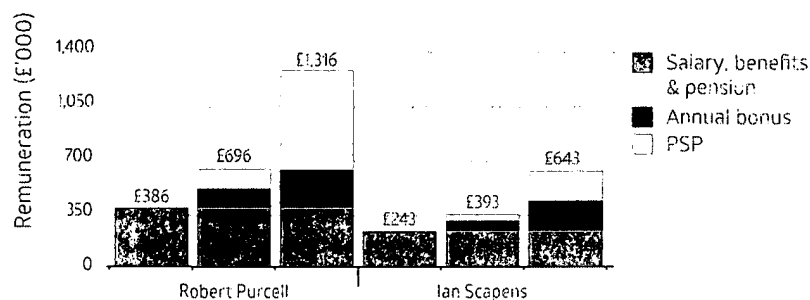
The Committee approves the grant of all PSP awards across the Group.

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

TOTAL REMUNERATION OPPORTUNITY

The chart below demonstrates the total amount of remuneration payable to the Chief Executive, Robert Purcell and Finance Director, Ian Scapens, under the proposed Remuneration Policy for the year ending 31 March 2021 should they achieve minimum, on-target or maximum performance. The amounts shown represent £'000s, and for share-related elements, are the face value of awards.

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



SERVICE CONTRACTS, REMUNERATION AND EXIT PAYMENTS

As a matter of policy, the lengths of service contracts and notice periods are determined by the Committee at the time of appointment in light of the prevailing market practice. Details of the Executive Directors' terms of appointment and notice periods are as follows:

	Commencement of employment	Expiry date of current term/ notice period
Robert Purcell	21 January 2013	No specified term/terminable on 12 months' notice
Ian Scapens	3 January 2017	No specified term/terminable on 12 months' notice

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

CHANGE OF CONTROL

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

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

LEAVERS

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

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

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

APPROACH TO RECRUITMENT REMUNERATION

In the event of the appointment of a new Director, the same principles apply as they do today to the existing Directors. The remuneration package of any new Executive Director would therefore include the elements set out on pages 73 to 75 in accordance with the Company's Remuneration Policy and subject to the same discretions.

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

Where it is necessary to 'buy out' an individual's awards from a previous employer, the Committee will seek to match the value, timing of vesting and type of awards with replacement awards.

Any buy-out awards would be an additional element of remuneration to the normal maxima as set out in the Policy table on pages 73 to 75.

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

EXTERNAL NON-EXECUTIVE DIRECTORSHIPS

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

NON-EXECUTIVE DIRECTORS

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

Fees for the Non-Executive Directors are determined by the Chairman and the Executive Directors. The level of fees is reviewed from time to time with regard to fees paid in comparable organisations and the time commitment required. The

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

The letters of appointment for each of the Non-Executive Directors confirm that their appointment is for a specified term and that reappointment is not automatic. When making a decision on reappointment, the Board reviews the Non-Executive Director's attendance and performance at meetings and the composition and skill of the Board as a whole. Each Non-Executive Director is appointed for an initial period of three years, subject to earlier termination by either party. Thereafter, the appointment may be renewed, provided that both the Non-Executive Director and the Board agree. Their respective appointments continue on an annual basis, subject to re-election at each AGM. The letters of appointment contain no provision for payment or compensation on early termination. Copies of the individual letters of appointment are available for inspection by shareholders by appointment at the Company's registered office.

Directors' Remuneration Report

Annual Report on Remuneration

INTRODUCTION

This section of the Directors' Remuneration Report sets out the remuneration paid to Executive Directors and the fees paid to Non-Executive Directors for the financial year ending 31 March 2020. This section, together with the description of the composition of the Committee, which is set out on page 70 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 24 July 2020.

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:

Executive Director		Salary (£'000)	Benefits (£'000)	Bonus (£'000)	LTIP (£'000)	Pensions (£'000)	Total (£'000)
Robert Purcell	2020	307¹	25	-	-	46	378
	2019	300	29	60	-	45	434
Ian Scapens	2020	200	13	-	-	30	243
	2019	200	13	40	-	30	283

Non-Executive Directors' fees	2020 £'000	2019 £'000	Change ⁵
Mark Harper	121	115	5.2%
Ian Griffiths²	28	43	n/a
David Landless³	47	43	9.3%
Tim Cooper⁴	42	14	n/a

¹ Robert Purcell's salary was reviewed during the year, and he was awarded the first pay increase since joining the Group in January 2013 increasing his salary from £300,000 p.a. to £310,000 p.a. with effect from 1 August 2019.

² Ian Griffiths resigned on 12 November 2019.

³ David Landless became the Senior Independent Director on 12 November 2019, with the increase in fees reflecting this additional role.

⁴ Tim Cooper became Chairman of the Remuneration Committee on 12 November 2019.

⁵ Changes relate to the annual impact of increases and changes in roles outlined in last year's report.

(1) FIXED ELEMENTS OF PAY

(I) BASE SALARY

Following a long period of no salary increases since joining the Group in January 2013, the Chief Executive's salary was reviewed during the year and increased to £310,000 from 1 August 2019. The Group Finance Director's salary was unchanged at £200,000.

The proportion of the Group's basic salary bill attributable to the Executive Directors' base salaries for the year ended 31 March 2020 was 0.84% (2019: 0.83%).

(II) PENSION

The Executive Directors' only pension entitlements are Company contributions equivalent to 15% of base salary. During the year ended 31 March 2020, cash payments of £46,000 (2019: £45,000) and £30,000 (2019: £30,000) were made by the Company to Robert Purcell and Ian Scapens, respectively.

(III) BENEFITS

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

Non-Executive Directors do not receive any benefits.

(2) VARIABLE ELEMENTS OF PAY – AWARDS VESTED 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 average net debt targets. For the year ended 31 March 2020, the annual bonus targets for Executive Directors were based upon the matrix below.

Adjusted EBITDA (£m)	Average Net Debt (£m)				
	38.4	37.7	36.9	36.4	35.9
23.3	-	15.0%	20.0%	30.0%	40.0%
23.8	20.0%	30.0%	35.0%	50.0%	65.0%
24.3	30.0%	45.0%	50.0%	70.0%	90.0%
24.8	45.0%	62.5%	70.0%	82.5%	95.0%
25.3	60.0%	80.0%	90.0%	95.0%	100.0%

Adjusted EBITDA is defined as earnings before interest, tax, depreciation, amortisation, closed defined benefit pension scheme charges and restructuring costs. Average net debt is the net sum of external borrowings and cash and cash equivalents, measured at each month end to produce a simple annual average.

The two metrics shown were structured as a matrix such that failure to deliver a minimum result in either metric led to no bonus being achievable in the other. Similarly, in order to achieve the maximum award, superior performance would be required against both metrics.

For the year ended 31 March 2020, the adjusted EBITDA for the year was £22.1m and the average net debt was £39.2m (measured at budget exchange rates in accordance with the annual bonus rules). In accordance with the rules of the bonus scheme, the Committee concluded that no bonus was earned or payable.

(II) PSP AWARDS PERFORMANCE TESTING

The performance period for PSP awards granted on 5 June 2017 completed on 31 March 2020. The performance conditions applying to these awards are as follows:

Award date	Threshold		Maximum		Performance period
	EPS CAGR	% Vesting	EPS CAGR	% Vesting	
5 June 2017	10%	25%	15%	100%	3 years to 31 March 2020

EPS decreased by 1% (measured on a consistent basis) per annum between 2017 and 2020. As this is below the threshold growth of 10% p.a., none of the awards will vest.

(3) VARIABLE ELEMENTS OF PAY – AWARDS MADE IN THE YEAR

Awards made to Executive Directors during the year under the PSP and associated performance conditions are set out below. Awards equal to 200% of salary were made to the Chief Executive. No awards were made to the Group Finance Director following notification of his intention to resign as a Director of Renold.

	Type of award	Face value	Number of shares ¹	Date of award
Robert Purcell	Nil-cost option	£600,000	1,834,862	22 November 2019

¹ The number of shares was based on the average mid-market share price of 32.7 pence for the three business days preceding the announcement of 9 July 2019 postponing the 2019 AGM

The year ended 31 March 2020 was the seventh year in which awards were made under the PSP. There is a single performance condition attaching to options granted under the PSP during the year such that the award is based on the compound annual growth rate in adjusted EPS over a three-year period (EPS CAGR).

The targets applying to the awards are as follows:

Award date	Threshold		Maximum		Performance period
	EPS CAGR	% Vesting	EPS CAGR	% Vesting	
22 November 2019	5%	25%	10%	100%	3 years to 31 March 2022

On achievement of threshold performance, 25% of the award vests. Straight-line vesting occurs between threshold and maximum performance.

Directors' Remuneration Report

Annual Report on Remuneration

(4) PAYMENTS TO PAST DIRECTORS

No payments were made to past Directors during the year in respect of services provided to the Company as a Director. No payments for loss of office were made to any Directors during the year.

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 2011/12 Vesting 2014/15	Award 2012/13 Vesting 2015/16	Award 2013/14 Vesting 2016/17	Award 2014/15 Vesting 2017/18	Award 2015/16 Vesting 2018/19	Award 2016/17 Vesting 2019/20
Vesting %	Nil	100%	Nil	Nil	Nil	Nil

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

(II) DIRECTORS' INTERESTS

The beneficial interest of each of the Executive and Non-Executive Directors and their connected persons in the ordinary shares of the Company is detailed below and these amounts were unchanged between the year ended 31 March 2020 and the date of this report.

	Shareholding requirement (% of salary)	Shareholding as per Remuneration Policy at 31 March 2020	Shareholding at 31 March 2020 ² (% of salary)
Robert Purcell	200%	5,958,653 ¹	167%
Ian Scapens	100%	231,952	10%

¹ Comprised of 3,748,526 beneficially owned shares and 2,210,127 vested but unexercised options

² Based on a share price of 8.67p at 31 March 2020.

Non-Executive Directors	Shareholding at 31 March 2020
Mark Harper	1,056,449
David Landless	35,000
Tim Cooper	43,482

There have been no changes in the interests of any current Director in the share capital of the Company between 1 April 2020 and the date of this report.

The Chief Executive and Finance Director are required to build up a shareholding as shown above over a five-year period. This includes beneficially owned shares and vested but unexercised options. Unvested shares are not counted within the shareholding requirement. The table above sets out the extent to which this requirement was met as at 31 March 2020. No such minimum shareholding requirement exists for Non-Executive Directors.

(III) DIRECTORS' SHARE OPTIONS

Awards over shares in which the Executive Directors retain an interest are detailed in the table below and were unchanged between the year ended 31 March 2020 and the date of this report.

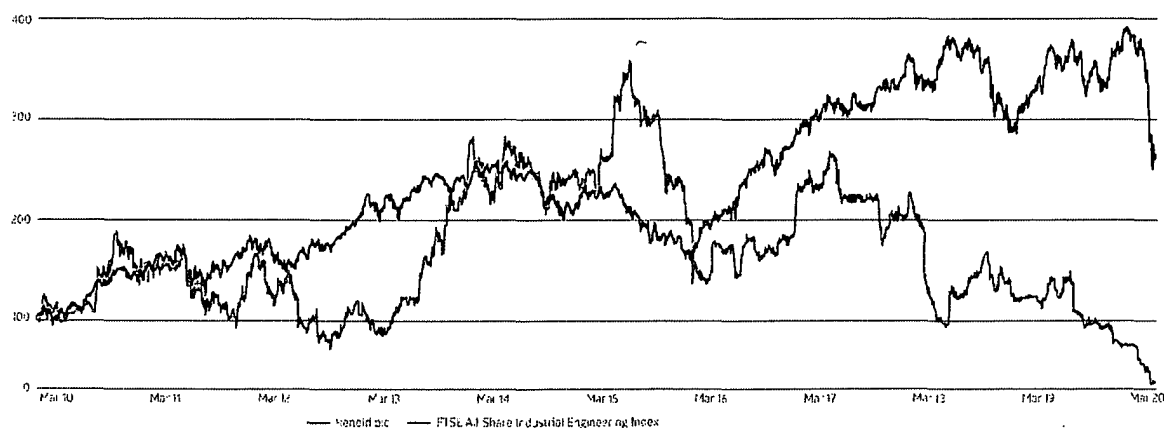
	Number of share options					Options held at 31 March 2020	Options vested at 31 March 2020	Option price (p)	Date from which exercisable	Expiry date
	Options held at 1 April 2019	Granted in year	Lapsed in year	Exercised in year						
Robert Purcell										
2004 Options Plan	1,145,038	-	-	-	1,145,038	1,145,038	26.20	21.1.2016	21.1.2023	
Total 2004 Options Plan	1,145,038	-	-	-	1,145,038	1,145,038				
PSP	1,065,089	-	-	-	1,065,089	1,065,089	Nil	25.7.2016	25.7.2023	
	1,643,836	-	(1,643,836)	-	-	-	Nil	21.7.2019	21.7.2026	
	1,095,090	-	-	-	1,095,090	-	Nil	5.6.2020	5.6.2027	
	2,078,282	-	-	-	2,078,282	-	Nil	8.6.2021	8.6.2028	
	-	1,834,862	-	-	1,834,862	-	Nil	22.11.2022	22.11.2029	
Total PSP	5,882,297	1,834,862	(1,643,836)	-	6,073,323	1,065,089				
Total	7,027,335	1,834,862	(1,643,836)	-	7,218,361	2,210,127				

	Number of share options					Options held at 31 March 2020	Options vested at 31 March 2020	Option price (p)	Date from which exercisable	Expiry date
	Options held at 1 April 2019	Granted in year	Lapsed in year	Exercised in year						
Ian Scapens										
PSP	368,465	-	(368,465)	-	-	-	Nil	16.1.2020	16.1.2027	
	337,653	-	-	-	337,653	-	Nil	5.6.2020	5.6.2027	
	692,761	-	-	-	692,761	-	Nil	8.6.2021	8.6.2028	
Total	1,398,879	-	(368,465)	-	1,030,414	-				

The performance conditions for the share options are disclosed on page 79 and are included in this audited information section by reference. None of the terms and conditions of the share options were varied in the year.

PERFORMANCE GRAPH AND TABLE

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

CHIEF EXECUTIVE'S REMUNERATION FOR THE YEARS ENDED 31 MARCH 2011 TO 31 MARCH 2020

Directors' Remuneration Report

Annual Report on Remuneration

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

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Chief Executive's total remuneration ¹ £'000	667	494	311	659	561	1015	363	364	434	378
Annual bonus as % of maximum awarded	81%	44%	16%	100%	67%	-	-	-	20%	-
LTIP as % of maximum vesting	-	-	-	N/A	N/A	100%	-	-	-	-

¹ The values use the same methodology as that shown in calculating the single figure basis of remuneration in the table on page 78.

CHIEF EXECUTIVE PAY AND EMPLOYEE PAY

The table below shows the percentage change from the preceding financial year in respect of the total of the Chief Executive's remuneration (on a single total remuneration basis as shown in the table on page 78).

	Percentage change in salary	Percentage change in benefits	Percentage change in annual bonus
Chief Executive	2.3%	(14%)	n/a
Workforce ¹	<3% ²	nil	n/a

¹ The Group uses the UK workforce as an appropriate comparator group as the executives are based in the UK and the structure of remuneration varies considerably based on local market practice in other countries in which the Group operates.

² The figures include only those employees who were not promoted and did not change role during the year to provide a like-for-like comparison.

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 78) compared to a number of other key financial metrics. The metrics chosen are considered of interest and to be of relevance to both the Group's actual performance in the period and to different stakeholder groups.

	Employee remuneration	Shareholder distributions	Market capitalisation	Revenue ¹	Adjusted operating profit	EBITDA ²	Executive Directors' total remuneration
2020	£68.4m	Nil	£19.5m	£189.4m	£13.4m	£21.4m	£0.6m
2019	£70.2m	Nil	£60.4m	£199.6m	£14.8m	£22.5m	£0.7m
Difference (%)	(2.6%)	Nil	(68%)	(5.1%)	(9.5%)	(4.9%)	(14.3%)

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

² EBITDA is adjusted operating profit before depreciation and amortisation charges.

STATEMENT OF IMPLEMENTATION OF REMUNERATION POLICY IN THE NEXT FINANCIAL YEAR

Following the approval of the Remuneration Policy by shareholders at the 2019 AGM, the Committee intends to operate the Remuneration Policy as set out in the Policy table and notes on pages 73 to 77 for three years from the date of the 2019 AGM.

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 July 2020 and any change implemented from 1 August 2020. The current base salaries for the Executive Directors are set out on page 78 and below:

	£'000
Robert Purcell	310
Ian Scapens	200

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

Name	Date of appointment	Unexpired term (months)	Date of election /last re-election	Contractual fees
Mark Harper	1 May 2012	11	20 September 2019	£124,000
David Landless	9 January 2017	34	20 September 2019	£50,000
Tim Cooper	14 November 2018	20	20 September 2019	£47,000

The salaries and fees set out above do not adjust for the voluntary reduction of 25% for the Executive Directors and 20% for Non-Executive Directors implemented from 1 April 2020 as part of a number of measures implemented in response to the Covid-19 pandemic. This reduction is for an initial four month period, although this voluntary reduction will be reviewed periodically and may be extended or reduced.

ANNUAL BONUS

The performance measures for the 2020/21 annual bonus are unchanged from 2019/20. As set out on page 79, the performance measures are based upon a matrix of EBITDA and net debt performance conditions.

The performance targets for the annual bonus are based on internal targets and considered commercially sensitive. Performance targets will continue to be disclosed retrospectively in the Remuneration Report for 2020/21 in the interests of transparency.

LONG TERM INCENTIVE PLAN – PSP

The performance conditions attaching to options that will be granted under the PSP in the year commencing 1 April 2021 are as follows:

- 100% of the award will be based on the Compound Annual Growth Rate (CAGR) in adjusted EPS over a three-year period (EPS CAGR).

The targets applying to the award will be as follows:

Threshold		Maximum		Performance period
EPS CAGR	% Vesting	EPS CAGR	% Vesting	
5%	25%	10%	100%	3 years to 31 March 2023

Performance under the EPS condition will be measured from the adjusted EPS for the year to 31 March 2020.

On achievement of threshold performance, 25% of the award vests. Straight-line vesting occurs between threshold and maximum performance.

STATEMENT OF SHAREHOLDER VOTING

The Directors' Remuneration Report received shareholder support at the 2019 AGM held on 20 September 2019. Votes cast in respect of this resolution at the 2019 AGM are detailed in the table below. The Committee acknowledges the number of votes cast against.

Remuneration Report	2019 AGM	%
Votes cast for	143,038,687	95.41%
Votes cast against	6,878,811	4.59%
Total	149,917,498	
Votes withheld*	59,520	

The Directors' Remuneration Policy received significant shareholder support at the AGM held on 20 September 2019. Votes cast in respect of this resolution at the 2019 AGM are detailed in the table below.

Remuneration Policy	2019 AGM	%
Votes cast for	148,657,622	99.85%
Votes cast against	220,338	0.15%
Total	148,877,960	
Votes withheld*	1,059,058	

* A vote withheld is not a vote in law and is not counted in the calculation of the proportion of votes cast 'for' and 'against' a resolution

Approved by the Board and signed on its behalf by:

TIM COOPER
CHAIRMAN OF THE REMUNERATION COMMITTEE

16 June 2020

Directors' Report

The Directors submit their report and the financial statements as set out on pages 95 to 153. The Directors' Report, which comprises pages 84 to 86, 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 2020 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 86 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 in over 100 countries worldwide.

RESULTS

Profit before tax for the year ended 31 March 2020 is £4.9m, compared with a profit of £10.4m for the year ended 31 March 2019.

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 2020, 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 2019 and 2 January 2020.

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 AGMs must retire and seek re-election. Ian Scapens will be resigning from office before the 2020 AGM and will not be standing for re-election at the 2020 AGM.

The Board has decided that all Non-Executive Directors are subject to annual election: please refer to the Corporate Governance Report on page 56 for further details. The Non-Executive Directors, Mark Harper, David Landless and Tim Cooper, will stand for re-election at the 2020 AGM.

James Haughey, who is expected to join the Board as Group Finance Director in November 2020, will be eligible for election by shareholders at the AGM in 2021.

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 56 and 67. The appointment of Jim Haughey as the new Group Finance Director was recommended by the Nomination Committee to the Board on 23 April 2020 and approved by the Board on the same day.

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 78 to 83. 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 Director's 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 2020, 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 the Alternative Investment Market of the London Stock Exchange

PURCHASE OF OWN SHARES

The Company obtained shareholder authority at the 2019 AGM to make market purchases of up to 22,541,774 ordinary shares in the Company, which remains outstanding until the conclusion of the 2020 AGM. 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 2020 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.

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

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

Full details of the deadlines for exercising voting rights and appointing a proxy or proxies in respect of the resolutions to be considered at the 2020 AGM are set out in the Notice of the forthcoming AGM.

MAJOR SHAREHOLDINGS

As at the date of this report, the Company had been notified or is aware of the following major holdings of voting rights attached to its ordinary shares under the FCA's Disclosure and Transparency Rule 5:

Shareholder	Number of voting rights	% of total number of voting rights
M&G Investment Funds	33,397,739	14.8%
Tellworth Investments, LLP	30,624,498	13.6%
Discretionary Unit Fund Managers Limited	30,000,000	13.3%
Canaccord Genuity Wealth Management	19,500,000	8.7%
Janus Henderson Investors Limited	18,908,747	8.4%
Schroder Investment Management Limited	10,253,277	4.5%

¹ The number of voting rights and the percentage of voting rights are as at 4 June 2020.

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

DIRECTORS' RIGHTS IN RESPECT OF SHARES

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

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 2019 AGM. The authority will expire at the forthcoming AGM. The Directors will seek authority from shareholders at the 2020 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 2020 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 2019 AGM. The authority will expire at the forthcoming AGM. The Directors will seek authority from shareholders at the 2020 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.

Directors' Report

TRANSFER OF SHARES

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

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

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

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

DONATIONS

During the year, the Group made no political donations.

CONTRACTS: CHANGE OF CONTROL PROVISIONS

The Company's main UK banking facilities agreement with HSBC UK Bank Plc, CitiBank N.A. and AIB Group (UK) Plc contains a change of control provision. This requires the Company to provide notification to the agent in the event of a change of control. The banks may then demand cancellation and repayment of the commitments and the loans.

No other material contracts contain change of control provisions.

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

Note 18 to the Group financial statements details the Group's obligations to contribute to the UK defined benefit pension schemes.

Details of the effect of any change of control in relation to awards under the Long-Term Incentive Plan are set out on page 76 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 24 July 2020 at 11.00am. This will be a closed meeting due to Covid-19 social distancing measures.

The resolutions being proposed at the 2020 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 2020 AGM.

One of the areas of special business to be addressed at this AGM is the proposal to extend the authority to disapply pre-emption rights by a further 5% of the issued ordinary share capital, such additional authority to be used only for limited purposes, which will be set out in the Notice of Meeting of the AGM.

AUDITOR

Deloitte LLP has confirmed its willingness to continue in office as Auditor of the Company. In accordance with section 489 of the Companies Act 2006, separate resolutions for the reappointment of Deloitte LLP as Auditor of the Company and for the Directors to determine the Auditor's remuneration will be proposed at the 2020 AGM.

GOING CONCERN

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

The basis on which this conclusion has been reached is set out on page 101 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.

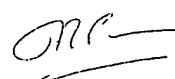
This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Other disclosures	Pages
Directors' biographical details and date of appointment	50 and 51
Employee involvement	39, 42 and 43
Employment of disabled persons	44
Financial instruments	
Note 25 to the Group financial statements	132 to 138
Greenhouse gas emissions	46 and 47
Important events affecting the Group since 31 March 2020	
Note 26 to the Group financial statements	139
Statement of Directors' responsibilities	87

The Directors' Report was approved by the Board on 16 June 2020.

For and on behalf of the Board:

ROBERT PURCELL
CHIEF EXECUTIVE



IAN SCAPENS
FINANCE DIRECTOR



GOVERNANCE

Directors' Responsibilities Statement

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have elected to prepare the Parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 'Reduced Disclosure Framework'. Under company law, the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the Parent Company financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable, relevant and prudent;
- State whether FRS 101 Reduced Disclosure Framework/applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In preparing the Group financial statements, International Accounting Standard 1 requires that Directors:

- Properly select and apply accounting policies;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- Make an assessment of the Group and Company's ability to continue as a going concern.

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

The Directors are responsible for the maintenance and integrity of the corporate and financial information, included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

- The financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- The Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

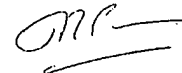
The Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

This responsibility statement was approved by the Board of Directors on 16 June 2020 and is signed on its behalf by:

By order of the Board

ROBERT PURCELL
CHIEF EXECUTIVE

IAN SCAPENS
FINANCE DIRECTOR




Shareholder Information

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

If you wish to advise a change of name, address, or dividend mandate, please contact the Company's registrar, Link Asset Services, whose contact details appear on page 154. Alternatively, you can view up-to-date information and manage your shareholding through Link's share portal where you will be able to access and maintain your holding at your own convenience. You will require your unique investor code, which can be found on your share certificate. The URL for the portal is: www.signalshares.com.

BEWARE OF SHARE FRAUD

Fraudsters use persuasive and high-pressure tactics to lure investors into scams. They may offer to sell shares that turn out to be worthless or non-existent, or to buy shares at an inflated price in return for an upfront payment. While high profits are promised, if you buy or sell shares in this way you will probably lose your money.

HOW TO AVOID SHARE FRAUD

- Keep in mind that firms authorised by the FCA are unlikely to contact you out of the blue with an offer to buy or sell shares.
- Do not get into a conversation; note the name of the person and firm contacting you and then end the call.
- Check the Financial Services Register (the Register) from www.fca.org.uk to see if the person and firm contacting you is authorised by the FCA.
- Beware of fraudsters claiming to be from an authorised firm, copying its website or giving you false contact details.
- Use the firm's contact details listed on the Register if you want to call it back.
- Call the FCA on **0800 111 6768** if the firm does not have contact details on the Register or you are told they are out of date.
- Search the list of unauthorised firms to avoid at www.fca.org.uk/consumers/unauthorised-firms-individual.
- Consider that if you buy or sell shares from an unauthorised firm you will not have access to the Financial Ombudsman Service or Financial Services Compensation Scheme.
- Think about getting independent financial and professional advice before you hand over any money.
- **Remember:** if it sounds too good to be true, it probably is!

REPORT A SCAM

- If you are approached by fraudsters, please tell the FCA using the share fraud reporting form at www.fca.org.uk/report-scam-unauthorised-firm-individual, where you can find out more about investment scams.

You can also call the FCA Consumer Helpline on **0800 111 6768**.

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

FINANCIAL STATEMENTS

Independent Auditor's Report to the Members of Renold plc

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

1. OPINION

IN OUR OPINION:

- the financial statements of Renold plc (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2020 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework", and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated statement of cash flows;
- accounting policies;
- the related notes 1 to 29 to the group financial statements; and
- the related notes 1 to 15 to the parent company financial statements

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

2. BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. MATERIAL UNCERTAINTY RELATING TO GOING CONCERN

We draw attention to the accounting policies in the financial statements, which indicate that a material uncertainty exists that may cast doubt on the Group's and Company's ability to continue as a going concern.

The Group has secured facilities that contain covenants requiring the Group to maintain specified financial ratios and certain other financial covenants. Following the event of Covid-19 and general economic uncertainty, these covenants were successfully renegotiated with the lenders and now include minimum rolling 12 month EBITDA and minimum available liquidity tests tested quarterly up to March 2021, and then net debt to EBITDA and EBITDA to finance charge covenants tested until September 2021. Following this period, the covenants revert to original conditions in place prior to the event of Covid-19.

In performing their assessment of going concern, the Directors have considered forecast cash flows to March 2022. The current economic uncertainty that exists because of Covid-19 means that a number of key assumptions within the forecasts, principally concerning future revenue levels, are not wholly within management's control. As such, management have performed additional possible downside forecast scenarios, principally focused on the risk over further future potential falls in revenue. The most severe scenario considered assumed revenue being more than 20% below revenues for the year ended 31 March 2020, and more than 25% below revenues in the year ended 31 March 2019, being the last period which was not impacted by the Covid-19 pandemic.

This scenario shows that without mitigating actions, a covenant breach would occur, and thus in such circumstances the Company and Group may be unable to realise assets and discharge liabilities in the normal course of business.





In response to this, we:

- obtained an understanding of controls relating to management's basis of preparation for the forecasts and key assumptions underpinning the going concern assumption;
- evaluated the future forecast projections and the process by which they are drawn up, including confirming the accuracy of the underlying calculations, challenging the underlying assumptions behind the forecasts (including reasonably possible downside scenarios identified), by reference to third party industry and economic reports to determine whether the forecasts prepared by management are reasonable;
- reviewed the terms of the revised covenant agreements and assessed management's forecast projections in relation to their ability to pass the covenant tests in place during the next 12 months, as well as considering the sensitised scenarios in which the covenants may be breached
- assessed the mitigating factors available to management in respect of the ability to restrict capital and other discretionary expenditure, as well as the availability of government-led schemes for payroll cost recoveries available under Covid-19; and
- checked the mathematical accuracy of the model used to forecast future financial performance.

As stated in the accounting policies, these events or conditions, along with the other matters as set forth in the accounting policies to the financial statements, indicate that a material uncertainty exists that may cast significant doubt over the group's and the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Independent Auditor's Report to the Members of Renold plc

4. SUMMARY OF OUR AUDIT APPROACH

KEY AUDIT MATTERS	<p>The key audit matters that we identified in the current year were:</p> <ul style="list-style-type: none"> • Going concern (see material uncertainty relating to going concern section above) • Impairment of goodwill • Carrying value of inventory • Intentional misstatements previously identified at Renold Gears <p>Within this report, key audit matters are identified as follows:</p> <ul style="list-style-type: none">  Newly identified  Increased level of risk  Similar level of risk  Decreased level of risk
MATERIALITY	The materiality that we used for the group financial statements was £401,000, which was determined on the basis of 5% of adjusted profit before tax.
SCOPING	As a consequence of the audit scope determined, we achieved coverage of approximately 84% of revenue, 83% of profit before tax (on an absolute basis) and 91% of net assets (on an absolute basis).
SIGNIFICANT CHANGES IN OUR APPROACH	As a result of the impact of Covid-19, we have determined that going concern is considered to be a key audit matter for the current year, as noted in section 3.

5. KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the material uncertainty relating to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

5.1. IMPAIRMENT OF GOODWILL

KEY AUDIT MATTER DESCRIPTION	<p>The goodwill balance of £24.0m (2019: £23.1m) as shown in note 7 principally relates to Jeffrey Chain and is supported by an annual impairment review.</p> <p>There are a range of potential outcomes with regards to the carrying value of the CGUs, specifically in relation to the Jeffrey Chain CGU, arising from the impact of Covid-19 on future forecasts, revenue reductions across the Group and cost reduction activities in place. As such we have identified this key audit matter as a potential fraud risk area.</p> <p>As discussed on the Audit Committee report on page 63, and in the accounting policies on page 103, the key audit matter identified is in respect of Management's judgements in relation to the financial forecasts of the business units. These include assumptions over discount rates and perpetuity growth rates used to determine the value in use of the cash generating units, which are subjective and could lead to an impairment charge if incorrect.</p>
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5.1. IMPAIRMENT OF GOODWILL

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

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

- We obtained an understanding of relevant controls concerning management's impairment review process;
- We evaluated the future cash flows forecasts and the process by which they are drawn up, including confirming the accuracy of the underlying calculations, challenging the underlying assumptions behind the forecasts to determine whether they are aligned to these utilised in the going concern forecasts (including reflecting the impact of Covid-19), and checking whether the forecasts are consistent with the latest Board approved forecasts;
- We have challenged management as to the differential between the market capitalisation of the business as it currently stands compared to the overall value of the Group within the underlying impairment model;
- We have evaluated the long-term growth rates used within the impairment model with reference to external market information;
- We assessed the historical accuracy of management's budgets and forecasts by comparing them to actual performance and verifying the mathematical accuracy of the cash flow models; and
- We utilised our specialists to assess the appropriateness of the discount rate derived from a Weighted Average Cost of Capital (WACC) applied by management in their discounted cash flows.

KEY OBSERVATIONS

We have concluded that the group goodwill balance is appropriate as at 31 March 2020.

5.2. CARRYING VALUE OF INVENTORY

KEY AUDIT MATTER DESCRIPTION

As shown in note 11 the Group holds inventory of £46.1m (2019: £44.3m). As discussed in the Audit Committee report on page 63 and in the accounting policies on page 103, 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.

A risk surrounding the carrying value of inventory when compared to the net realisable value as a result of inadequate provisioning has also been identified. Establishing a provision for slow-moving, obsolete and damaged inventory involves estimates and judgements, taking into account forecast sales and historical usage information.

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

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

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

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

- We agreed the cost of raw materials to third party supplier invoices;
- For work in progress and finished goods, we obtained the bill of material and tested the underlying costs within each stock item;
- We challenged the key assumptions concerning overhead absorption by assessing the appropriateness of costs included in the calculation; and
- We assessed the net realisable value (NRV) of stock items by agreeing their subsequent sales price to customer invoices to ensure that the items were being held at the lower of cost and NRV.

We also:

- Gained an understanding of the movements in the inventory provision year on year and an assessment of the scale of the provision in comparison to the gross stock value, to determine whether there are any unusual transactions;
- Recalculated the value of the provision based on a sample of items; and
- Where manual adjustments have been made to the provision, understood these by gaining supporting documentation and challenged, through discussions with relevant Commercial and Finance personnel and agreement to supporting documentation, the underlying rationale applied in arriving at such adjustments.

KEY OBSERVATIONS

We have concluded that the group inventory balance is appropriate as at 31 March 2020.

Independent Auditor's Report to the Members of Renold plc

5.3. INTENTIONAL MISSTATEMENT OF RESULTS PREVIOUSLY IDENTIFIED AT RENOLD GEARS

KEY AUDIT MATTER DESCRIPTION	<p>As a result of the control breakdowns and intentional misstatements at the Renold Gears business, previously identified within the revised financial statements for the year end 31 March 2019, we have continued to identify a key audit matter for the year ended 31 March 2020 in relation to management override of controls.</p> <p>Following completion of the revised financial statements audit for the year-ended 31 March 2019, we provided the Board with a detailed Insight Report, which outlined a number of control improvements required at a Group and Renold Gears level in order to enhance the control environment across the business. These actions focused on enhanced review procedures at a Group and divisional level.</p> <p>In response to this, Group management documented and implemented a detailed remediation plan to outline the proposed actions to be undertaken against each specific recommendation, with supporting evidence for actions that had already been implemented in response to the issues identified.</p>
HOW THE SCOPE OF OUR AUDIT RESPONDED TO THE KEY AUDIT MATTER	<p>Our procedures performed in response to this have been as follows:</p> <ul style="list-style-type: none"> We assessed the remediating actions outlined by management and compared them against the control breakdowns previously identified to ensure the proposed actions were appropriate in sufficiently enhancing the Group's control environment; and At a Renold Gears level we continued to assign a lower level of materiality to the testing performed, with enhanced risk assessment procedures designed to focus on the areas where issues were previously identified. We have also enhanced our testing in relation to the procedures performed across all full scope and specified balance scope components in relation to manual adjustments made to reporting packages prior to their consolidation.
KEY OBSERVATIONS	<p>We have not identified any issues with regards to audit procedures performed in relation to the Renold Gears business, or from enhanced procedures performed across the wider Group.</p>

6. OUR APPLICATION OF MATERIALITY

6.1. MATERIALITY

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
MATERIALITY	£401,000 (2019: £510,000)	£203,000 (2019: £426,000)
BASIS FOR DETERMINING MATERIALITY	5% of adjusted pre-tax profit (as adjusted on the face of the Income Statement). In the prior year, materiality was determined on the basis of 5% of statutory profit before tax.	The parent company materiality represents approximately 0.3% (2019: 0.6%) of equity
RATIONALE FOR THE BENCHMARK APPLIED	Adjusted pre-tax profit was determined to be the benchmark that most appropriately reflects to size and scale of the business, given the fall in statutory pre-tax profit year on year. Materiality represents 0.20% of revenue (FY19:0.26% Y%).	As a non-trading parent company, equity is the key driver of the company

6.2. PERFORMANCE MATERIALITY

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Group performance materiality was set at 70% of group materiality for the 2020 audit (2019: 70%). In determining performance materiality, we considered the following factors:

- a. the quality of the control environment;
- b. the remediation actions undertaken by the Group in response to the accounting irregularities identified at the Renold Gears division in the prior year (for which a further reduction in performance materiality was set for the audit this year). As the accounting irregularities were confirmed as isolated to the Renold Gears division, no further reduction to performance materiality for the wider Group was considered necessary; and
- c. the nature, volume and size of misstatements (corrected and/or uncorrected) in the previous audit.

6.3. ERROR REPORTING THRESHOLD

We agreed with the Audit Committee that we would report to the Committee all audit differences for the Group in excess of £20,000 (2019: £25,500), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. AN OVERVIEW OF THE SCOPE OF OUR AUDIT

7.1. IDENTIFICATION AND SCOPING OF COMPONENTS

The Group operates from a number of locations across the globe, albeit principally in Europe, Asia and the Americas, with its head office based in the UK. Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level. Based on that assessment, we focused our Group audit scope primarily on the audit work at 14 locations (2019: 15 locations), with the reduction being as a result of the Group's disposal of its South African business, as referenced in note 22.4 (2019: 4) of these were subject to a full audit, 4 (2019: 4) were subject to an audit of specified account balances where the extent of our testing was based on our assessment of the risks of material misstatement and of the materiality of the Group's operations at those locations. The remaining 6 (2019: 7) were subject to review procedures.

These locations covered 84% of Group's revenue (2019: 85%), 83% of the Group's pre-tax profit (on an absolute basis) (2019: 85%) and 91% of the Group's net assets (on an absolute basis) (2019: 95%), with movement in coverage levels reflecting the sales mix of the Group, as the 8 locations in scope remained consistent. They were also selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above. Our audit work at the 4 full scope and 4 specified account balances scope locations was executed at levels of materiality applicable to each individual entity which were lower than Group materiality, being between £112,000 and £140,000 (excluding the parent company component materiality which is disclosed separately above). In the prior year component materiality ranged between £226,000 and £283,000.

At the Parent entity level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit or audit of specified account balances.

7.2. WORKING WITH OTHER AUDITORS

Our audit work has included the use of component auditors, which form part of the Deloitte member firm network. We planned and reviewed the component auditor's work, including issuing referral instructions to them and evaluating the results of the work performed. Prior to the outbreak of Covid-19, the Group audit team had originally planned to follow a programme of planned visits that was designed to ensure that a senior member of the Group audit team visited each of the locations where the Group audit scope was focused on a rotation basis and the most significant of them at least once a year. Due to Covid-19, the Group audit team was not able to physically travel to these locations for the current year; however, we employed technology solutions to ensure attendance at all key meetings and performed remote reviews of component auditor working papers.

8. OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the annual report, 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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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 respect of these matters.

Independent Auditor's Report to the Members of Renold plc

9. RESPONSIBILITIES OF DIRECTORS

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

10. AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

11. OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

12. MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

12.1. ADEQUACY OF EXPLANATIONS RECEIVED AND ACCOUNTING RECORDS

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

12.2. DIRECTORS' REMUNERATION

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

We have nothing to report in respect of this matter.

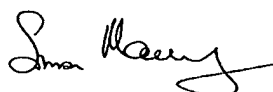
13. USE OF OUR REPORT

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

SIMON MANNING FCA (SENIOR STATUTORY AUDITOR)
FOR AND ON BEHALF OF DELOITTE LLP
STATUTORY AUDITOR

Leeds, United Kingdom

16 June 2020



FINANCIAL STATEMENTS

Consolidated Income Statement

for the year ended 31 March 2020

	Note	2020			2019 (re-presented ²)		
		Statutory £m	Adjustments £m	Adjusted ¹ £m	Statutory £m	Adjustments £m	Adjusted ¹ £m
Revenue	1	189.4	-	189.4	199.6	-	199.6
Operating costs	2	(179.3)	3.3	(176.0)	(184.2)	(0.6)	(184.8)
Operating profit		10.1	3.3	13.4	15.4	(0.6)	14.8
Operating profit is analysed as:	2						
Before adjusting items		10.1	-	10.1	15.4	-	15.4
Restructuring costs		-	2.4	2.4	-	2.9	2.9
Amortisation of acquired intangible assets		-	0.9	0.9	-	0.9	0.9
Pension past service credits		-	-	-	-	(4.4)	(4.4)
Operating profit		10.1	3.3	13.4	15.4	(0.6)	14.8
Net financing costs	3	(5.2)	-	(5.2)	(5.0)	0.4	(4.6)
Profit before tax		4.9	3.3	8.2	10.4	(0.2)	10.2
Taxation	4	(1.5)	-	(1.5)	(3.5)	0.5	(3.0)
Profit for the financial year from continuing operations		3.4	3.3	6.7	6.9	0.3	7.2
Discontinued operations	22	(1.5)	1.5	-	(0.2)	0.2	-
Profit for the financial year		1.9	4.8	6.7	6.7	0.5	7.2
Attributable to:							
Owners of the parent		1.8			6.5		
Non-controlling interest		0.1			0.2		
		1.9			6.7		
Earnings per share from continuing operations	5						
Basic earnings per share		1.5p		2.9p	3.0p		3.1p
Diluted earnings per share		1.5p		2.9p	2.9p		3.0p
Earnings per share from continuing and discontinued operations	5						
Basic earnings per share		0.8p			2.9p		
Diluted earnings per share		0.8p			2.8p		

¹ Adjusted: In addition to statutory reporting, the Group reports certain financial metrics on an adjusted basis. Definitions of adjusted measures, and information about the differences to statutory metrics are provided in Note 29 to the financial statements.

² The results for the year ended 31 March 2019 have been re-presented to reflect discontinued operations and changes to the treatment of adjusting items, see Note 28 for further details.

Consolidated Statement of Comprehensive Income

for the year ended 31 March 2020

	2020 £m	2019 £m
Profit for the financial year	1.9	6.7
Other comprehensive income/(expense):		
Items that may be reclassified to the income statement in subsequent periods:		
Exchange differences on translation of foreign operations	1.8	2.7
Loss on hedges of the net investment in foreign operations	(0.4)	(0.5)
Cash flow hedges:		
Loss arising on cash flow hedges during the period	(0.3)	(0.7)
Less: Cumulative gain arising on cash flow hedges reclassified to profit and loss	0.4	-
Income tax relating to items that may be reclassified subsequently to profit or loss	0.1	-
	1.6	1.5
Items not to be reclassified to the income statement in subsequent periods:		
Remeasurement gains/(losses) on retirement benefit obligations	3.1	(11.2)
Tax on remeasurement gains/losses on retirement benefit obligations - excluding impact of statutory rate change	(0.7)	2.1
Effect of changes in statutory tax rate on deferred tax assets	1.3	-
	3.7	(9.1)
Other comprehensive income/(expense) for the year, net of tax	5.3	(7.6)
Total comprehensive income/(expense) for the year, net of tax	7.2	(0.9)
Attributable to:		
Owners of the parent	7.1	(1.1)
Non-controlling interest	0.1	0.2
	7.2	(0.9)

FINANCIAL STATEMENTS

Consolidated Balance Sheet

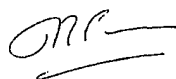
as at 31 March 2020

	Note	2020 £m	2019 £m
ASSETS			
Non-current assets			
Goodwill	7	24.0	23.1
Other intangible assets	8	8.0	6.6
Property, plant and equipment	9	53.3	55.5
Right-of-use assets	10	11.3	-
Deferred tax assets	17	20.4	21.5
		117.0	106.7
Current assets			
Inventories	11	46.1	44.3
Trade and other receivables	12	35.8	37.5
Current tax		1.5	-
Cash and cash equivalents	13	15.6	17.6
		99.0	99.4
TOTAL ASSETS		216.0	206.1
LIABILITIES			
Current liabilities			
Borrowings	14	(0.3)	-
Trade and other payables	15	(37.6)	(42.1)
Lease liabilities	10	(3.0)	-
Current tax		(1.0)	(0.4)
Derivative financial instruments	25	(0.3)	(0.4)
Provisions	16	(0.7)	(0.8)
		(42.9)	(43.7)
NET CURRENT ASSETS		56.1	55.7
Non-current liabilities			
Borrowings	14	(51.4)	(47.4)
Preference stock	14	(0.5)	(0.5)
Trade and other payables	15	(5.3)	(5.4)
Lease liabilities	10	(14.1)	-
Deferred tax liabilities	17	(4.6)	(5.6)
Retirement benefit obligations	18	(97.6)	(101.9)
Provisions	16	-	(2.5)
		(173.5)	(163.3)
TOTAL LIABILITIES		(216.4)	(207.0)
NET LIABILITIES		(0.4)	(0.9)
EQUITY			
Issued share capital	19	11.3	11.3
Share premium account		30.1	30.1
Capital redemption reserve	21	15.4	15.4
Currency translation reserve	21	11.9	10.4
Other reserves	21	(0.3)	(0.4)
Retained earnings	21	(68.8)	(69.9)
Equity attributable to equity holders of the parent		(0.4)	(3.1)
Non-controlling interests		-	2.2
TOTAL SHAREHOLDERS' DEFICIT		(0.4)	(0.9)

Approved by the Board on 16 June 2020 and signed on its behalf by:

ROBERT PURCELL
CHIEF EXECUTIVE

IAN SCAPENS
FINANCE DIRECTOR




Consolidated Statement of Changes in Equity

for the year ended 31 March 2020

	Share capital £m Note 19	Share premium account £m	Retained earnings £m Note 21	Currency translation reserve £m Note 21	Capital redemption reserve £m Note 21	Other reserves £m Note 21	Attributable to owners of parent £m Note 21	Non- controlling interests £m	Total equity £m
At 31 March 2018	11.3	30.1	(67.7)	7.1	15.4	1.4	(2.4)	2.0	(0.4)
Profit for the year	-	-	6.5	-	-	-	6.5	0.2	6.7
Other comprehensive income/(expense)	-	-	(9.1)	3.3	-	(1.8)	(7.6)	-	(7.6)
Total comprehensive income/ (expense) for the year	-	-	(2.6)	3.3	-	(1.8)	(1.1)	0.2	(0.9)
Share-based payments	-	-	0.4	-	-	-	0.4	-	0.4
At 31 March 2019	11.3	30.1	(69.9)	10.4	15.4	(0.4)	(3.1)	2.2	(0.9)
Impact of adoption of IFRS 16	-	-	(4.3)	-	-	-	(4.3)	-	(4.3)
At 1 April 2019	11.3	30.1	(74.2)	10.4	15.4	(0.4)	(7.4)	2.2	(5.2)
Profit for the year	-	-	1.8	-	-	-	1.8	0.1	1.9
Other comprehensive income	-	-	3.7	1.5	-	0.1	5.3	-	5.3
Total comprehensive income for the year	-	-	5.5	1.5	-	0.1	7.1	0.1	7.2
Acquisition of non-controlling interest	-	-	0.5	-	-	-	0.5	(2.3)	(1.8)
Share-based payments	-	-	(0.6)	-	-	-	(0.6)	-	(0.6)
At 31 March 2020	11.3	30.1	(68.8)	11.9	15.4	(0.3)	(0.4)	-	(0.4)

FINANCIAL STATEMENTS

Consolidated Statement of Cash Flows

for the year ended 31 March 2020

	2020 £m	2019 £m
Cash flows from operating activities (Note 24)		
Cash generated from operations	12.5	10.1
Income taxes paid	(1.6)	(1.8)
Net cash flow from operating activities	10.9	8.3
Cash flows from investing activities		
Proceeds from property disposals	0.1	-
Purchase of property, plant and equipment	(6.7)	(9.2)
Purchase of intangible assets	(2.5)	(1.6)
Disposal of business	(0.1)	-
Consideration paid for acquisition of minority interest	(1.8)	-
Net cash flow from investing activities	(11.0)	(10.8)
Cash flows from financing activities		
Repayment of principal under lease liabilities	(3.3)	-
Financing costs paid	(2.7)	(3.0)
Proceeds from borrowings	7.5	12.0
Repayment of borrowings	(4.2)	-
Net cash flow from financing activities	(2.7)	9.0
Net (decrease)/increase in cash and cash equivalents	(2.8)	6.5
Net cash and cash equivalents at beginning of year	17.4	12.3
Effects of exchange rate changes	0.5	(1.4)
Net cash and cash equivalents at end of year (Note 13)	15.1	17.4

Accounting Policies

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

BASIS OF PREPARATION

STATEMENT OF COMPLIANCE

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

The Parent Company has elected to prepare its parent company financial statements in accordance with FRS 101; these are presented on pages 144 to 153. The financial statements were approved by the Board on 16 June 2020.

BASIS OF ACCOUNTING

The consolidated financial statements have been prepared under the historical cost convention modified to include revaluation of certain financial instruments, share options and pension assets and liabilities, held at fair value as described below. The accounting policies as set out below have been applied consistently to all periods presented in these consolidated financial statements except for the adoption of IFRS 16, as detailed further below.

FUNCTIONAL AND PRESENTATION CURRENCY

These consolidated financial statements are presented in Pounds Sterling, which is the Group's functional currency.

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. Control is exerted where the Group has the power to govern, directly or indirectly, the financial and operating policies of the entity so as to obtain economic benefits from its activities. Typically, a shareholding of more than 50% of the voting rights is indicative of control. However, the impact of potential voting rights currently exercisable is taken into consideration.

The financial statements of subsidiaries are included in the consolidated financial statements of the Group from the date that control is obtained to the date that control ceases. The accounting policies of new subsidiaries are changed where necessary to align them with those of the Group.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. They are initially measured at the non-controlling interest's share of the net fair value of the assets and liabilities recognised or at fair value, as determined on an acquisition-by-acquisition basis. Subsequent to acquisition, non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interest's share of the changes in equity since the date of the combination.

The results and financial position of Renold Scottish Limited Partnership (SLP) have been consolidated in the consolidated financial statements of Renold plc. Renold plc is the parent undertaking of the general partner in the SLP (see Note (xv) to the Company financial statements). To determine that Renold plc has control over the SLP, we considered the following activities, benefits and risks:

- **Activities** – The SLP was established by Renold plc as a means of funding its pension obligation in an efficient manner.
- **Benefits** – During the 25-year period, the Renold Pension Scheme will receive substantially all of the SLP's income. However, after this period, the Renold Group is entitled to any remaining income generated in the SLP, together with any other residual value in the SLP.
- **Risks** – The Group bears the risks incidental to the activities of the SLP because it retains the obligation to ensure the pension scheme is appropriately funded

Accordingly, advantage has been taken of the exemption conferred by paragraph 7 of the Partnerships (Accounts) Regulations 2008 from the requirements for preparation, delivery and publication of the partnership's accounts.

(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 position is set out in the Strategic Report on pages 10 to 47, including the Principal Risks and Uncertainties section on pages 32 to 36.

The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Strategic Report on pages 10 to 47. In addition, Note 25 to the financial statements includes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities and its exposure to foreign exchange, credit and interest rate risk. Further details of the Group's cash balances and borrowings are included in Notes 13, 14 and 24 to the financial statements.

The facility has historically been subject to two covenants, which are tested semi-annually: net debt to EBITDA (leverage) and EBITDA to net finance charges. In recognition of the current macroeconomic uncertainty, the Group's banks have amended the covenant test structure, replacing the existing tests with minimum rolling 12-monthly EBITDA and minimum available liquidity tests, tested on a quarterly basis for the period to March 2021. After March 2021, the facility reverts to the original net debt to EBITDA and EBITDA to net finance charge covenants, but with a greater level of flexibility (i.e. 3.5 times net debt to EBITDA versus original 2.5 times) until September 2021 when the original covenant tests resume.

The Directors believe that the Group is well placed to manage its business risks and, after making enquiries including a review of forecasts and predictions, taking account of reasonably possible changes in trading performances and considering the existing banking facilities, including the available liquidity and amended covenant structure, have a reasonable expectation that the Group has adequate resources to continue in operational existence for the next 12 months following the date of approval of the financial statements.

The uncertainty as to the future impact on the Group of the current Covid-19 pandemic has been considered as part of the Group's adoption of the going concern basis. Our Chinese manufacturing facility reopened in March 2020 and all other facilities which had been closed due to national restrictions have now reopened, although some with reduced staffing levels. Across the Group, public health measures advised by governments are being followed, operating costs have been reduced, including by utilising government-backed support schemes to maintain employment, and capital expenditure and other cash demands are being managed.

As part of its assessment, the Board has considered downside scenarios that reflect the current unprecedented uncertainty in the global economy and which we consider to be severe but plausible. The results of these scenarios show that there is sufficient liquidity in the business for a period of at least 12 months from the date of approval of these financial statements. However, the most severe downside case indicates the potential for a covenant breach during the test period, notwithstanding the recent changes to the covenants over the period to 30 September 2021 which create greater headroom. Lenders remain supportive, as indicated by the recent covenant amendments, and further flexibility may be available in the future if required. The most severe scenario considered assumed Group revenue being more than 20% below revenues for the year ended 31 March 2020, and more than 25% below revenues in the year ended 31 March 2019, being the last period which was not impacted by the Covid-19 pandemic. Set against this were mitigating actions including discretionary cost reductions, management of headcount, utilisation of government schemes to maintain employment, pay reductions across a broad range of global employees, and cash preservation actions including deferral of contributions to the UK pension scheme, deferral of rent and tax payments and significant reductions to capital expenditure.

The most severe but plausible downside scenario, arising due to risk over levels of future revenue, indicates a material uncertainty related to events or conditions which may cast significant doubt over the Company's and Group's ability to continue as a going concern in the event that, following a covenant breach, lenders elected to trigger a repayment of outstanding debt. In such circumstances and without further mitigating actions, the Company and Group may be unable to realise assets and discharge liabilities in the normal course of business. The Company and Group consolidated financial statements do not include the adjustments that would result if the Company and Group were unable to continue as a going concern.

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

REVENUE

Revenue for goods sold is recognised at the value of the consideration specified in the contract with the customer for the sale of goods net of sales rebates, discounts, VAT and other sales related taxes and after eliminating sales within the Group. Revenue is recognised when the performance obligations of the Group, principally the obligation to despatch or deliver the specified goods, are satisfied. Revenue is recognised on the following basis:

Accounting Policies

(A) SALE OF GOODS

Revenue is recognised on the sale of goods when the performance obligations of the Group, principally the obligation to despatch or deliver the specified goods, are satisfied, which is consistent with when the risks and rewards of ownership have transferred from the Group to the customer. This is normally the point of despatch to the customer when title passes.

(B) SALES REBATES AND DISCOUNTS

These comprise customer discounts and rebates which are sales incentives to customers to encourage them to purchase increased volumes and are related to total volumes purchased and sales growth or incentives for early payment. They are recognised in the same period as the sales to which they relate based upon management's best estimate of the amount necessary to meet claims made by the Group's customers in respect of these rebates and discounts such that the revenue recognised equals the consideration specified in the contract net of contractual rebates and discounts.

DISCOUNTS RECEIVED FROM SUPPLIERS

These comprise rebates and discounts received from suppliers as incentives to purchase increased volume or early settlement of amounts payable. They are recognised within operating costs over the period to which the contract or purchase relates.

RESEARCH AND DEVELOPMENT

Expenditure on research and development is charged to the income statement in the year in which it is incurred with the exception of:

- amounts recoverable from third parties, and
- expenditure incurred in respect of the development of major new products, where the outcome of those projects is assessed as:
 - (i) being reasonably certain with regard to viability and technical feasibility; and
 - (ii) where the Group has obtained contractual commitments for the purchase of the new product covering a period of greater than 12 months.

Such expenditure is capitalised and amortised over the estimated period of sale for each product, commencing in the year that sales of the product are first made. Amortisation is charged on a straight-line basis.

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

In the course of preparing the financial statements, 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.

GOING CONCERN

The financial statements have been prepared on a going concern basis. This requires significant judgement given the current unprecedented circumstances of the Covid-19 virus. Refer to the Going Concern section above for details of the judgements and assumptions made by the Directors in forming their view on going concern in preparing the financial statements.

KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying value of the Group's assets or liabilities in the future.

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

(A) TAXATION

Deferred tax assets in respect of pension liabilities are recognised in full given the business has a legal obligation to make the underlying pension contributions and it is probable that adequate taxable profit will be available to take advantage of the associated taxable deductions. Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Actual outcomes may vary which could require a material adjustment to the carrying amounts. Further details are contained in Note 17.

The Group records liabilities in respect of open tax computations where the liabilities remain to be agreed with the relevant tax authorities. The uncertain tax items for which a liability is recorded principally relate to ongoing tax audits and the interpretation of tax legislation. Due to the uncertainty associated with such tax items, it is possible that at a future date, on conclusion of open tax matters, the final outcome may vary significantly. While a range of outcomes is reasonably possible, the extent of this range is additional liabilities of up to £0.4m to a reduction in liabilities of up to £1.0m.

(B) RETIREMENT BENEFIT OBLIGATIONS

The valuation of the Group's defined benefit plans are determined by using actuarial valuations. These involve making assumptions about discount rates, mortality rates, future salary increases and future pension increases (future salary and pension increases are linked to inflation rate assumptions). Due to the long-term nature of these plans such estimates are subject to significant uncertainty. Net interest is calculated by applying the discount rate to the net defined benefit liability. Further details are given in Note 18.

(C) RIGHT-OF-USE ASSETS

Prior to the adoption of IFRS 16 'Leases', the Group had previously assessed operating lease arrangements at the Bredbury, UK and Mulgrave, Australia facilities as onerous, with onerous lease provisions recorded in the Group's balance sheet accordingly. On adoption of IFRS 16, the onerous lease provisions were derecognised with an equal amount recorded as a reduction to the opening value of right-of-use assets. At the end of the current reporting period, the value of the Bredbury right-of-use asset is based on assumptions upon future sub-let income streams and the discount rate used. The lease for the Mulgrave facility reached the end of the lease term and no sources of estimation uncertainty remain for this property. For further details of the Bredbury lease refer to Note 10.

(D) INVENTORY VALUATION

Determining the carrying value of the Group's inventory involves a number of estimations and assumptions, including:

- those involved in deriving the gross value of inventory under the Group's standard cost methodology; and
- those involved in calculating an appropriate level of provision.

The Group's standard cost methodology allocates amounts of attributable direct costs indirect costs and overheads incurred in the production process to the value of work in progress and finished goods. Determining the amount to absorb into these manufactured inventory balances involves deciding which cost lines should be included within the standard costing model. The standard costing model is also dependent on estimates included in the detailed financial budgets prepared at business unit level in relation to the anticipated future level of production costs, production volume and machine hours. While the budgets are subject to detailed review and challenge, they inherently rely on the estimations of management.

The calculation of inventory provisions requires estimation by management of the expected value of future sales. If the carrying value of inventory is higher than the expected recoverable value, the Group makes provisions to write inventory down to its net recoverable value. Inventory is initially assessed for impairment by comparing inventory levels to utilisation rates over the last 24 months.

At 31 March 2020, there was a total provision of £6.3m (2019: £6.9m) against gross inventory of £52.4m (2019: £51.2m). See Note 11 for a breakdown of inventory. A 5% increase in the proportion of raw materials provided for would increase the provision by £0.3m (2019: £0.3m) and a 5% increase in the proportion of finished goods provided for would increase the provision by £1.8m (2019: £1.7m).

(E) IMPAIRMENT OF NON-FINANCIAL ASSETS

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Goodwill is tested for impairment annually and at other times when such indicators exist. When value-in-use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash generating unit and choose a suitable discount rate in order to calculate the net present value of those cash flows. The Covid-19 pandemic and its impact on the economy is unprecedented and will not be fully understood for a sustained period. While the economic uncertainty continues, management cannot rule out significant changes to the key value-in-use assumptions. Further details of the Group's impairment testing including key assumptions and sensitivities are included in Note 7.

ADOPTION OF NEW AND REVISED STANDARDS**(A) MAJOR NEW AND REVISED ACCOUNTING STANDARDS ADOPTED BY THE GROUP****IFRS 16 'LEASES'**

From 1 April 2019 the Group has adopted IFRS 16 'Leases' on a modified retrospective basis. As permitted under the standard no restatement of prior year comparatives has been performed and the adjustments arising on adoption have been recognised in the opening balance sheet at 1 April 2019.

Approach to transition

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as operating leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as of 1 April 2019. The associated right-of-use assets were measured on a retrospective basis as if the new rules had always been applied.

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Reliance on previous assessment of whether leases are onerous and deduction of onerous lease provisions from the initial right-of-use asset recognised;
- The exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application;
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease; and
- Not to reassess whether a contract is or contains a lease.

The Group's weighted average incremental borrowing rates applied to lease liabilities as at 1 April 2019 are 2.6% in respect of property leases, 4.3% in respect of plant and equipment leases and 4.1% in respect of vehicle leases.

Financial impact

As the Group has used the modified retrospective approach in adopting IFRS 16, comparatives have not been restated. The adoption of this new accounting policy resulted in the following changes to the opening balance sheet at 1 April 2019:

	£m
Increase in right-of-use assets	10.4
Decrease in property, plant and equipment	(0.9)
Decrease in onerous lease provisions	3.2
Increase in lease liabilities	(17.0)
Net decrease in retained earnings	(4.3)

Of the total £10.4m of right-of-use assets recognised at 1 April 2019, £7.7m related to leases of property and £2.7m to leases of plant and machinery.

The impact on profit or loss for the year ended 31 March 2020 was the following:

	£m
Increased depreciation charge	(2.5)
Decreased lease rental expense	3.0
Net increase in operating profit	0.5
Increased finance costs	(0.5)
Net increase in profit for the period	-

Accounting Policies

The adoption of IFRS 16 has also had an impact on the presentation of the payment of lease rentals in the cash flow statement. In the comparative periods, lease rentals were recorded in operating expenses (or where relevant, against the associated onerous lease provision) and therefore deducted in cash flows from operating activities. In the year ended 31 March 2020, operating expenses includes a depreciation charge which has subsequently been added back within cash flows from operating activities. The interest element of lease repayments is presented within finance costs paid and the principal element of the lease payment has been included within cash flows from financing activities. Short-term lease payments and payments for leases of low-value assets are presented within cash flows from operating activities.

The impact on the cash flow statement for the year ended 31 March 2020 is as follows:

	£m
Increased operating profit	0.5
Increased depreciation of property, plant and equipment	2.5
Movement in provisions for onerous leases	0.8
Net increase in cash from operating activities	3.8
Repayment of principal element of lease liabilities	(3.3)
Repayment of interest element of lease liabilities	(0.5)
Net decrease in cash used in financing activities	(3.8)
Net change in cash and cash equivalents	-

Total cash outflows for leases in the year ended 31 March 2020 were £4.0m, including £0.2m cash outflows in relation to short-term leases and leases of low-value assets.

A reconciliation of total operating lease commitments to the IFRS 16 lease liability at 1 April 2019 is as follows:

	£m
Operating lease commitments disclosed under IAS 17 at 31 March 2019	18.8
Effect of discounting	(4.5)
Other ¹	2.7
Lease liabilities recognised at 1 April 2019	17.0

¹ Other¹ principally includes inflationary increases of £3.7m on long property leases (48 years). These inflationary increases were not previously recognised in the IAS 17 operating lease commitment disclosure.

Accounting policy

Please see Note 10 for details of the Group's Accounting Policies for the right-of-use assets and lease liabilities arising under IFRS 16.

(B) OTHER 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.

- Amendment to IAS 19R 'Employee Benefits'

The amendments to IAS 19R relate to pension plan amendments, curtailments and settlements and clarify the calculation of current service cost and net interest for the remainder of an annual period when a plan amendment or curtailment occurs.

- IFRIC 23 'Uncertainty over income tax treatments'

The interpretation clarifies that if it is considered probable that a tax authority will accept an uncertain tax treatment, the tax charge should be calculated on that basis. If it is not considered probable, the effect of the uncertainty should be estimated and reflected in the tax charge. In assessing the uncertainty, it is assumed that the tax authority will have full knowledge of all information related to the matter.

- Amendments to IFRS 9 (Prepayment Features with Negative Compensation)

The amendments address concerns about how IFRS 9 Financial Instruments classifies particular prepayable financial assets. In addition, the IASB has clarified an aspect of the accounting for financial liabilities following a modification.

- Amendments to IAS 28 (Long-term Interests in Associates and Joint Ventures)

The amendments clarify that an entity applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

- Amendments to IAS 12 (Income Taxes)

The amendments clarify that the requirements in the former paragraph 52B (to recognise the income tax consequences of dividends where the transactions or events that generated distributable profits are recognised) apply to all income tax consequences of dividends by moving the paragraph away from paragraph 52A that only deals with situations where there are different tax rates for distributed and undistributed profits.

- Amendments to IAS 23 (Borrowing Costs)

The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

(C) 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.

- Amendments to IFRS 3 (Definition of a business)

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

- Conceptual Framework (Amendments to References to the Conceptual Framework in IFRS Standards)

- Amendments to IFRS 10 and IAS 28 (Sale or Contribution of Assets between an Investor and its Associate or Joint Venture)

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

- IFRS 17 'Insurance Contracts'

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

1. SEGMENTAL INFORMATION

For management purposes, the Group is organised into two operating segments according to the nature of their products and services and these are considered by the Directors to be the reportable operating segments of Renold plc as shown below:

- The Chain segment manufactures and sells power transmission and conveyor chain and also includes sales of torque transmission products through Chain National Sales Companies (NSCs); and
- The Torque Transmission segment manufactures and sells torque transmission products, such as gearboxes and couplings.

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

The Chief Operating Decision Maker (CODM) for the purposes of IFRS 8 'Operating Segments' is considered to be the Board of Directors of Renold plc. Management monitor the results of the separate reportable operating segments based on operating profit and loss which is measured consistently with operating profit and loss in the consolidated financial statements. The same segmental basis applies to decisions about resource allocation. Disclosure has not been included in respect of the operating assets of each segment as they are not reported to the CODM on a regular basis. However, Group net financing costs, retirement benefit obligations and income taxes are managed on a Group basis and therefore are not allocated to operating segments. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

Year ended 31 March 2020	Chain ¹ £m	Torque Transmission £m	Head office costs and eliminations £m	Consolidated £m
Revenue				
External customer	151.4	38.0	-	189.4
Inter-segment ¹	1.1	4.6	(5.7)	-
Total revenue	152.5	42.6	(5.7)	189.4
Adjusted operating profit/(loss)	14.0	5.1	(5.7)	13.4
Restructuring costs	(1.9)	(0.4)	(0.1)	(2.4)
Amortisation of acquired intangible assets	(0.9)	-	-	(0.9)
Operating profit/(loss)	11.2	4.7	(5.8)	10.1
Net financing costs				(5.2)
Profit before tax from continuing operations				4.9
Taxation				(1.5)
Discontinued operations				(1.5)
Profit after tax and discontinued operations				1.9
Other disclosures				
Working capital ²	34.1	9.7	0.5	44.3
Capital expenditure ⁴	6.8	1.0	1.3	9.1
Depreciation and amortisation included in adjusted operating profit/loss	6.8	2.0	1.7	10.5
Amortisation of acquired intangibles	0.9	-	-	0.9
Total depreciation and amortisation	7.7	2.0	1.7	11.4

¹ Inter-segment revenues are eliminated on consolidation

² Included in Chain external sales is £6.4m (2019: £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

Notes to the Consolidated Financial Statements

1. SEGMENTAL INFORMATION CONTINUED

Year ended 31 March 2019 (re-presented ⁵)	Chain ¹ £m	Torque Transmission £m	Head office costs and eliminations £m	Consolidated £m
Revenue				
External customer	163.9	35.7	-	199.6
Inter-segment ¹	1.0	4.4	(5.4)	-
Total revenue	164.9	40.1	(5.4)	199.6
Adjusted operating profit/(loss)	18.4	3.3	(6.9)	14.8
Pension past service credit	-	-	4.4	4.4
Restructuring costs	(2.2)	-	(0.7)	(2.9)
Amortisation of acquired intangible assets	(0.9)	-	-	(0.9)
Operating profit/(loss)	15.3	3.3	(3.2)	15.4
Net financing costs				(5.0)
Profit before tax from continuing operations				10.4
Taxation				(3.5)
Discontinued operations				(0.2)
Profit after tax and discontinued operations				6.7
Other disclosures				
Working capital ³	26.8	10.6	2.0	39.4
Capital expenditure ⁴	13.0	0.9	1.3	15.2
Depreciation and amortisation included in adjusted operating profit/loss	5.0	1.6	1.1	7.7
Amortisation of acquired intangibles	0.9	-	-	0.9
Total depreciation and amortisation	5.9	1.6	1.1	8.6

¹ Inter-segment revenues are eliminated on consolidation.

² Included in Chain external sales is £6.4m (2019: £4.3m) of Torque Transmission product sold through the Chain NSCs, usually in countries where Torque Transmission does not have its own presence

³ The measure of segment assets reviewed by the CODM is total working capital, defined as inventories and trade and other receivables, less trade and other payables. Working capital is also measured as a ratio of rolling annual sales.

⁴ Capital expenditure consists of additions to property, plant and equipment and intangible assets.

⁵ The results for the year ended 31 March 2019 have been re-presented to reflect discontinued operations and changes to the treatment of adjusting items, see Note 28 for further details.

1. SEGMENTAL INFORMATION CONTINUED

In addition to statutory reporting, the Group reports certain financial metrics on an adjusted basis (alternative performance measures, APMs). Definitions of adjusted measures, and information about the differences to statutory metrics are provided in Note 29 to the financial statements.

Constant exchange rate results are retranslated to current year exchange rates and therefore only the prior year comparatives are an alternative performance measure. A reconciliation is provided below and in Note 29.

Year ended 31 March 2019 (re-presented ¹)	Chain £m	Torque Transmission £m	Head office costs and eliminations £m	Consolidated £m
Revenue				
External revenue from continuing operations	163.9	35.7	-	199.6
Foreign exchange retranslation	1.8	0.5	-	2.3
External revenue from continuing operations at constant exchange rates	165.7	36.2	-	201.9
Adjusted operating profit/(loss) from continuing operations	18.4	3.3	(6.9)	14.8
Foreign exchange retranslation	0.1	0.1	-	0.2
Adjusted operating profit/(loss) from continuing operations at constant exchange rates	18.5	3.4	(6.9)	15.0

¹ The results for the year ended 31 March 2019 have been re-presented to reflect discontinued operations and changes to the treatment of adjusting items, see Note 28 for further details.

GEOGRAPHICAL ANALYSIS OF EXTERNAL SALES BY DESTINATION, NON-CURRENT ASSET LOCATION AND AVERAGE EMPLOYEE NUMBERS

The UK is the home country of the parent company, Renold plc. The principal operating territories, the proportions of Group external revenue generated in each (customer location), external revenue, non-current assets (asset location) and average employee numbers in each are as follows:

	Revenue ratio from continuing operations		External revenue from continuing operations		Non-current assets (excluding deferred tax)		Employee numbers	
	2020 %	2019 %	2020 £m	2019 £m	2020 £m	2019 £m	2020	2019
United Kingdom	8.1	7.5	15.3	15.0	18.6	12.5	297	321
Rest of Europe	29.4	30.8	55.7	61.5	22.0	18.9	510	558
Americas	42.3	41.8	80.1	83.4	32.0	31.1	315	328
Australasia	9.6	9.7	18.1	19.4	3.9	2.7	135	125
China	4.5	4.2	8.6	8.4	14.9	14.1	278	339
India	4.3	4.2	8.1	8.4	5.2	5.1	372	392
Other countries	1.8	1.8	3.5	3.5	-	0.8	-	35
	100.0	100.0	189.4	199.6	96.6	85.2	1,907	2,098

All revenue relates to the sale of goods and services. No individual customer, or group of customers, represents more than 10% of Group revenue (2019: None).

Non-current assets consist of goodwill, other intangible assets, property, plant and equipment and investment property. Other non-current assets and deferred tax assets are not included above.

Notes to the Consolidated Financial Statements

2. OPERATING COSTS AND ADJUSTING ITEMS

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

	2020		2019 (re-presented ¹)	
	£m	£m	£m	£m
Change in finished goods and work in progress		(1.7)		(4.4)
Raw materials and consumables		70.0		74.9
Other external charges		26.4		31.0
Employee costs				
Gross wages and salaries	60.6		60.8	
Social security costs	7.3		7.9	
Pension costs				
- defined benefit (Note 18)	0.2		0.1	
- defined contribution (Note 18)	1.0		1.1	
Share-based incentive plans	(0.7)		0.3	
		68.4		70.2
Depreciation of property, plant and equipment				
- owned assets		6.1		5.4
- right-of-use assets		2.5		-
Amortisation of intangible assets		1.9		2.2
Short-term leases and leases of low-value assets (2019: Operating leases)				
- plant and machinery	0.1		0.9	
- property	0.1		1.6	
		0.2		2.5
Other operating income		(0.2)		(0.3)
Income from sub-leasing right-of-use assets		(0.6)		-
Loss on disposal of property, plant and equipment		0.1		0.4
Research and development expenditure		0.7		0.6
Auditor's remuneration (Note 2(b))		0.7		0.6
Impairment losses and gains (including reversals of impairment losses) on financial assets				
- trade receivables impairment		-		0.3
Net foreign exchange losses		0.7		0.6
Pension administration costs		0.8		0.8
Operating costs before adjusting items		176.0		184.8
Adjusting items and restructuring costs (Note 2(c))				
Pension past service credit		-		(4.4)
Amortisation of acquired intangible assets		0.9		0.9
Restructuring costs		2.4		2.9
Adjusting items		3.3		(0.6)
Total operating costs from continuing operations		179.3		184.2

¹ The results for the year ended 31 March 2019 have been re-presented to reflect discontinued operations and changes to the treatment of adjusting items, see Note 28 for further details.

2. OPERATING COSTS AND ADJUSTING ITEMS CONTINUED

(B) AUDITOR'S REMUNERATION

	2020 £'000	2019 £'000
Audit of the Group's annual financial statements	260	197
Audit of the Company's subsidiaries	390	355
Total audit fees	650	552
Advisory services: Working capital report for AIM listing	-	150
Total non-audit fees	-	150
This is analysed in the following captions in the financial statements:		
Operating costs before adjusting items	650	552
Adjusting items	-	150
	650	702

(C) ADJUSTING ITEMS

ACCOUNTING POLICY

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

In addition to statutory reporting, the Group reports certain financial metrics on an adjusted basis (alternative performance measures, APMs). Definitions of adjusted measures, and information about the differences to statutory metrics are provided in Note 29 to the financial statements.

	2020 £m	2019 £m
Included in operating costs		
Strategic Plan restructuring costs	2.0	2.4
Other	0.4	0.5
Restructuring costs	2.4	2.9
Pension past service credit	-	(4.4)
Amortisation of acquired intangible assets (Note 8)	0.9	0.9
Adjusting items in operating profit	3.3	(0.6)

	2020 £m	2019 £m
Included in net financing costs		
Discount unwind on onerous lease provision	-	0.1
Amortisation of financing costs on refinancing	-	0.3
Adjusting items in net financing costs	-	0.4

RESTRUCTURING COSTS

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

Prior year restructuring costs included £1.8m for the multi-year project to transfer the China Chain manufacturing facility (which completed ahead of schedule in the second half of the 2019 financial year), the final costs associated with the European restructuring project and the closure of the Singapore site. Other costs included those associated with transferring the company's stock market listing to AIM.

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

Notes to the Consolidated Financial Statements

2. OPERATING COSTS AND ADJUSTING ITEMS CONTINUED**PENSION PAST SERVICE CREDIT**

The prior year pension past service credit of £4.4m related to the UK pension scheme and was the net impact of an £8.2m gain, following the move of certain future pension increases from RPI to CPI, off-set by a £3.8m past service cost relating to GMP equalisation.

This item is included in adjusting as it is non-recurring and relates to legacy pension liabilities.

AMORTISATION OF ACQUIRED INTANGIBLE ASSETS

Acquisition related intangible asset amortisation costs of £0.9m (2019: £0.9m) were recognised in the current year. This is considered to be an adjusting item on the basis that these charges result from acquisition accounting and do not relate to current trading activity.

ADJUSTING FINANCE COSTS ITEMS

The financing elements of adjusting liabilities, including the unwind of discount on provisions, are excluded from adjusted finance costs because these provisions were originally recognised as adjusting and the treatment has been maintained for ongoing costs and credits.

(D) EMPLOYEES AND KEY MANAGEMENT COMPENSATION

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

	2020	2019
	£'000	£'000
Statutory Directors' remuneration	859	942
Share-based payment (credit)/charge	(464)	216
Social security costs	122	105
Total	517	1,263

Further details of the remuneration of Directors are provided in the Directors' Remuneration Report on pages 68 to 83.

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 2020 was 1,826 (2019: 2,059).

3. NET FINANCING COSTS**ACCOUNTING POLICY**

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

	2020	2019
	£m	£m
Financing costs:		
Interest payable on bank loans and overdrafts*	(2.1)	(1.9)
Interest expense on lease liabilities*	(0.5)	-
Amortised financing costs*	(0.2)	(0.3)
Amortisation of financing costs on refinancing*	-	(0.3)
Loan financing costs	(2.8)	(2.5)
Net IAS 19R financing costs	(2.2)	(2.4)
Discount unwind on non-current trade and other payables	(0.2)	-
Discount unwind on provisions	-	(0.1)
Net financing costs	(5.2)	(5.0)

* Amounts arising on financial liabilities measured at amortised cost.

4. TAXATION

ACCOUNTING POLICY

The tax charge included in the income statement comprises current tax payable and deferred tax.

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

Deferred income tax is provided using the liability method, providing for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. The amount of deferred tax provided is calculated using tax rates enacted or substantively enacted at the balance sheet date.

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

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

Deferred tax balances are analysed in Note 17.

ANALYSIS OF TAX CHARGE IN THE YEAR

	2020 £m	2019 £m
United Kingdom		
UK corporation tax at 19% (2019: 19%)	-	-
Overseas taxes		
Corporation taxes	0.9	1.6
Adjustments in respect of prior periods	(0.5)	(0.6)
Withholding taxes	0.2	0.1
Current income tax charge	0.6	1.1
Deferred tax		
UK - origination and reversal of temporary differences	0.2	1.0
Overseas - origination and reversal of temporary differences	1.9	1.8
Effect of changes in corporate tax rates	(0.1)	-
Adjustments in respect of prior periods	(1.1)	(0.4)
Total deferred tax charge (Note 17)	0.9	2.4
Tax charge on profit on ordinary activities	1.5	3.5
	2020 £m	2019 £m
Tax on items taken to other comprehensive income		
Deferred tax on changes in net pension deficits	0.7	(2.1)
Effect of changes in statutory tax rate on deferred tax assets	(1.3)	-
Tax on fair value of derivatives direct to reserves	(0.1)	-
Tax credit in the statement of other comprehensive income	(0.7)	(2.1)

FACTORS AFFECTING THE GROUP TAX CHARGE FOR THE YEAR

The current year UK deferred tax charge relates to pensions with the charge arising on the net of the past service credit, interest charges, and cash contributions. Overseas deferred tax relates to the utilisation of recognised deferred tax assets. The increase in overseas current corporate tax relates to jurisdictions where historical tax losses have now been fully utilised.

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.

Notes to the Consolidated Financial Statements

4. TAXATION CONTINUED

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

	2020 £m	2019 (re-presented) £m
Profit on ordinary activities before tax	4.9	10.4
Theoretical tax charge at 19% (2019: 19%)	0.9	2.0
Effects of:		
Permanent differences	0.3	0.2
Overseas tax rate differences	0.3	0.7
Effect of changes in corporate tax rates	(0.1)	-
Adjustments in respect of prior periods	(1.6)	(1.0)
Movement in unrecognised deferred tax	1.7	1.6
Total tax charge	1.5	3.5
Comprising:		
Total tax charge on adjusted profit before tax	1.5	3.0
Taxation on adjusting items:		
Amortisation of acquired intangible assets	-	(0.3)
Pension past service credits	-	0.8
Taxation charge on adjusting items	-	0.5
Taxation on discontinued operation	-	-
Total tax charge	1.5	3.5

The results for the year ended 31 March 2019 have been re-presented to reflect discontinued operations and changes to the treatment of adjusting items, see Note 28 for further details.

EFFECTIVE TAX RATE

The effective tax rate of 31% (2019: 34%) is higher than the UK tax rate of 19% (2019: 19%) due to the following factors:

- Losses in jurisdictions where, due to uncertain future profitability, deferred tax assets are not recognised;
- Permanent differences including items that are disallowed from a tax perspective such as entertaining and certain employee costs;
- Differences in overseas tax rates, typically being higher than the rates in the UK; offset by
- Prior year adjustments arising as tax submissions are finalised and agreed in specific jurisdictions.

TAX PAYMENTS

Cash tax paid in the year of £1.6m (2019: £1.8m) is higher than the current tax charge as payments on account exceeded the calculated liabilities for the year.

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:

	2020			2019 (re-presented ¹)		
	Earnings £m	Shares (thousands)	Per share amount (pence)	Earnings £m	Shares (thousands)	Per share amount (pence)
Basic EPS from continuing and discontinued operations						
Profit attributed to ordinary shareholders	1.8	225,418	0.8	6.5	225,418	2.9
Loss for the period from discontinued operations	1.5		0.7	0.2		0.1
Basic EPS from continuing operations	3.3	225,418	1.5	6.7	225,418	3.0

¹ Adjusted. In addition to statutory reporting, the Group reports certain financial metrics on an adjusted basis. Definitions of adjusted measures and information about the differences to statutory metrics are provided in Note 29 to the financial statements.

5. EARNINGS PER SHARE CONTINUED

	2020			2019 (re-presented)		
	Earnings £m	Shares (thousands)	Per share amount (pence)	Earnings £m	Shares (thousands)	Per share amount (pence)
Adjusted EPS						
Basic EPS from continuing operations	3.3	225,418	1.5	6.7	225,418	3.0
Effect of adjusting items, after tax:						
Restructuring costs in operating costs	2.4		1.1	2.9		1.3
Pension past service cost	-		-	(3.6)		(1.6)
Refinancing costs	-		-	0.3		0.1
Discount unwind on restructuring costs	-		-	0.1		-
Amortisation of acquired intangible assets	0.9		0.3	0.6		0.3
Adjusted EPS	6.6	225,418	2.9	7.0	225,418	3.1

¹ Adjusted: In addition to statutory reporting, the Group reports certain financial metrics on an adjusted basis. Definitions of adjusted measures, and information about the differences to statutory metrics are provided in Note 29 to the financial statements.

Inclusion of the dilutive securities, comprising 1,944,433 (2019: 7,820,809) additional shares due to share options, in the calculation of basic, basic continuing and adjusted EPS changes the amounts shown above to 0.8p, 1.5p and 2.9p respectively (2019: basic EPS 2.8p, basic continuing EPS 2.9p, adjusted EPS 3.0p).

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

ACCOUNTING POLICY

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

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

7. GOODWILL

ACCOUNTING POLICY

(I) INITIAL RECOGNITION

Goodwill arises on business combinations and represents the excess of the cost of an acquisition over the Group's share of the identifiable net assets of the acquiree at the acquisition date. Where the cost is less than the Group's share of the identifiable net assets, the difference is immediately recognised in the income statement as a gain from a bargain purchase.

Goodwill arising on acquisitions before the date of transition to IFRS has been retained at the previous UK GAAP amounts subject to being tested for impairment at that date.

(II) SUBSEQUENT MEASUREMENT

Goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investments, goodwill acquired directly is included in the carrying amount of the investment.

(III) IMPAIRMENT

Goodwill is tested at least annually for impairment and carried at cost less accumulated impairment losses. Goodwill is allocated to cash generating units for the purpose of impairment testing. The cash generating unit to which the goodwill has been allocated is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets. Any impairment charge is recognised immediately in the income statement.

Notes to the Consolidated Financial Statements

7. GOODWILL CONTINUED

	2020 £m	2019 £m
Cost		
At 1 April	26.6	25.0
Exchange adjustment	1.0	1.6
At 31 March	27.6	26.6
Accumulated amortisation and impairment		
At 1 April	3.5	3.4
Exchange adjustment	0.1	0.1
At 31 March	3.6	3.5
Carrying amount	24.0	23.1

IMPAIRMENT TESTING

The Group performed its annual impairment test of goodwill at 31 March 2020 which compared 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 2021 and strategic plan forecasts for the two financial years ending 31 March 2023. The budget and strategic forecasts, which are subject to detailed review and challenge, were approved by the Board in December and October 2019 respectively. 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.

For the year ended 31 March 2020, to reflect the changes in the current trading environment, all short-term business unit forecasts were updated to include management's best estimate of the impact of the Covid-19 pandemic for the years ending 31 March 2021 and 2022. These revised forecasts include a reduced level of sales and profitability, before trading returns to previous levels based on budgets and forecasts for the year ending 31 March 2023 and thereafter, including the terminal value. Sensitivity analysis has been performed including a reduction in sales and an increase in the discount rates used (to reflect the increased level of uncertainty). The forecasts used for the impairment review are consistent with those used in the Going Concern review.

The key assumptions used in the value-in-use calculations are:

- Sales: Forecast sales are built up with reference to expected sales prices and volumes from individual markets and product categories based on past performance, projections of developments in key markets and management's judgement.
- Margins: Forecast margins reflect historical performance and management's experience of each CGU's profitability at the forecast level of sales including the impact of all completed restructuring projects. The projections do not include the impact of future restructuring projects to which the Group is not yet committed.
- Discount rate: Pre-tax discount rates have been calculated based on the Group's weighted average cost of capital and risks specific to the CGU being tested; and
- Long-term growth rates: As required by IAS 36, cash flows beyond the period of projections are extrapolated using long-term growth rates published by the Organisation for Economic Co-operation and Development for the territory in which the CGU is based. The discount rates applied to the cash flows of each of the CGUs are based on the risk free rate for long-term bonds issued by the government in the respective market. This is then adjusted to reflect both the increased risk of investing in equities and the systematic risk of the specific CGU (using an average of the betas of comparable companies). These rates do not reflect the long-term assumptions used by the Group for investment planning.

The Covid-19 pandemic and its impact on the economy is unprecedented. The impact on the Group's operations over the coming months cannot be forecast with reasonable certainty and accordingly the impairment of non-financial assets is considered a key source of estimation and uncertainty. While the updated forecasts reflect a severe downside scenario, with no resulting impairment, an even larger reduction in revenue cannot be ruled out. For the Ace Chains (Australia) and Renold Tooth Chain (Germany) CGUs, the Directors do not consider that any reasonably possible changes to the key assumptions would reduce the recoverable amount to its carrying value. The excess of recoverable amount over the carrying amount of the Jeffrey Chain (USA) and Renold Chain India CGUs (£33.7m and £6.6m respectively) could be reduced to nil as a result of annual sales growth rates in the first five years of the projections being reduced by 5% and 10% respectively. No impairment charge has been recognised in the period for any CGU.

	Growth rates		CGU discount rates (pre-tax)		Carrying values	
	2020	2019	2020	2019	2020	2019
	%	%	%	%	£m	£m
Jeffrey Chain, USA	1.6	1.4	10.1	17.0	21.2	20.2
Ace Chains, Australia	2.6	2.6	10.1	16.9	0.4	0.5
Renold Chain, India	7.3	7.7	21.0	27.7	1.9	1.9
Renold Tooth Chain, Germany	1.2	1.2	13.1	15.6	0.5	0.5
					24.0	23.1

8. INTANGIBLE ASSETS

ACCOUNTING POLICY

(I) COMPUTER SOFTWARE

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

(II) OTHER INTANGIBLE ASSETS

Other intangible assets, such as those identified on acquisition by the Group that have finite useful lives, are recognised at fair value and measured at cost less accumulated amortisation and impairment losses. The estimated useful lives for the Group's finite life intangible assets are between one and seven years.

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

	Customer orderbook £m	Customer lists £m	Technical know-how £m	Computer software £m	Total £m
Cost					
At 1 April 2018	0.3	4.2	0.2	15.9	20.6
Exchange adjustment	-	-	-	(0.2)	(0.2)
Additions	-	-	-	1.5	1.5
At 31 March 2019	0.3	4.2	0.2	17.2	21.9
Exchange adjustment	-	0.2	-	-	0.2
Additions	-	-	-	2.5	2.5
Recategorisation (Note 9)	-	-	-	1.3	1.3
Disposals	-	-	-	(0.1)	(0.1)
Disposal of subsidiary	-	-	-	(0.1)	(0.1)
At 31 March 2020	0.3	4.4	0.2	20.8	25.7
Accumulated amortisation and impairment					
At 1 April 2018	0.3	1.8	0.1	10.1	12.3
Exchange adjustment	-	0.1	-	(0.2)	(0.1)
Amortisation charge	-	0.8	0.1	2.2	3.1
At 31 March 2019	0.3	2.7	0.2	12.1	15.3
Exchange adjustment	-	0.1	-	-	0.1
Amortisation charge	-	0.9	-	1.9	2.8
Recategorisation (Note 9)	-	-	-	(0.3)	(0.3)
Disposals	-	-	-	(0.1)	(0.1)
Disposal of subsidiary	-	-	-	(0.1)	(0.1)
At 31 March 2020	0.3	3.7	0.2	13.5	17.7
Net book amount					
At 31 March 2020	-	0.7	-	7.3	8.0
At 31 March 2019	-	1.5	-	5.1	6.6

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

CUSTOMER ORDERBOOK

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

CUSTOMER LISTS AND TECHNICAL KNOW-HOW

Customer lists and technical know-how is being amortised over five years as the benefits are likely to crystallise over a longer period.

No brand names were acquired as part of the acquisition.

Notes to the Consolidated Financial Statements

9. PROPERTY, PLANT AND EQUIPMENT

ACCOUNTING POLICY

Tangible assets are stated at cost, being purchase cost plus any incidental costs of acquisition, less accumulated depreciation and impairment.

Depreciation is calculated on a straight-line basis so as to charge the depreciable amount of the respective assets to the income statement over their expected useful lives. No depreciation has been charged on freehold land. The useful lives of assets are as follows:

	Years
Freehold buildings	50
Leasehold properties	50 years or the period of the lease if less
General plant and equipment	15
Fixtures	15
Precision cutting and grinding machines	10
Motor vehicles	3

Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are included in operating profit.

	Land and buildings £m	Plant and equipment £m	Total £m
Cost			
At 1 April 2018	20.6	113.2	133.8
Exchange adjustment	0.7	0.7	1.4
Additions	3.9	9.9	13.8
Disposals	-	(3.9)	(3.9)
At 31 March 2019	25.2	119.9	145.1
Exchange adjustment	0.3	2.1	2.4
Additions	0.3	6.3	6.6
Disposals	-	(1.3)	(1.3)
Recategorisation (Note 8)	0.1	(1.4)	(1.3)
Adoption of IFRS 16 – Transfer (Note 10)	(0.7)	(0.3)	(1.0)
Disposal of subsidiary	(0.5)	(1.3)	(1.8)
At 31 March 2020	24.7	124.0	148.7
Accumulated depreciation and impairment			
At 1 April 2018	4.1	82.4	86.5
Exchange adjustment	0.1	0.5	0.6
Charge for the year	0.4	5.1	5.5
Disposals	-	(3.0)	(3.0)
At 31 March 2019	4.6	85.0	89.6
Exchange adjustment	0.1	1.7	1.8
Charge for the year	0.7	5.4	6.1
Disposals	-	(1.2)	(1.2)
Recategorisation (Note 8)	1.8	(1.5)	0.3
Adoption of IFRS 16 – Transfer (Note 10)	-	(0.1)	(0.1)
Disposal of subsidiary	(0.1)	(1.0)	(1.1)
At 31 March 2020	7.1	88.3	95.4
Net book amount			
At 31 March 2020	17.6	35.7	53.3
At 31 March 2019	20.6	34.9	55.5

9. PROPERTY, PLANT AND EQUIPMENT CONTINUED

The asset recategorisation between plant and equipment, land and buildings, and computer software has arisen due to the review of the fixed asset register in Germany as part of the implementation of a new accounting system. The revised classification is considered to better represent the nature of the underlying assets and it is not considered necessary to amend the prior year comparatives as it is not material or relevant to the users of the financial statements.

Property, plant and equipment pledged as security for liabilities amounted to €36.6m (2019: €36.2m).

FUTURE CAPITAL EXPENDITURE

At 31 March 2020 capital expenditure contracted for but not provided for in these accounts amounted to €3.3m (2019: €2.2m).

10. LEASING AND RIGHT-OF-USE ASSETS

ACCOUNTING POLICY

In the prior year leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease. From 1 April 2019, leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the lease liability and associated finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. The Group holds property, equipment and vehicle leases.

To the extent that a right-of-control exists over an asset subject to a lease, with a lease term exceeding one year, a right-of-use asset, representing the Group's right to use the underlying leased asset, and a lease liability, representing the Group's obligation to make lease payments, are recognised in the Group's Consolidated Balance Sheet at the commencement of the lease. The right-of-use asset is initially measured at cost and includes the amount of initial measurement of the lease liability and any direct costs incurred, including advance lease payments and an estimate of the dismantling, removal and restoration costs required by the terms and conditions of the lease. Depreciation is charged to the Consolidated Income Statement to depreciate the right-of-use asset from the commencement date until the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The lease term shall include the period of any extension option where it is reasonably certain that the option will be exercised. Where the lease contains a purchase option the asset is written off over the useful life of the asset when it is reasonably certain that the purchase option will be exercised.

The lease liability is measured at the present value of the future lease payments, including variable lease payments that depend on an index and the exercise price of purchased options where it is reasonably certain that the option will be exercised, discounted using the interest rate implicit in the lease, if readily determinable. If the rate cannot be readily determined, the lessee's incremental borrowing rate is used. Finance charges are recognised in the Consolidated Income Statement over the period of the lease. Lease arrangements that are short term in nature or low value are charged directly to the Consolidated Income Statement when incurred. Short-term leases are leases with a lease term of 12 month or less. Low-value assets comprise small items of furniture or equipment.

RIGHT-OF-USE ASSETS

	Land and buildings €m	Plant and equipment €m	Total €m
Cost			
At 1 April 2019	-	-	-
Adoption of IFRS 16	7.0	2.5	9.5
Adoption of IFRS 16 – Transfer (Note 9)	0.7	0.3	1.0
Additions	2.6	0.8	3.4
Disposals	(0.1)	(0.2)	(0.3)
At 31 March 2020	10.2	3.4	13.6
Accumulated depreciation and impairment			
At 1 April 2019	-	-	-
Adoption of IFRS 16 – Transfer (Note 9)	-	0.1	0.1
Charge for the year	1.3	1.2	2.5
Disposals	(0.1)	(0.2)	(0.3)
At 31 March 2020	1.2	1.1	2.3
Net book amount			
At 31 March 2020	9.0	2.3	11.3
At 31 March 2019	-	-	-

Notes to the Consolidated Financial Statements

10. LEASING AND RIGHT-OF-USE ASSETS CONTINUED

An onerous lease provision of £2.7m, initially established in 2014 following the closure of the Bredbury manufacturing facility, was derecognised on 1 April 2019 following the adoption of IFRS 16. The £2.7m was recorded as a reduction to the opening carrying value of the Bredbury right-of-use property. The lease expires in May 2030 at a rental cost of £0.8m per annum; a significant proportion of this site is sublet for a term of five years to 2021 for a rent of £0.6m per annum. While a range of possible outcomes exist for the continuation of subletting the property, the extent of this range is a reduction in right-of-use assets of up to £3.1m (the future net book value of the Bredbury property at the end of the existing sublet agreement).

An additional onerous lease provision of £0.5m, relating to the Australian Mulgrave facility, was derecognised on adoption of IFRS 16 at 1 April 2019. The initial lease expired in March 2020 and the associated right-of-use asset and lease liability are £nil at 31 March 2020.

LEASE LIABILITIES

	2020 £m
Maturity analysis – contractual undiscounted cash flows	
Less than one year	3.0
One to five years	7.9
More than five years	10.6
Total undiscounted lease liabilities at 31 March	21.5
Less: Interest allocated to future periods	(4.4)
Lease liabilities included in the Consolidated Balance Sheet	17.1
Current	3.0
Non-current	14.1

AMOUNTS RECOGNISED IN PROFIT OR LOSS

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

AMOUNTS RECOGNISED IN THE CONSOLIDATED STATEMENT OF CASH FLOWS

	2020 £m
Repayment of principal under lease liabilities	3.3
Repayment of interest on lease liabilities	0.5
Cash outflows in relation to short-term leases and leases of low-value assets	0.2
Total cash outflow for leases	4.0

11. INVENTORIES**ACCOUNTING POLICY**

Inventories are stated at the lower of their cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost 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.

	2020 £m	2019 £m
Raw materials	6.4	6.4
Work in progress	4.6	5.4
Finished products and production tooling	35.1	32.5
	46.1	44.3

Inventories pledged as security for liabilities amounted to £40.5m (2019: £38.5m).

The Group expensed £70.0m (2019: £74.9m) of inventories during the period. In the year to 31 March 2020, £0.9m (2019: £0.7m) was charged for the write-down of inventory and £0.9m (2019: £0.8m) was released from inventory provisions no longer required.

12. TRADE AND OTHER RECEIVABLES

ACCOUNTING POLICY

Trade and other receivables are classified as loans and receivables and carried at amortised cost less any impairment. The carrying amount of other receivables is reduced by the impairment loss directly and a charge is recorded in the Income Statement. For trade receivables, the carrying amount is reduced by an amount equal to the expected lifetime losses. Subsequent recoveries of amounts previously written off are credited against the allowance account and changes in the carrying amount of the allowance account are recognised in the Income Statement. As the balances do not contain a significant financing element, the simplified approach relating to expected lifetime losses has been applied. In accordance with IFRS 9 a provision matrix is used, grouping trade and other receivables based on their attributes, principally geographical region. Expected credit losses are calculated as the difference between the amount contractually owed to the Group and the cash flows which the Group expect to receive based on past default experience, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.

	2020	2019
	£m	£m
Trade receivables ¹	31.0	32.0
Less: Loss allowance	(0.5)	(0.5)
Trade receivables: net	30.5	31.5
Other receivables ¹	3.4	3.8
Prepayments	1.9	2.2
	35.8	37.5

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. 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 59 days (2019: 50 days). See Note 25(d) for the Group's credit risk policy.

The following table details the risk profile of trade receivables based on the Group's provision matrix. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further analysed:

	Trade receivables – days past due					Total
	Not past due	<30 days	30–60 days	60–90 days	>90 days	
At 31 March 2020						
Expected credit loss rate, %	0.0%	0.3%	0.0%	4.6%	35.2%	1.5%
Estimated gross carrying amount at default, £m	–	–	–	–	0.4	
Lifetime expected credit loss, £m						0.5

The following table shows the movement in the lifetime expected credit losses; there has been no change in the estimation techniques or significant assumptions made during the current reporting period:

	2020	2019
	£m	£m
Loss allowance		
At 1 April	0.5	0.5
Net remeasurement of loss allowance	–	0.3
Amounts written off as uncollectable	–	(0.3)
At 31 March	0.5	0.5

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13. CASH AND CASH EQUIVALENTS

ACCOUNTING POLICY

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are included within borrowings in current liabilities on the balance sheet.

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

	2020 £m	2019 £m
Cash and cash equivalents	15.6	17.6
Less: Overdrafts (Note 14)	(0.5)	(0.2)
Net cash and cash equivalents	15.1	17.4

14. BORROWINGS

ACCOUNTING POLICY

Borrowings are initially recognised at the fair value of the proceeds, net of related transaction costs. These transaction costs, and any discount or premium on issue, are subsequently amortised under the effective interest rate method through the income statement as interest over the life of the loan and added to the liability disclosed in the balance sheet. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least one year after the balance sheet date.

	2020 £m	2019 £m
Amounts falling due within one year:		
Overdrafts ¹ (Note 13)	0.5	0.2
Capitalised costs	(0.2)	(0.2)
Current borrowings	0.3	-
Amounts falling due after more than one year:		
Bank loans ¹	51.9	48.1
Capitalised costs	(0.5)	(0.7)
Non-current borrowings	51.4	47.4
Preference stock ¹	0.5	0.5
	51.9	47.9
Total borrowings	52.2	47.9

¹ Gross borrowings before deduction of capitalised costs (Note 25(d)).

All financial liabilities above are carried at amortised cost.

CORE BANKING FACILITIES

On 29 March 2019 the Group renewed its £61.5m Multi-Currency Revolving Facility banking facilities with HSBC UK, Allied Irish Bank (GB), and Citibank. The facility matures in March 2024 and is fully committed and available until maturity.

At the year end, the undrawn core banking facility was £9.7m (2019: £12.5m). The Group also benefits from a UK overdraft and a number of overseas facilities totalling £4.0m (2019: £1.4m) with availability at year end of £3.4m. The Group pays interest at LIBOR plus a variable margin in respect of the core banking facility. The average rate of interest paid in the year was LIBOR plus 1.85% for Sterling, Euro and US Dollar denominated facilities (2019: LIBOR plus 1.95% for Sterling, Euro and US Dollar denominated facilities).

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

SECURED BORROWINGS

Included in Group borrowings are secured borrowings of £52.4m (2019: £47.5m). 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.

14. BORROWINGS CONTINUED

PREFERENCE STOCK

At 31 March 2020, there were 580,482 units of preference stock in issue (2019: 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

ACCOUNTING POLICY

Trade and other payables, including accruals and other payables qualifying as financial instruments, are accounted for at amortised cost and are categorised as other financial liabilities.

	2020		2019	
	Current £m	Non-current £m	Current £m	Non-current £m
Trade payables ¹	18.1	–	22.6	–
Other tax and social security ¹	2.3	–	2.9	–
Other payables ¹	1.4	5.3	1.0	5.1
Accruals	15.8	–	15.6	0.3
	37.6	5.3	42.1	5.4

¹ Financial liabilities carried at amortised cost.

Trade payables are non-interest bearing and are normally settled within 60 day terms. The Group does have a concentration of translational foreign exchange risk in both US Dollars and Euros; however, the Group hedges against this risk. The non-current other payables is the deferred element of the construction costs for the new Chinese factory in Jintan.

The Group did not operate supplier financing or reverse factoring programmes during the current or prior financial year.

The Directors consider that the carrying amount of trade payables approximates to their fair value.

16. PROVISIONS

ACCOUNTING POLICY

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

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

	Business restructuring £m	Onerous lease £m	Total provisions £m
At 1 April 2019	0.1	3.2	3.3
Arising during the year	1.5	–	1.5
Utilised in the year	(0.9)	–	(0.9)
Adoption of IFRS 16 (See Accounting Policies, page 103)	–	(3.2)	(3.2)
At 31 March 2020	0.7	–	0.7

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16. PROVISIONS CONTINUED

	2020	2019
	£m	£m
Allocated as:		
Current provisions	0.7	0.8
Non-current provisions	-	2.5
	0.7	3.3

BUSINESS RESTRUCTURING

During the year ended 31 March 2020, provisions were recognised in relation to business reorganisation and redundancies in Germany (£1.4m) and site environmental costs in France (£0.1m).

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

ONEROUS LEASE

An onerous lease provision of £2.7m, initially established in 2014 following the closure of the Bredbury manufacturing facility, was derecognised on 1 April 2019 following the adoption of IFRS 16. The £2.7m was recorded as a reduction to the opening carrying value of the Bredbury right-of-use property. An additional onerous lease provision of £0.5m, relating to the Australian Mulgrave facility, was derecognised on adoption of IFRS 16 at 1 April 2019. See Note 10 for further details.

17. DEFERRED TAX

ACCOUNTING POLICY

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

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

	Assets		Liabilities		Net	
	2020	2019	2020	2019	2020	2019
	£m	£m	£m	£m	£m	£m
Accelerated capital allowances	-	-	(1.3)	(1.5)	(1.3)	(1.5)
Pension plans	17.4	16.6	-	-	17.4	16.6
Tax losses	2.4	2.4	-	-	2.4	2.4
Other temporary differences	0.6	2.5	(3.3)	(4.1)	(2.7)	(1.6)
Tax assets/(liabilities)	20.4	21.5	(4.6)	(5.6)	15.8	15.9
Net off (liabilities)/assets	-	-	-	-	-	-
Net deferred tax assets	20.4	21.5	(4.6)	(5.6)	15.8	15.9

The net deferred tax asset recoverable within one year is £0.8m (2019: £1.7m) and recoverable after more than one year is £15.0m (2019: £14.2m).

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

	Opening balance	Exchange adjustments	Recognised in income statement	Recognised directly in other comprehensive income	Effect of change in tax rate – income statement	Effect of change in tax rate – other comprehensive income	Closing balance
2020	£m	£m	£m	£m	£m	£m	£m
Accelerated capital allowances	(1.5)	-	0.2	-	-	-	(1.3)
Pension plans	16.6	0.1	-	(0.7)	0.1	1.3	17.4
Tax losses	2.4	0.1	(0.1)	-	-	-	2.4
Other temporary differences	(1.6)	(0.1)	(1.0)	-	-	-	(2.7)
	15.9	0.1	(0.9)	(0.7)	0.1	1.3	15.8

17. DEFERRED TAX CONTINUED

	Opening balance	Exchange adjustments	Recognised in income statement	Recognised directly in other comprehensive income	Closing balance
2019	£m	£m	£m	£m	£m
Accelerated capital allowances	(1.5)	(0.1)	0.1	-	(1.5)
Pension plans	15.7	-	(1.2)	2.1	16.6
Tax losses	2.9	0.2	(0.7)	-	2.4
Other temporary differences	(0.7)	(0.3)	(0.6)	-	(1.6)
	16.4	(0.2)	(2.4)	2.1	15.9

During the year the Group has reported an adjusted operating profit of £13.4m (2019: £14.8m). 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.

During the year the UK tax rate applicable from April 2020 was amended from 17% to 19%, resulting in a change in the applicable rate for the calculation of the deferred tax asset. This has resulted in an increase in the deferred tax asset of £1.4m.

Unrecognised deferred tax assets amount to £22.2m (2019: £20.8m) arising from unrecognised losses of £16.1m (2019: £14.9m) representing gross losses of £62.8m (2019: £57.2m) and other temporary differences of £6.1m (2019: £5.9m). Based on available evidence, it is considered unlikely that these amounts will be recovered within the foreseeable future. The significant majority of these losses are not subject to time limits.

18. PENSIONS

ACCOUNTING POLICY

The Group operates a number of defined benefit plans around the world. The costs are calculated by independent actuaries using the projected unit credit method. Any past service costs resulting from enhanced benefits are recognised immediately in the income statement as an operating cost. Administration costs, including the Pensions Protection Levy, are charged to operating costs. However, plan asset management costs are included in the actual return on plan assets.

Remeasurement gains and losses, comprising actuarial gains and losses, and the return on plan assets (excluding amounts included in net interest), are recognised in other comprehensive income in the period in which they occur. Actuarial gains and losses arise when actual results differ from the assessment outcomes which are used to calculate defined benefit assets and liabilities at a particular point in time.

The defined benefit liability or asset recognised in the balance sheet represents the net total for each plan of the present value of the benefit obligation at the balance sheet date, less the fair value of plan assets (for funded schemes) at the balance sheet date. If a plan is in surplus, the asset recognised is limited to the value of any amount expected to be recoverable by the Group by way of refunds or reduction in future contributions.

Under the Group's UK pension scheme rules, any surplus arising on payment of agreed contributions is fully recoverable.

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

BACKGROUND INFORMATION

In a defined benefit plan the members are guaranteed a certain level of benefits that depend on a number of factors such as service, salary and inflation. Defined benefit plans can be supported by an asset fund that will be used to pay member benefits or can be unfunded, in which case obligations to members are paid by the sponsoring employer as they fall due. In a defined benefit plan, because the level and duration of the members' benefits are uncertain, the risk of any increase or decrease in the cost of providing those benefits stays with the employer. This contrasts with a defined contribution plan where the employer's only obligation is to pay the amount agreed in the employment contract into a pension plan.

Any change in the total expected cost of providing defined benefits can produce either funding shortfalls or surpluses. In the case of an expected funding shortfall, the Company is usually required to agree a deficit recovery plan which can vary from country to country. This is usually in the form of additional contributions to make good the shortfall over an agreed period of time (sometimes referred to as a funding plan or a minimum funding requirement) and can also include an allowance for future asset returns. In the case of a surplus, mechanisms are available in all of the Renold schemes to return that surplus to, or utilise it for the benefit of, the Group.

Notes to the Consolidated Financial Statements

18. PENSIONS CONTINUED

UK PENSION PLANS

The principal UK fund is the Renold Pension Scheme (RPS). The RPS was formed in June 2013 by the merger of three predecessor plans, all of which were already closed to future accrual and to new members. The RPS is a funded defined benefit plan with assets held in separate administered funds.

The Trustees are chaired by an independent professional trustee firm and have access to a range of professional advisers. The Trustee Board is required to consult the Company in matters such as investment policy and to obtain agreement to any amendments to benefits. The Company can make proposals to the Trustees on a range of issues but cannot insist on their adoption. The majority of Trustees are either independent or member nominated with Company nominated Trustees being in the minority. To mitigate the risk of potential conflicts of interests, no Directors of Renold plc are Trustees of the RPS.

The RPS is underpinned by a 25-year asset-backed partnership structure (the Scottish Limited Partnership, 'SLP'). The partnership, holds an intercompany loan from Renold International Holdings Limited, the holding company for most of the Group's overseas trading companies. The capital rights to the assets in the SLP belong to Renold plc except in the event of a corporate insolvency of the pension scheme sponsor (Renold plc). The income rights in the SLP belong to the RPS. The loan generates interest income that provided a cash contribution of £3.1m to 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.

Total cash costs for UK deficit repair payments and UK administrative expenses in the period were £3.7m (2019: £3.5m). The current year figure includes the £3.1m noted above in connection with the SLP, and a further £0.6m in respect of pension administration costs.

In the prior year the past service credit for the UK pension scheme is the net impact of an £8.2m gain following the move of certain future pension increases from RPI to CPI, offset by a £3.8m past service cost relating to GMP equalisation. The change in inflation measure to consumer prices index (CPI) rather than the retail prices index (RPI) applies to future increases of certain elements of the scheme where such a change is permitted. Following the High Court judgment in the prior year, the Group, along with many other pension scheme sponsors, has recognised an estimate of the future cost of GMP equalisation in the valuation of liabilities.

The latest triennial actuarial valuation of the RPS, with an effective date of 5 April 2019, concluded that contributions to the scheme should continue unchanged and no additional contributions in excess of the previously agreed asset backed funding structure were deemed necessary. The next triennial valuation date will be 5 April 2022.

In the period since 31 March 2020, reflecting the uncertainty in short-term outlook caused by the Covid-19 pandemic, Renold approached the Trustee with a request to defer contributions to the UK scheme for a 12-month period to 31 March 2021. The Trustee supported this proposal and it was agreed that the deferred contributions will be repaid over a five-year period commencing on 1 April 2022. Certain other conditions were required to secure the deferral including an additional contribution to the scheme of 25% of any dividends paid (above the already existing 25%) until such time as the deferred contributions have been made good.

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 (2019: two) German pension schemes have a net liability of £23.8m (2019: £25.5m). The decrease in the net deficit is due to actuarial gains arising from changes in the discount rate and the benefits paid by the company, offset by the negative impact of the change in the Euro foreign exchange rate.

18. PENSIONS CONTINUED

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 (2019: two) defined benefit schemes in the US have combined assets of £10.5m (2019: £11.1m) and liabilities of £15.4m (2019: £13.9m), giving a net deficit of £4.9m (2019: £2.8m). The increase in the net deficit was due to actuarial losses and the negative impact of the change in the USD foreign exchange rate.

The US Chain business operates a defined contribution scheme.

OTHER OVERSEAS SCHEMES

In aggregate, the other overseas defined benefit schemes have combined assets of £2.3m (2019: £2.6m) and liabilities of £3.0m (2019: £3.4m) giving a net deficit of £0.7m (2019: £0.8m).

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 (2019: 15 years) for the UK pension scheme and 13 years (2019: 14 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 2020 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	
	2020	2019	2020	2019	2020	2019
Rate of increase in pensionable salaries ¹	-	-	-	-	2.00%	2.00%
Rate of increase in pensions in payment and deferred pensions	1.30%	1.70%	1.25%	1.50%	-	-
Discount rate	2.40%	2.40%	1.70%	1.50%	2.90%	3.60%
Inflation assumption ²	2.00%	2.40%	1.25%	1.50%	2.00%	2.20%

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 (2019: blended RPI and CPI rate).

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18. PENSIONS CONTINUED

The predominant defined benefit obligation for funded plans within the Group resides in the UK (£197.0m of the £221.1m 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:

	2020	2019
Males		
Currently aged 45	21.7	21.4
Currently aged 65	20.7	20.4
Females		
Currently aged 45	24.1	23.9
Currently aged 65	23.0	22.7

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 (2019: S3PA series with a 17.5% uplift in mortality). Historically, the RPS experiences mortality in excess of the national average. The mortality rates for the RPS are based on average year of birth for both non-pensioners and pensioners with an allowance for future annual improvements in life expectancy.

In Germany and the United States, the mortality expectations for the scheme are in line with the national averages.

SENSITIVITY ANALYSIS ON UK SCHEME

Sensitivities in respect of the key assumptions used to measure the pension schemes as at 31 March 2020 are set out below. These sensitivities show the hypothetical impact of a change in each of the listed assumptions in isolation, with the exception of the sensitivity to inflation which incorporates the impact of certain correlating assumptions. The assumptions used for the sensitivity analysis have been chosen as they are considered to represent a reasonable approximation of possible changes. In practice, such assumptions rarely change in isolation.

Assumption	Change in assumption	Impact on plan liabilities
Discount rate	Increase/decrease by 0.5%	Decrease by £12.6m/increase by £14.0m
Rate of inflation	Increase/decrease by 0.5%	Increase by £8.6m/decrease by £9.4m
Rate of mortality	Decrease/increase by one year ¹	Increase by £8.9m/decrease by £8.7m

¹ This is broadly equivalent to a change in life expectancy of one year at age 65.

The market values of assets of the principal defined benefit plans of the Group, together with the present value of plan liabilities, are shown below. It should be noted that the market values of the plans' assets are stated as at the Group's year end and since it is not intended to realise the assets in the short term, the value may change significantly before being realised.

The fair values of plan assets were:

	2020			2019		
	UK £m	Overseas £m	Total £m	UK £m	Overseas £m	Total £m
Medically underwritten insurance policies	40.5	-	40.5	43.2	-	43.2
Quoted equities	32.4	5.9	38.3	37.6	7.0	44.6
Hedge funds and diversified growth funds	8.8	-	8.8	10.7	-	10.7
Corporate bonds	19.6	0.1	19.7	19.7	0.1	19.8
Gilts and liability driven investments	17.3	4.9	22.2	21.9	4.5	26.4
Other	10.3	1.9	12.2	5.5	2.2	7.7
Total market value of assets	128.9	12.8	141.7	138.6	13.8	152.4

The medically underwritten insurance policies are shown at a value that exactly matches the estimated associated insured liabilities. Equities are investments in quoted equities only. Hedge funds and diversified growth funds hold a range of assets which aim to deliver returns above those of bonds but at lower volatility than equities. The assets held materially reflect the underlying liabilities, in that lower risk assets, such as gilts and bonds, are deemed to be a match for pensioner liabilities whereas equities are deemed a better match for the liabilities associated with scheme members not yet in retirement.

Liability Driven Investments (LDI) are a portfolio of assets that are linked to the drivers of movements in pension liabilities, such as inflation and interest rates. These are assets designed to deliver geared movements in the underlying liabilities as they reflect changes to inflation and interest rates.

18. PENSIONS CONTINUED**PENSION OBLIGATIONS**

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

	2020			2019		
	UK £m	Overseas £m	Total £m	UK £m	Overseas £m	Total £m
Opening obligation	(211.2)	(43.1)	(254.3)	(210.3)	(40.9)	(251.2)
Current service cost	-	(0.2)	(0.2)	-	(0.2)	(0.2)
Past service cost	-	-	-	4.4	-	4.4
Interest expense	(4.9)	(1.0)	(5.9)	(5.4)	(1.0)	(6.4)
Remeasurement gains/(losses) by changes in:						
- Experience	2.0	0.5	2.5	(10.3)	(0.4)	(10.7)
- Demographic assumptions	-	-	-	(0.5)	(0.3)	(0.8)
- Financial assumptions and expenses	7.3	0.3	7.6	-	(2.0)	(2.0)
Benefits paid	9.9	2.4	12.3	10.9	2.3	13.2
Exchange adjustment	-	(1.3)	(1.3)	-	(0.6)	(0.6)
Closing obligation	(196.9)	(42.4)	(239.3)	(211.2)	(43.1)	(254.3)
The total defined benefit obligation can be analysed as follows:						
Funded pension plans	(196.9)	(18.3)	(215.2)	(211.2)	(17.3)	(228.5)
Unfunded pension plans	-	(24.1)	(24.1)	-	(25.8)	(25.8)
	(196.9)	(42.4)	(239.3)	(211.2)	(43.1)	(254.3)

The UK liabilities above include £40.6m that are fully insured (2019: £43.2m).

PENSION ASSETS

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

	2020			2019		
	UK £m	Overseas £m	Total £m	UK £m	Overseas £m	Total £m
Opening assets	138.6	13.8	152.4	140.7	13.1	153.8
Interest income	3.3	0.4	3.7	3.5	0.5	4.0
Remeasurement gains/(losses)	(6.2)	(0.8)	(7.0)	2.3	-	2.3
Employer contributions	3.1	0.1	3.2	3.0	0.3	3.3
Benefits paid	(9.9)	(1.2)	(11.1)	(10.9)	(1.0)	(11.9)
Exchange adjustment	-	0.5	0.5	-	0.9	0.9
Closing assets	128.9	12.8	141.7	138.6	13.8	152.4
Balance sheet reconciliation:						
Plan obligations	(196.9)	(42.4)	(239.3)	(211.2)	(43.1)	(254.3)
Plan assets	128.9	12.8	141.7	138.6	13.8	152.4
Net plan deficit	(68.0)	(29.6)	(97.6)	(72.6)	(29.3)	(101.9)

Notes to the Consolidated Financial Statements

18. PENSIONS CONTINUED

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

	2020			2019		
	UK £m	Overseas £m	Total £m	UK £m	Overseas £m	Total £m
On plan obligations	9.3	0.8	10.1	(10.8)	(2.7)	(13.5)
On plan assets	(6.2)	(0.8)	(7.0)	2.3	-	2.3
Net gains/(losses)	3.1	-	3.1	(8.5)	(2.7)	(11.2)

The actual return on plan assets was a loss of £3.3m (2019: gain £6.3m) which equates to (2.2)% (2019: 3.2%) of plan assets.

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

	2020 £m	2019 £m
Operating costs		
Pension administration costs	(0.8)	(0.8)
Current service cost	(0.2)	(0.2)
Past service cost	-	4.4
	(1.0)	3.4

19. CALLED UP SHARE CAPITAL

At 31 March 2020, the issued ordinary share capital comprised 225,417,740 ordinary shares of 5p each (2019: 225,417,740).

	Issued	
	2020 £m	2019 £m
Ordinary shares of 5p each	11.3	11.3
Preference stock ¹ of £1 each	0.5	0.5

¹ See Note 14 for details of the preference stock in issue

20. SHARE-BASED PAYMENTS

ACCOUNTING POLICY

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

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

20. SHARE-BASED PAYMENTS CONTINUED

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

Executive share option scheme	2020	2019		
Grant date	22.11.19	08.06.18*	08.06.18*	15.06.18
Share price at date of grant	18.80p	32.00p	32.00p	29.40p
Exercise price	0.0p	0.0p	0.0p	0.0p
Number of employees	18	21	1	1
Shares under option	4,208,883	4,399,128	1,039,141	237,869
Vesting period (years)	3	3	3	3
Expected volatility	43%	43%	43%	43%
Option life (years)	10	10	10	10
Risk free interest rate	0.23%	1.00%	1.00%	1.00%
Assumed dividends expressed as a dividend yield	Zero	Zero	Zero	Zero
Fair value per option	18.8p	32.00p	16.32p	29.40p

* A single grant to the Chief Executive Officer was made on 8 June 2018. Half of the options are hybrid options subject to both market and non-market conditions and half solely to non-market conditions; therefore, the two parts of the award have been shown separately due to their differing fair values. The non-market conditions in the hybrid award must be achieved in order for the market conditions to have the potential to vest.

The expected volatility is an annualised figure calculated using historical volatility over the last three years. 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:

EXECUTIVE SHARE OPTION SCHEMES

	2020		2019	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding at 1 April	14,903,546	2.3p	11,133,750	3.1p
Granted	4,208,883	0.0p	5,676,138	0.0p
Exercised	(165,089)	0.0p	-	-
Expired	(3,702,102)	1.3p	(1,138,092)	0.0p
Forfeited	(1,302,382)	0.0p	(768,250)	0.0p
Outstanding at 31 March	13,942,856	2.2p	14,903,546	2.3p
Exercisable at 31 March	(3,089,471)	9.7p	3,379,224	10.3p

The outstanding shares at 31 March 2020 relate to two executive share option schemes granted between 21 January 2013 and 22 November 2019, including the schemes granted in 2020 and 2019 as reported in the table above.

	2020		2019	
	Weighted average exercise price	Number of shares	Weighted average exercise price	Number of shares
Range of exercise prices				
Nil	0.0p	12,797,818	0.0p	13,633,844
20p to 30p	26.2p	1,145,038	26.2p	1,145,038
30p to 40p	-	-	37.3p	124,664

The weighted average contractual life remaining is 8.0 years (2019: 7.5 years).

165,089 options have been exercised in the period (2019: nil). The total credit/(charge) for the year relating to employee share-based payment plans was £0.7m (2019: £0.3m charge), all of which related to equity settled share-based transactions.

The middle market price of ordinary shares at 31 March 2020 was 8.67p and the range of prices during the year was 8.30p to 35.50p.

Details of the share-based payment arrangements for Executive Directors are provided in the Directors' Remuneration Report on pages 68 to 83.

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21. RESERVES

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

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

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

Cumulative goodwill written off directly to Group reserves at 31 March 2020 amounted to £3.5m (2019: £3.5m).

Included in retained earnings is an amount of £3.5m (net of tax) (2019: £3.5m) relating to the revaluation of freehold property that was undertaken at the date of IFRS adoption. The amount is not distributable until it is realised.

22. DISCONTINUED OPERATIONS AND SALE OF SUBSIDIARY ACCOUNTING POLICY

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

On 23 September the Group sold its shareholding in Renold Crofts (Pty) Ltd, the legal entity for the South African Torque Transmission business unit, for £0.1m consideration. This business unit would have required significant capital investment and management input to make meaningful progress. The disposal to management provides a continuing channel to market for products sourced from elsewhere in the Group.

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

	2020	2019
	£m	£m
Revenue	0.8	2.8
Expenses	(1.1)	(3.0)
Loss before tax	(0.3)	(0.2)
Attributable tax expense	-	-
Loss for the year generated by discontinued operations	(0.3)	(0.2)
Loss on disposal of discontinued operations (see below)	(1.2)	-
Net loss attributable to discontinued operations (attributable to owners of the parent)	(1.5)	(0.2)

The net assets of Renold Crofts (Pty) Ltd at the date of disposal were as follows:

	23 September 2019
	£m
Property, plant and equipment	0.7
Inventories	0.5
Trade receivables	0.4
Bank balances and cash	0.1
Trade payables	(0.7)
Net assets disposed	1.0
Disposal costs	0.3
Loss on disposal of discontinued operations	(1.2)
Total consideration	0.1
Satisfied by:	
Deferred consideration	0.1

Net cash flow arising on disposal:

Cash and cash equivalents disposed of	(0.1)
---------------------------------------	-------

Net cash flows attributable to the operating, investing and financing activities of the discontinued operations, individually and in aggregate, were £nil. The deferred consideration will be settled in cash by the purchaser on or before 23 September 2021. The loss on disposal is included in the loss for the year from discontinued operations.

23. CONTINGENT LIABILITIES AND COMMITMENTS

Performance guarantees given to third parties in respect of Group companies were Enil (2019: Enil).

Various UK Group companies have given guarantees to the merged UK pension scheme to cover the full cost of buying out the liabilities in the event that the sponsoring employers default on the agreed deficit repair plan. As one of the sponsoring employers of the UK scheme is Renold plc, the continuing obligation is effectively unchanged and is to fully fund the members' accrued benefits.

24. ADDITIONAL CASH FLOW INFORMATION

Reconciliation of operating profit to net cash flows from operations:

	2020	2019
	£m	£m
Cash generated from operations:		
Operating profit from continuing and discontinued operations	9.8	15.2
Depreciation of property, plant and equipment – owned assets	6.1	5.5
Depreciation of property, plant and equipment – right-of-use assets	2.5	–
Amortisation of intangible assets	2.8	3.1
Loss on disposals of plant and equipment	–	0.9
Equity share plans	(0.6)	0.4
Increase in inventories	(1.7)	(2.6)
Decrease/(increase) in receivables	1.6	(0.8)
(Decrease)/increase in payables	(4.4)	1.9
Increase/(decrease) in provisions	0.6	(4.6)
Cash contribution to pension schemes	(4.4)	(4.5)
Pension current service costs (non-cash)	0.2	–
Pension past service credit (non-cash)	–	(4.4)
Cash generated from operations	12.5	10.1
Reconciliation of net change in cash and cash equivalents to movement in net debt:		
	2020	2019
	£m	£m
(Decrease)/increase in cash and cash equivalents (Consolidated Statement of Cash Flows)	(2.8)	6.5
Change in net debt resulting from cash flows	(3.3)	(12.0)
Foreign currency translation differences	–	(1.4)
Non-cash movement on capitalised finance costs	(0.2)	0.9
Change in net debt during the period	(6.3)	(6.0)
Net debt at start of year	(30.3)	(24.3)
Net debt at end of year	(36.6)	(30.3)
Net debt comprises:		
Cash and cash equivalents (Note 13)	15.6	17.6
Total borrowings (Note 14)	(52.2)	(47.9)
	(36.6)	(30.3)

Notes to the Consolidated Financial Statements

24. ADDITIONAL CASH FLOW INFORMATION CONTINUED

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

	Opening balance	Adoption of IFRS 16	Accrued interest	Financing cash flows	New leases	Other changes ¹	Closing balance
2020	£m	£m	£m	£m	£m	£m	£m
Total borrowings (Note 14)	47.9	-	2.1	1.1	-	1.1	52.2
Lease liabilities (Note 10)	-	17.0	0.5	(3.8)	3.4	-	17.1
Total liabilities from financing activities	47.9	17.0	2.6	(2.7)	3.4	1.1	69.3

¹ Other changes includes the amortisation of capitalised finance costs and foreign exchange translation.

	Opening balance	Accrued interest	Financing cash flows	Other changes ¹	Closing balance
2019	£m	£m	£m	£m	£m
Total borrowings (Note 14)	38.2	1.9	9.0	(1.2)	47.9
Total liabilities from financing activities	38.2	1.9	9.0	(1.2)	47.9

¹ Other changes includes the amortisation of capitalised finance costs and foreign exchange translation.

25. FINANCIAL INSTRUMENTS

ACCOUNTING POLICY – DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

The Group is exposed to foreign currency risks arising from sales or purchases by businesses in currencies other than their functional currency. It is Group policy that, when the net foreign exchange exposure to known future sales and purchases is material, this exposure is hedged using forward foreign exchange contracts. The Group also has significant investments in overseas operations, particularly in the United States and Europe. As a result, the Sterling value of the Group's balance sheet can be significantly affected by movements in exchange rates. The Group seeks to mitigate the effect of these translational currency exposures by matching the net investment in overseas operations with borrowings denominated in their functional currencies.

The derivative financial instruments (forward foreign exchange contracts and borrowings) are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

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

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

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.

25. FINANCIAL INSTRUMENTS CONTINUED

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

(I) CASH FLOW HEDGES

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

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

(II) HEDGES OF A NET INVESTMENT

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

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

The Group's 6% cumulative preference stock of £1 each 'preference stock' has been classified as a liability. Dividends payable are included within net finance costs.

ACCOUNTING POLICY – FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The fair values of financial assets and financial liabilities are the amounts at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. IFRS 13 'Fair value measurement' requires fair value measurements to be classified according to the following hierarchy:

- *Level 1 – quoted prices in active markets for identical assets or liabilities;*
- *Level 2 – valuations in which all inputs are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices); and*
- *Level 3 – valuations in which one or more inputs that are significant to the resulting value are not based on observable market data.*

See Note 25(a) for information on the methods the Group uses to estimate the fair values of its financial instruments.

These notes should be read in conjunction with the narrative disclosures in the Finance Director's Review on pages 24 to 29.

Notes to the Consolidated Financial Statements

25. FINANCIAL INSTRUMENTS CONTINUED

(A) CATEGORY AND FAIR VALUE OF FINANCIAL INSTRUMENTS

Set out below is a comparison by category of the carrying amounts and fair values of the Group's financial instruments:

At 31 March 2020						
	Note	IFRS 13 classification for determining fair value	At amortised cost £m	At fair value through profit or loss £m	Total carrying value £m	Fair value £m
Financial assets						
Cash and cash equivalents	13	Level 2	15.6	–	15.6	15.6
Trade and other financial receivables	12	Level 2	34.4	–	34.4	34.4
Total financial assets			50.0	–	50.0	50.0
Financial liabilities						
Trade and other payables	15	Level 2	(27.1)	–	(27.1)	(27.1)
Floating rate bank overdraft	14	Level 2	(0.5)	–	(0.5)	(0.5)
Floating rate long-term borrowings	14	Level 2	(51.9)	–	(51.9)	(51.9)
Preference stock	14	Level 1	(0.5)	–	(0.5)	(0.5)
Lease liabilities	10	Level 2	(17.1)	–	(17.1)	(17.1)
Forward foreign currency contracts: cash flow hedge	25(b)	Level 2	–	(0.3)	(0.3)	(0.3)
Total financial liabilities			(97.1)	(0.3)	(97.4)	(97.4)

At 31 March 2019						
	Note	IFRS 13 classification for determining fair value	At amortised cost £m	At fair value through profit or loss £m	Total carrying value £m	Fair value £m
Financial assets						
Cash and cash equivalents	13	Level 2	17.6	–	17.6	17.6
Trade and other financial receivables	12	Level 2	35.8	–	35.8	35.8
Total financial assets			53.4	–	53.4	53.4
Financial liabilities						
Trade and other payables	15	Level 2	(31.6)	–	(31.6)	(31.6)
Floating rate bank overdraft	14	Level 2	(0.2)	–	(0.2)	(0.2)
Floating rate long-term borrowings	14	Level 2	(48.1)	–	(48.1)	(48.1)
Preference stock	14	Level 1	(0.5)	–	(0.5)	(0.5)
Forward foreign currency contracts: cash flow hedge	25(b)	Level 2	–	(0.4)	(0.4)	(0.4)
Total financial liabilities			(80.4)	(0.4)	(80.8)	(80.8)

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

The fair value of derivatives has been calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

25. FINANCIAL INSTRUMENTS CONTINUED

(B) DERIVATIVE FINANCIAL INSTRUMENTS

Forward foreign exchange contracts

The Group uses forward foreign exchange contracts to hedge future foreign currency sales and purchases. At 31 March 2020, contracts with a nominal value of £10.5m (2019: £14.2m) 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 assets or as liabilities) within the consolidated balance sheet:

	Average exchange rate		Contractual or notional value		Fair value assets/(liabilities)	
	2020 Rate	2019 Rate	2020 £m	2019 £m	2020 £m	2019 £m
Forward foreign currency contracts: cash flow hedge						
Sell US Dollar: Buy Sterling	1.292	1.325	2.8	5.0	(0.1)	-
Sell US Dollar: Buy Euro	1.138	1.183	7.3	9.2	(0.2)	(0.4)
Sell Aus Dollar: Buy US Dollar	1.616	-	0.1	-	-	-
Sell Aus Dollar: Buy Euro	1.782	-	0.1	-	-	-
Sell Aus Dollar: Buy Chinese Renminbi	0.228	-	0.2	-	-	-
			10.5	14.2	(0.3)	(0.4)

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, Enil (2019: Enil) 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 2020 was £7.3m (2019: £6.7m), maturing in September 2020.

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.

£0.4m of exchange loss (2019: £0.5m loss) on translation of the borrowings into Sterling is included as part of the hedging reserve movement in other comprehensive income as the hedge was deemed to be effective.

Notes to the Consolidated Financial Statements

25. FINANCIAL INSTRUMENTS CONTINUED

(C) MATURITY OF FINANCIAL LIABILITIES

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

	2020					Total £m
	One year or less on demand	One to two years	Two to five years	More than five years		
	£m	£m	£m	£m		
Trade and other payables	21.8	-	-	5.3		27.1
Floating rate bank overdraft	0.5	-	-	-		0.5
Floating rate long-term borrowings ²	1.3	1.3	54.5	-		57.1
Preference stock ¹	-	-	-	0.5		0.5
Lease liabilities	3.0	2.6	5.3	10.6		21.5
Forward foreign currency contracts: cash flow hedge - outflow	10.5	-	-	-		10.5
	37.1	3.9	59.8	16.4		117.2

¹ The preference stock bears interest at a fixed rate of 6% (interest has been excluded from the above analysis) and has no fixed repayment date (see Note 14).

² Contractual cash flows include annual interest payments, calculated using the interest rates applying to the loans at the period end.

	2019					Total £m
	One year or less on demand	One to two years	Two to five years	More than five years		
	£m	£m	£m	£m		
Trade and other payables	26.5	-	-	5.1		31.6
Floating rate long-term borrowings ²	1.4	1.4	51.6	-		54.4
Preference stock ¹	-	-	-	0.5		0.5
Forward foreign currency contracts: cash flow hedge	14.2	-	-	-		14.2
	42.1	1.4	51.6	5.6		100.7

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.

(D) CURRENCY AND INTEREST RATE PROFILE OF FINANCIAL LIABILITIES OF THE GROUP

Overdraft, borrowings and preference stock by currency	2020			2019		
	Fixed rate £m	Floating rate £m	Total £m	Fixed rate £m	Floating rate £m	Total £m
Sterling						
- Financial liabilities	-	40.0	40.0	-	37.1	37.1
- Preference stock	0.5	-	0.5	0.5	-	0.5
US Dollar	-	7.3	7.3	-	6.7	6.7
Euro	-	4.4	4.4	-	4.3	4.3
Other	-	0.7	0.7	-	0.2	0.2
	0.5	52.4	52.9	0.5	48.3	48.8

Floating rate financial liabilities bear interest at rates based on relevant national base rate equivalents, which can fluctuate on a daily basis. The other financial instruments of the Group that are not included in the above tables are non-interest bearing and are therefore not subject to interest risk.

INTEREST RATE RISK

Interest rate risk arises on borrowings and cash balances (and derivative liabilities and assets) which are at floating interest rates. Changes in interest rates could have the effect of either increasing or decreasing the Group's net profit. Under the Group's interest rate management policy, the interest rates on each of the Group's major currency monetary assets and liabilities are managed to achieve the desired mix of fixed and variable rates for each major net currency exposure. Exposure to the risk of changes in market interest rates relates primarily to the Group's Sterling, US Dollar and Euro debt obligations. Measurement of this interest rate risk and its potential impact due to volatility on the Group's reported financial performance is undertaken on a monthly basis and the Board uses this information to determine, from time to time, an appropriate mix of fixed and floating rates.

25. FINANCIAL INSTRUMENTS CONTINUED

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 2020, the Group had a committed but undrawn revolving credit facility of £9.7m. The Group also benefits from a UK overdraft and a number of overseas facilities totalling £4.0m (2019: £1.4m) with availability at year end of £3.4m. Together with net cash of £15.1m, available funds at 31 March 2020 were £28.2m. The Group manages longer-term liquidity through its committed bank facilities and will, if appropriate, raise funds on capital markets. The Group's principal committed bank facility of £61.5m matures in March 2024 (four years to maturity) and had drawings of £51.8m at 31 March 2020. Cash management pooling, netting and concentration techniques are used to minimise borrowings. As at 31 March 2020, the Group had gross cash of £15.6m.

(E) CURRENCY AND INTEREST RATE PROFILE OF FINANCIAL ASSETS

	2020	2019
	£m	£m
Cash at bank and in hand by currency		
Sterling	1.7	0.3
Euro	5.6	6.5
US Dollar	3.3	4.7
Other	5.0	6.1
	15.6	17.6

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

(F) FOREIGN CURRENCY RISK AND SENSITIVITY

As a result of the significant operations in the US, Europe and China, the Group's balance sheet can be affected significantly by movements in the US Dollar/Sterling, Euro/Sterling, and US Dollar/Euro exchange rates. In order to manage these risks the Group enters into currency forward contracts designated as cash flow hedge relationships and foreign currency borrowings designated as net investment hedges.

The financial impact of changes in the mark to market value of the currency forward contracts for reasonably possible changes in the value of Sterling on the Group's result before tax and the Group's equity is set out in the following table. There is no effect on profit before tax because all currency forward contracts are designated as hedging instruments. The impact of translating the net assets of foreign operations into Sterling is excluded from the sensitivity analysis.

Decrease/(increase) in the value of US Dollar compared to other currencies:

	Decrease/ (increase) in US\$ value	Effect on equity of currency forward contracts £m	Effect on equity of net investment hedge £m
2020	25%	(2.0)	1.5
	-10%	1.3	(0.8)
2019	25%	(3.6)	1.3
	-10%	2.7	(0.7)

Notes to the Consolidated Financial Statements

25. FINANCIAL INSTRUMENTS CONTINUED

(G) INTEREST RATE SENSITIVITY

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

	Increase in basis points	Effect on profit, before tax	
		2020 £m	2019 £m
Sterling	+150	(0.6)	(0.5)
US Dollar	+150	(0.1)	(0.1)
Euro	+150	(0.1)	(0.1)
		(0.8)	(0.7)

(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:

	2020 £m	2019 £m
Expiring within one year or less, or on demand	1.0	1.3
Expiring between one and two years	-	-
Expiring between two and five years	12.1	12.5
	13.1	13.8

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 2021.

(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 2020 and 31 March 2019.

The capital structure of the Group consists of net debt, as disclosed in Note 14, and equity attributable to the owners of the parent, as disclosed in the Consolidated Statement of Changes in Equity.

The Group monitors capital using two gearing ratios which align with the two primary financial covenants on the Group's core banking facility. The core banking facility has been subject to two covenants, which are tested semi-annually: net debt to EBITDA (leverage) and EBITDA to net finance charges. In recognition of the current macroeconomic uncertainty, the Group's banks have amended covenant test structure, replacing the existing tests with minimum rolling 12-month EBITDA, tested on a quarterly basis for the period to March 2021, and minimum available liquidity tests. From March 2021, the tests revert to the previous net debt to EBITDA and EBITDA to net finance charges, but with greater flexibility (i.e. 3.5 times net debt to EBITDA versus original 2.5 times) until September 2021 when the original covenant tests resume. See Note 14 for further details of the Group's banking facilities. The Group is not subject to any other externally imposed capital requirements.

	2020 £m	2019 £m
Net debt (Note 24)	36.6	30.3
Total capital	(0.4)	(3.1)
Capital and net debt	36.2	27.2
Gearing ratio	101%	111%
Adjusted EBITDA, £m (Note 29)	21.4	23.1
Net debt to adjusted EBITDA	1.7 times	1.3 times

26. POST BALANCE SHEET EVENTS

There were no significant post balance sheet events to report.

27. ACQUISITION OF MINORITY INTEREST

On 8 November 2019, the Group purchased the remaining 25% non-controlling interest in Renold Chain India Private Limited (the Group's Indian operations). The £1.8m acquisition was funded by cash resources held by the Indian business which is now a wholly-owned subsidiary of the Group. The purchase of the remaining non-controlling interest expands the Group's operations in this growing market with significant potential.

	2020	2019
	£m	£m
At 1 April	2.2	2.0
Exchange adjustment	-	-
Share of profit for the year	0.1	0.2
Acquisition of remaining non-controlling interest	(2.3)	-
At 31 March	-	2.2

28. RE-PRESENTATION OF THE INCOME STATEMENT

A re-presentation of the comparative income statement for the year ended 31 March 2019 has been prepared. The revised presentation has been prepared in order to:

- separately identify the discontinued element of the Group's income statement following the sale of Renold Crofts (Pty) Ltd (see Note 22); and
- remove pension administration costs and IAS 19 financing costs as adjusting items from the Group's 'Adjusted' income statement. In previous years, the pension administration costs and the IAS 19R finance charges have been treated as adjusting items as they relate to historical pension schemes which are not indicative of the underlying performance of the operating businesses. While this continues to be the case, Renold's treatment of these items differs from other companies in the peer group, and in order to assist users of the financial statements, the legacy pension costs will no longer be treated as adjusting items.

The impact on the Condensed Consolidated Statement of Comprehensive Income and EBITDA for the year ended 31 March 2019 is as follows:

	Year ended 31 March 2019							
	Statutory			Adjusted ¹				
	As previously reported £m	Discontinued operations £m	Statutory (re-presented) £m	As previously reported £m	Discontinued operations £m	Pension admin and IAS 19 financing costs £m	Adjusted (re-presented) £m	
Revenue	202.4	(2.8)	199.6	202.4	(2.8)	-	199.6	
Operating costs	(187.2)	3.0	(184.2)	(187.0)	3.0	(0.8)	(184.8)	
Operating profit	15.2	0.2	15.4	15.4	0.2	(0.8)	14.8	
Net financing costs	(5.0)	-	(5.0)	(2.2)	-	(2.4)	(4.6)	
Profit before tax	10.2	0.2	10.4	13.2	0.2	(3.2)	10.2	
Taxation	(3.5)	-	(3.5)	(2.9)	-	(0.1)	(3.0)	
Profit/(loss) for the period from continuing operations	6.7	0.2	6.9	10.3	0.2	(3.3)	7.2	
Discontinued operations	-	(0.2)	(0.2)	-	-	-	-	
Profit/(loss) for the period	6.7	-	6.7	10.3	0.2	(3.3)	7.2	
Total comprehensive expense for the period, net of tax	(0.9)	-	(0.9)					
Attributable to:								
Owners of the parent	(1.1)	-	(1.1)					
Non-controlling interest	0.2	-	0.2					
	(0.9)	-	(0.9)					

¹ Adjusted for the after-tax effects of restructuring costs, changes in the provision discounts and amortisation of acquired intangible assets.

Notes to the Consolidated Financial Statements

28. RE-PRESENTATION OF THE INCOME STATEMENT CONTINUED

	Year ended 31 March 2019						
	Statutory			Adjusted ¹			
	As previously reported £m	Discontinued operations £m	Statutory (re-presented) £m	As previously reported £m	Discontinued operations £m	Pension admin and IAS 19 financing costs £m	Adjusted (re-presented) £m
Operating profit	15.2	0.2	15.4	15.4	0.2	(0.8)	14.8
Depreciation and amortisation	8.6	-	8.6	7.7	-	-	7.7
EBITDA	23.8	0.2	24.0	23.1	0.2	(0.8)	22.5

¹ Adjusted for the after-tax effects of restructuring costs, changes in the provision discounts and amortisation of acquired intangible assets.

29. ALTERNATIVE PERFORMANCE MEASURES

In order to provide users of the accounts with a clear and consistent presentation of the performance of the Group's ongoing trading activity, the Group uses various alternative performance measures (APMs), including the presentation of the income statement in a three column format with 'Adjusted' measures shown separately from statutory items. Amortisation of acquired intangibles, restructuring costs, discontinued operations and material one-off items or remeasurements are included in a separate column as management seek to present a measure of performance which is not impacted by material non-recurring items or items considered non-operational. See Note 2 for a breakdown and explanation of the items excluded from adjusted profit. Performance measures for the Group's ongoing trading activity are described as 'Adjusted' and are used to measure and monitor performance as management believe these measures enable users of the financial statements to better assess the trading performance of the business. In addition, the Group reports sales and profit measures at constant exchange rates. Constant exchange rate metrics exclude the impact of foreign exchange translation by retranslating the comparative to current year exchange rates.

The APMs used by the Group include:

APM	Reference	Explanation of APM
• adjusted operating profit	A	Adjusted measures are used by the Group as a measure of underlying business performance, adding back items that do not relate to underlying performance
• adjusted profit before taxation	B	
• adjusted EPS	C	
• return on sales	D	
• revenue at constant exchange rates	E	Constant exchange rate metrics adjust for constant foreign exchange translation and are used by the Group to better understand year-on-year changes in performance
• adjusted operating profit at constant exchange rates	F	
• adjusted operating profit margin at constant exchange rates	G	
• EBITDA	H	EBITDA is a widely utilised measure of profitability, adjusting to remove non-cash depreciation and amortisation charges
• adjusted EBITDA	I	
• net debt	J	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	K	
• gearing ratio	L	
• legacy pension cash costs	M	The cost of legacy pensions is used by the Group as a measure of the cash cost of servicing legacy pension schemes

29. ALTERNATIVE PERFORMANCE MEASURES CONTINUED

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

	2020	2019
	£m	£m
(A) Adjusted operating profit		
Statutory operating profit from continuing operations	10.1	15.4
Add back:		
Restructuring costs	2.4	2.9
Amortisation of acquired intangible assets	0.9	0.9
Pension past service credits	-	(4.4)
Adjusted operating profit	13.4	14.8

	2020	2019
	£m	£m
(B) Adjusted profit before taxation		
Statutory profit before taxation from continuing operations	4.9	10.4
Add back:		
Restructuring costs	2.4	2.9
Amortisation of acquired intangible assets	0.9	0.9
Pension past service credits	-	(4.4)
Amortisation of refinancing costs	-	0.3
Discount unwind on provisions	-	0.1
Adjusted profit before taxation	8.2	10.2

(C) Adjusted earnings per share

Adjusted EPS is reconciled to statutory EPS in Note 5.

	2020	2019
	£m	£m
(D) Return on sales		
Adjusted operating profit	13.4	14.8
Revenue	189.4	199.6
Return on sales %	7.1%	7.4%

	Year ended 31 March 2019			
	Chain	Torque	Head office	Consolidated
	£m	£m	costs and eliminations £m	£m
(E) Revenue at constant exchange rates				
External revenue from continuing operations	163.9	35.7	-	199.6
Foreign exchange retranslation	1.8	0.5	-	2.3
Revenue at constant exchange rates	165.7	36.2	-	201.9
(F) Adjusted operating profit at constant exchange rates				
Adjusted operating profit	18.4	3.3	(6.9)	14.8
Foreign exchange retranslation	0.1	0.1	-	0.2
Adjusted operating profit at constant exchange rates	18.5	3.4	(6.9)	15.0

Notes to the Consolidated Financial Statements

29. ALTERNATIVE PERFORMANCE MEASURES CONTINUED

	2020	2019
	£m	£m
(G) Adjusted operating profit margin at constant exchange rates		
Adjusted operating profit at constant exchange rates	13.4	15.1
Revenue at constant exchange rates	189.4	202.9
Adjusted operating profit margin at constant exchange rates %	7.1%	7.4%

	2020	2019
	£m	£m
(H & I) EBITDA and adjusted EBITDA (earnings before interest, taxation, depreciation and amortisation)		
Statutory operating profit from continuing operations	10.1	15.4
Depreciation and amortisation - owned assets	8.9	8.6
EBITDA	19.0	24.0
Add back:		
Restructuring costs	2.4	2.9
Pension past service credits	-	(4.4)
Adjusted EBITDA	21.4	22.5

(J) Net debt

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

	2020	2019
	£m	£m
(K) Leverage ratio		
Net debt (see Note 24)	36.6	30.3
Adjusted EBITDA	21.4	22.5
Leverage ratio	1.7 times	1.3 times

	2020		2019	
	£m	£m	£m	£m
(L) Gearing ratio				
Net debt (see Note 24)		36.6		30.3
Equity attributable to equity holders of the parent	(0.4)		(3.1)	
Net debt (see Note 24)	36.6		30.3	
Total capital plus net debt		36.2		27.2
Gearing ratio %		101%		111%

	2020	2019
	£m	£m
(M) Legacy pension cash costs		
Cash contributions to pension schemes	3.2	3.3
Pension payments in respect of unfunded schemes	1.2	1.4
Scheme administration costs	0.8	0.8
	5.2	5.5

FINANCIAL STATEMENTS

Group Five Year Financial Review

	2020 £m	2019 ³ £m	2018 £m	2017 £m	2016 £m
Group revenue	189.4	199.6	191.6	183.4	165.2
Adjusted operating profit ²	13.4	14.8	12.8	12.8	13.5
Operating profit	10.1	15.4	5.1	10.0	11.1
Profit before tax	4.9	10.4	0.9	5.7	7.4
Taxation	(1.5)	(3.5)	(3.6)	(1.9)	(2.0)
Profit/(loss) for the year from continuing operations⁴	3.4	6.9	(2.7)	3.8	5.4
Net assets employed					
Tangible and intangible fixed assets	61.3	62.1	55.6	56.5	54.7
Right-of-use assets	11.3	-	-	-	-
Lease liabilities	(17.1)	-	-	-	-
Working capital and other net assets	40.2	33.9	36.8	34.6	31.2
Operating assets	95.7	96.0	92.4	91.1	85.9
Goodwill	24.0	23.1	21.6	26.4	22.7
Net debt	(36.6)	(30.3)	(24.3)	(17.4)	(23.5)
Deferred and current taxation	14.8	15.5	15.2	16.4	14.5
Provisions	(0.7)	(3.3)	(7.9)	(7.7)	(6.2)
Net assets excluding pension obligations	97.2	101.0	97.0	108.8	93.4
Pension obligations	(97.6)	(101.9)	(97.4)	(102.0)	(82.9)
Total net (liabilities)/assets	(0.4)	(0.9)	(0.4)	6.8	10.5
Other data and ratios					
Return on capital employed (%) ¹	11.2	12.6	11.3	11.1	13.0
Return on sales (%) ²	7.1	7.3	6.7	7.0	8.2
Capital expenditure (£m)	9.1	15.2	9.5	10.9	8.8
Basic earnings/(loss) per share (p) from continuing operations	1.5	3.0	(1.2)	1.9	2.4
Employees at year end	1,826	2,059	2,044	2,139	2,187

¹ Being adjusted operating profit divided by average operating assets and goodwill.

² Based on adjusted operating profit divided by revenue.

³ A re-presentation of the income statement has been performed, see Note 28 for details of the re-presentation of the year ended 31 March 2019. The revised presentation has been performed in order to:

- separately identify the discontinued element of the Group's income statement following the sale of Renold Crofts (Pty) Ltd (see Note 22); and
- remove pension administration costs and IAS 19 financing costs as adjusting items from the Group's 'Adjusted' income statement. In previous years, the pension administration costs and the IAS 19R finance charges have been treated as adjusting items as they relate to historical pension schemes which are not indicative of the underlying performance of the operating businesses. While this continues to be the case, Renold's treatment of these items differs from other companies in the peer group, and in order to assist users of the financial statements, the legacy pension costs will no longer be treated as adjusting items.

⁴ 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 (see Note 22)

Company Balance Sheet

as at 31 March 2020

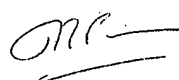
	Note	2020 £m	2019 (re-presented) £m
ASSETS			
Non-current assets			
Intangible assets	ii	4.4	4.6
Property, plant and equipment	iii	0.2	0.3
Right-of-use assets	ix	0.8	-
Investments in subsidiary undertakings	iv	62.0	62.0
Receivables	vi	108.3	110.4
Deferred tax assets	v	3.2	3.1
		178.9	180.4
Current assets			
Receivables	vi	16.1	7.0
Cash and cash equivalents		0.5	0.2
		16.6	7.2
TOTAL ASSETS		195.5	187.6
LIABILITIES			
Creditors: amounts falling due within one year			
Trade and other payables	vii	(5.1)	(3.7)
Lease liabilities	ix	(0.2)	-
Borrowings	x	(5.1)	(4.9)
Derivative financial instruments	viii	-	-
		(10.4)	(8.6)
NET CURRENT ASSETS/(LIABILITIES)		6.2	(1.4)
Creditors: amounts falling due after more than one year			
Trade and other payables	vii	(62.5)	(62.5)
Lease liabilities	ix	(0.7)	-
Borrowings	x	(35.8)	(32.0)
Preference stock	x	(0.5)	(0.5)
Retirement benefit obligations	xi	(17.0)	(18.1)
		(116.5)	(113.1)
TOTAL LIABILITIES		(126.9)	(121.7)
NET ASSETS		68.6	65.9
Capital and reserves			
Issued share capital	xii	11.3	11.3
Share premium account		30.1	30.1
Capital redemption reserve		15.4	15.4
Currency translation reserve		9.8	7.4
Retained earnings		2.0	1.7
SHAREHOLDERS' FUNDS		68.6	65.9

¹ The balance sheet at 31 March 2019 has been re-presented to better reflect the classification of long-term receivables owed by subsidiary undertakings, see Notes (iv) and (vi) for further details.

The profit of Renold plc (registered number 249688) for the year ended 31 March 2020 was £0.1m (2019: loss of £6.7m).

Approved by the Board on 16 June 2020 and signed on its behalf by:

ROBERT PURCELL
CHIEF EXECUTIVE



IAN SCAPENS
FINANCE DIRECTOR



FINANCIAL STATEMENTS

Company Statement of Changes in Equity

for the year ended 31 March 2020

	Share capital £m Note xii	Share premium account £m	Capital redemption reserve £m	Retained earnings £m	Currency translation reserve £m	Total £m
At 31 March 2018	11.3	30.1	15.4	9.8	5.2	71.8
Loss for the year	-	-	-	(6.7)	-	(6.7)
Other comprehensive income/(expense)	-	-	-	(1.8)	2.2	0.4
Total comprehensive income/(expense) for the year	-	-	-	(8.5)	2.2	(6.3)
Share-based payments	-	-	-	0.4	-	0.4
At 31 March 2019	11.3	30.1	15.4	1.7	7.4	65.9
Impact of adoption of IFRS 16	-	-	-	(0.1)	-	(0.1)
At 1 April 2019	11.3	30.1	15.4	1.6	7.4	65.8
Profit for the year	-	-	-	0.1	-	0.1
Other comprehensive income	-	-	-	0.9	2.4	3.3
Total comprehensive income for the year	-	-	-	1.0	2.4	3.4
Share-based payments	-	-	-	(0.6)	-	(0.6)
At 31 March 2020	11.3	30.1	15.4	2.0	9.8	68.6

All attributable to the equity shareholders of the Company.

Company Accounting Policies

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

BASIS OF ACCOUNTING

The Parent Company financial statements of Renold plc meet the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100). The financial statements have therefore been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101).

In these financial statements, the Company has applied the exemptions available under FRS 101 in relation to share-based payments, financial instruments, capital management, presentation of a cash flow statement, presentation of comparative information in respect of certain assets, standards not yet effective, impairment of assets and related party transactions.

The financial statements have been prepared on the historical cost basis and on the going concern basis. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services. The principal accounting policies adopted and significant accounting judgement, estimates and assumptions are the same as those set out in the Notes to the consolidated financial statements.

As permitted by section 408 of the Companies Act 2006, the Company has not presented its own statement of comprehensive income (including the profit and loss account).

CRITICAL JUDGEMENTS IN THE APPLICATION OF THE GROUP'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:

INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

The Company tests the investment balances for impairment annually. The recoverable amounts of the investments have been determined based on value-in-use calculations which require the use of estimates. The Covid-19 pandemic and its impact on the economy is unprecedented and will not be fully understood for a sustained period. While the economic uncertainty continues, management cannot rule out significant changes to the key value-in-use assumptions. The impairment test calculations are carried out on a consistent basis with the impairment testing for goodwill, tangible and intangible assets for the consolidated financial statements for the Group, albeit with analysis by legal entity rather than cash generating units. For further details about the value-in-use calculations which are used for the impairment review of the company only investments in subsidiaries (and non-current loan receivable balances) refer to Note 7 to the consolidated financial statements.

FINANCIAL STATEMENTS

Notes to the Company Financial Statements

(I) PROFIT FOR THE YEAR

Renold plc reported a profit for the year ended 31 March 2020 of £0.1m (2019: loss of £6.7m).

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 40 (2019: 44), of which all are categorised as Head Office employees.

(II) INTANGIBLE ASSETS – SOFTWARE**ACCOUNTING POLICY**

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

	Total £m
Cost	
At 1 April 2018	13.2
Additions	1.3
At 31 March 2019	14.5
Additions	1.2
At 31 March 2020	15.7
Depreciation	
At 1 April 2018	7.8
Charge for the year	2.1
At 31 March 2019	9.9
Charge for the year	1.4
At 31 March 2020	11.3
Net book amount at 31 March 2020	4.4
Net book amount at 31 March 2019	4.6

(III) PROPERTY, PLANT AND EQUIPMENT**ACCOUNTING POLICY**

Tangible assets are stated at cost, being purchase cost plus any incidental costs of acquisition, less accumulated depreciation and impairment. Depreciation is calculated on a straight-line basis so as to charge the depreciable amount of the respective assets to the income statement over their expected useful lives. No depreciation has been charged on freehold land. The useful lives of assets are as follows:

	Years
Freehold buildings	50
Leasehold properties	50 years or the period of the lease if less
General plant and equipment	15
Fixtures	15
Precision cutting and grinding machines	10
Motor vehicles	3

Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

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

Notes to the Company Financial Statements

(III) PROPERTY, PLANT AND EQUIPMENT CONTINUED

	Property £m	Equipment £m	Total £m
Cost			
At 1 April 2018	0.2	0.2	0.4
Additions	–	0.1	0.1
At 31 March 2019	0.2	0.3	0.5
Additions	–	–	–
At 31 March 2020	0.2	0.3	0.5
Depreciation			
At 1 April 2018	0.1	–	0.1
Charge for the year	–	0.1	0.1
At 31 March 2019	0.1	0.1	0.2
Charge for the year	–	0.1	0.1
At 31 March 2020	0.1	0.2	0.3
Net book amount at 31 March 2020	0.1	0.1	0.2
Net book amount at 31 March 2019	0.1	0.2	0.3

FUTURE CAPITAL EXPENDITURE

At 31 March 2020, contracted capital expenditure not provided for in these financial statements for which contracts have been placed amounted to Enil (2019: £0.1m).

(IV) INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

ACCOUNTING POLICY

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

The results and financial position of Renold Scottish Limited Partnership (SLP) have been consolidated in the consolidated financial statements of Renold plc. Renold plc is a parent undertaking of the general partner in the SLP (see Note (xv) to the Company financial statements). Accordingly, advantage has been taken of the exemption conferred by paragraph 7 of the Partnerships (Accounts) Regulations 2008 from the requirements for preparation, delivery and publication of the partnerships accounts.

Subsidiary undertakings	Shares £m
Cost or valuation – At beginning and end of year¹	62.0

¹ The balance sheet at 31 March 2019 has been re-presented to better reflect the classification of long-term receivables owed by subsidiary undertakings. Note (vi) below includes £101.5m within non-current amounts owed by subsidiary undertakings that was previously included within Investments in subsidiaries.

The subsidiary undertakings of the Company at 31 March 2020 are set out in Note (xv).

(V) DEFERRED TAX ASSETS

	Opening balance £m	Recognised in income statement £m	Recognised directly in other comprehensive income £m	Closing balance £m
2020 - Pension plans	3.1	–	0.1	3.2
2019 - Pension plans	3.0	(0.3)	0.4	3.1

Unrecognised deferred tax assets amount to £0.5m (2019: £0.6m) arising from accelerated capital allowances.

(VI) RECEIVABLES**ACCOUNTING POLICY**

Receivables are initially recognised at fair value. Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Per IFRS 9, a simplified lifetime expected credit loss model is used to assess receivables for impairment. An assessment regarding the expected credit loss of these amounts has been made and the Company has identified that no allowance for expected credit losses is required.

Amounts owed by subsidiary undertakings falling due after more than one year are classified as such according to the loan agreements in place.

	2020		2019 (re-presented ²)	
	Current £m	Non-current £m	Current £m	Non-current £m
Amounts owed by subsidiary undertakings ¹	15.1	99.8	5.8	101.5
Other debtors	0.2	-	0.3	-
Prepayments	0.8	8.5	0.9	8.9
	16.1	108.3	7.0	110.4

¹ An assessment regarding the expected credit loss of these amounts has been made and the Company has identified that no allowance for expected credit losses is required based on their nature as either quasi-equity or repayable on demand loans not exceeding the investee's liquid assets

² The balance sheet at 31 March 2019 has been re-presented to better reflect the classification of long-term receivables owed by subsidiary undertakings. Non-current receivables includes £101.5m owed by subsidiary undertakings that was previously included within Investments in subsidiaries (Note (iv)).

(VII) TRADE AND OTHER PAYABLES

	2020 £m	2019 £m
Amounts falling due within one year:		
Trade creditors	1.2	0.9
Other taxation and social security	0.2	0.2
Accruals	1.5	2.6
Amounts owed to subsidiary undertakings	2.2	-
	5.1	3.7

	2020 £m	2019 £m
Amounts falling due after one year:		
Loan from subsidiary undertakings	62.5	62.5

A 25-year loan of £62.5m was established with Renold International Holdings Limited in 2014. Interest, initially £2.5m per annum, increasing in line with RPI plus 1.5% capped at 5%, is payable for the period of the loan.

(VIII) DERIVATIVE FINANCIAL INSTRUMENT

	2020 £m	2019 £m
Forward foreign currency contracts – cash flow hedge	-	-

The Company had entered into no derivative financial instruments at 31 March 2020 (2019: forward contracts of £5.0m to sell US Dollars and buy Sterling). The prior year contracts covered intra-group purchases in Sterling by the Group's US operations.

Notes to the Company Financial Statements

(IX) LEASING AND RIGHT-OF-USE ASSETS**ACCOUNTING POLICY**

In the prior year leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease. 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.

TRANSITION

As the Company has used the modified retrospective approach in adopting IFRS 16, comparatives have not been restated. For further details of the transition and practical expedients used please see the Group Accounting Policies, page 103. The adoption of this new accounting policy resulted in the following changes to the opening balance sheet at 1 April 2019:

	£m
Increase in right-of-use assets	1.0
Increase in lease liabilities	(1.1)
Net decrease in retained earnings	(0.1)

RIGHT-OF-USE ASSETS

	Land and buildings £m	Plant and equipment £m	Total £m
Cost			
At 1 April 2019	-	-	-
Adoption of IFRS 16	0.9	0.1	1.0
At 31 March 2020	0.9	0.1	1.0
Accumulated depreciation and impairment			
At 1 April 2019	-	-	-
Charge for the year	0.1	0.1	0.2
At 31 March 2020	0.1	0.1	0.2
Net book amount			
At 31 March 2020	0.8	-	0.8
At 31 March 2019	-	-	-

(IX) LEASING AND RIGHT-OF-USE ASSETS CONTINUED

LEASE LIABILITIES

	2020 £m
Maturity analysis – contractual undiscounted cash flows	
Less than one year	0.2
One to five years	0.7
More than five years	–
Total undiscounted lease liabilities at 31 March	0.9
Less: Interest allocated to future periods	–
Lease liabilities included in the Consolidated Balance Sheet	0.9
Current	0.2
Non-current	0.7

(X) BORROWINGS

	2020 £m	2019 £m
Amounts falling due within one year:		
Overdrafts	5.3	5.1
Capitalised costs	(0.2)	(0.2)
Current borrowings	5.1	4.9
Amounts falling due after more than one year:		
Bank loans repayable in two to five years	36.3	32.7
Capitalised costs	(0.5)	(0.7)
Non-current borrowings	35.8	32.0
Preference stock	0.5	0.5
	36.3	32.5
Total borrowings	41.4	37.4

(XI) PENSIONS

Employees of the Company include members of the principal UK defined benefit schemes. The basis used to determine the deficit in the schemes is disclosed in Note 18 to the consolidated financial statements.

No contributions are outstanding at the year end.

(XII) CALLED UP SHARE CAPITAL

	Issued	
	2020 £m	2019 £m
Ordinary shares of 5p each	11.3	11.3

At 31 March 2020, the issued ordinary share capital comprised 225,417,740 ordinary shares of 5p each (2019: 225,417,740).

	Issued	
	2020 £m	2019 £m
Preference stock of £1 each¹	0.5	0.5

¹ Included in borrowings – see Note (x).

The Employee Benefit Trust holds 199,790 fully paid ordinary shares of 5p each (2019: 364,879) to facilitate the exercise of share options by employees across the Company.

Disclosures in respect of capital management can be found in Note 25 to the consolidated financial statements.

Notes to the Company Financial Statements

(XIII) RELATED PARTY TRANSACTIONS

Other than payments made to Directors, which are set out in the Board Report on Remuneration on pages 68 to 83 and in Note 2(d) to the consolidated financial statements, there are no other related party transactions to disclose. The Company has taken the exemption available under FRS 101 not to disclose transactions with wholly-owned subsidiary companies.

(XIV) POST BALANCE SHEET EVENTS

There were no significant post balance sheet events to report.

(XV) SUBSIDIARY UNDERTAKINGS AS AT 31 MARCH 2020

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 2020 is disclosed below. Unless otherwise stated, the share capital disclosed comprises ordinary or common shares which are held by subsidiaries of the Renold Group. The UK subsidiaries are incorporated in England and Wales and the registered address of all offices is Trident 2, Trident Business Park, Styal Road, Wythenshawe, Manchester, M22 5XB unless stated.

UNITED KINGDOM

Renold Power Transmission Limited*

Renold International Holdings Limited*

Renold Europe Limited*

Renold Holdings Limited*

Renold Transmission Limited

Renold Continental Limited

UNITED KINGDOM (DORMANT COMPANIES)

Anchor Chain and Power Transmission Co Limited

Hans Renold Limited*

John Holroyd & Company Limited*

Jones & Shipman Limited*

UNITED KINGDOM (PENSION ENTITIES)

Renold Pensions Limited* (dormant)

Renold Group General Partner Limited* 3-5 Melville Street, Edinburgh, Scotland, EH3 7PE

Renold Scottish Limited Partnership 3-5 Melville Street, Edinburgh, Scotland, EH3 7PE

EUROPE (OTHER THAN THE UNITED KINGDOM)

Austria	Renold GmbH	Kärntner Ring 12, A-1010 Wien
Denmark	Renold A/S	Kaerup Alle 2, 1. Benløse, 4100, Ringstad
France	Brampton Renold SAS*	100 rue du Courbillon, 59175, Vendeville
Germany	Renold GmbH	Juliusmühle, 37574, Einbeck
	Renold Holding GmbH*	Juliusmühle, 37574, Einbeck
	Renold Automotive Systems Germany	Juliusmühle, 37574, Einbeck
Poland	Renold Polska sp. z o.o.	ul. Młyńska 11, 40-098 Katowice, Poland
	Renold Poland sp. z o.o.	ul. Młyńska 11, 40-098 Katowice, Poland
Spain	Renold Hi-Tec Couplings SA	C/ Antoni Gaudi 21, Bajos 2o, Gavá, Barcelona
Sweden	Renold Transmission AB (Sweden)	
Switzerland	Renold (Switzerland) GmbH	Ringstrasse 16, CH-8600, Dübendorf 1

(XV) SUBSIDIARY UNDERTAKINGS AS AT 31 MARCH 2020 CONTINUED**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.

ADDITIONAL INFORMATION

Corporate Information

REGISTERED OFFICE

Trident 2, Trident Business Park
Styal Road
Wythenshawe
Manchester
M22 5XB

Registered number: 249688
Telephone: +44 (0)161 498 4500
Fax: +44 (0)161 437 7782
Email: enquiry@renold.com
Website: www.renold.com

AUDITOR

Deloitte LLP

BROKER AND FINANCIAL ADVISER

Peel Hunt LLP

FINANCIAL PR CONSULTANTS

Instinctif Partners Limited

REGISTRARS

Link Asset Services
34 Beckenham Road
Beckenham
Kent
BR3 4TU

Telephone: If calling from the UK: 0371 664 0300 (lines are open 9.00am to 5.30pm, Monday to Friday)

If calling from overseas: +44 371 664 0300

Email: www.signalshares.com/help-centre/

Website: www.signalshares.com

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RENOLD

Renold plc
Trident 2
Trident Business Park
Soyal Road
Wythenshawe
Mant Chester
M22 5XB

Telephone: +44 (0)161 498 4500
www.renold.com