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If you sell or have sold or otherwise transferred all of your Existing Ordinary Shares before the Ex-entitlement Date, please forward this document and the Form of Proxy (and, if you are a Qualifying Non-CREST Shareholder, the Application Form which, subject to certain exceptions, you are being sent) to the purchaser or transferee or the stockbroker, bank or other agent through whom the sale or transfer is/was effected for onward transmission to the purchaser or transferee. If you have sold or transferred part of your registered holding of Existing Ordinary Shares, please immediately contact your stockbroker, bank or other agent through whom the sale or transfer was effected and, for Qualifying non-CREST Shareholders, refer to the instructions regarding split applications set out in the Application Form. If your registered holding of Existing Ordinary Shares was held in uncertificated form, a claim transaction will automatically be generated by CREST which, on settlement, will transfer the appropriate number of Open Offer Entitlements to the purchaser or transferee. However this document and, if relevant, the accompanying Application Form should not, subject to certain exceptions, be sent in or into the United States or any of the Excluded Territories or any other jurisdiction where to do so would or might contravene local securities laws or regulations.

The distribution of this document and/or the Application Form and/or the transfer of the New Ordinary Shares into jurisdictions other than the United Kingdom may be restricted by law. Persons into whose possession these documents come should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. In particular, subject to certain exceptions, such documents should not be distributed, forwarded to or transmitted in or into the United States or any of the Excluded Territories. The Application Form and the New Ordinary Shares are not transferable except in accordance with, and the distribution of this document is subject to, the restrictions set out in paragraph 7 of Part III of this document. No action has been taken by the Company, by Singer Capital Markets or by Smith & Williamson that would permit an offer of the New Ordinary Shares or rights thereto or possession or distribution of this document or any other offering or publicity material or the Application Form in any jurisdiction where action for that purpose is required, other than in the United Kingdom.

Singer Capital Markets, which is a member of the London Stock Exchange and is authorised and regulated in the United Kingdom by the FSA, has agreed to act as financial adviser and broker to the Company in connection with the Placing and Open Offer and Firm Placing and Admission. Persons receiving this document should note that, in connection with the Placing and Open Offer and Firm Placing and Admission, Singer Capital Markets is acting exclusively for the Company and no one else. It will not be responsible to anyone other than the Company for providing the protections afforded to customers of Singer Capital Markets or for advising any other person on the transactions and arrangements described in this document. No representation or warranty, express or implied, is made by Singer Capital Markets as to any of the contents of this document for which the Company and the Directors are solely responsible. Singer Capital Markets has not authorised the contents of, or any part of, this document and (without limiting the statutory rights of any person to whom this prospectus is issued) no liability whatsoever is accepted by Singer Capital Markets for the accuracy of any information or opinions contained in this document or for the omission of any material information, for which the Company and the Directors are solely responsible.

Smith & Williamson, which is a member of the London Stock Exchange and is authorised and regulated in the United Kingdom by the FSA, has agreed to act as sponsor to the Company in connection with the Placing and Open Offer and Firm Placing and Admission. Persons receiving this document should note that, in connection with the Placing and Open Offer and Firm Placing and Admission, Smith & Williamson is acting exclusively for the Company and no one else. Apart from the responsibilities and liabilities, if any, which may be imposed on Smith & Williamson by FSMA, Smith & Williamson will not be responsible to anyone other than the Company for providing the protections afforded to customers of Smith & Williamson or for advising any other person on the transactions and arrangements described in this document. No representation or warranty, express or implied, is made by Smith & Williamson as to any of the contents of this document for which the Company and the Directors are solely responsible. Smith & Williamson has not authorised the contents of, or any part of, this document and (without limiting the statutory rights of any person to whom this document is issued) no liability whatsoever is accepted by Smith & Williamson for the accuracy of any information or opinions contained in this document or for the omission of any material information, for which the Company and the Directors are solely responsible.

This document comprises (i) a circular prepared in compliance with the Listing Rules for the purposes of the General Meeting convened pursuant to the notice of general meeting contained at the end of this document and (ii) a prospectus relating to the Placing and Open Offer and Firm Placing prepared in accordance with the Prospectus Rules, both made under section 73A of FSMA. This document has been approved as a prospectus by the FSA (as the competent authority in the United Kingdom) in accordance with section 85 of FSMA and has been filed with the FSA in accordance with paragraph 3.2.1 of the Prospectus Rules.

Application will be made to the UK Listing Authority and to the London Stock Exchange for the New Ordinary Shares to be admitted to listing on the Official List of the UK Listing Authority and to trading on the main market for listed securities of the London Stock Exchange, respectively. It is expected that Admission of the New Ordinary Shares will become effective and dealings on the London Stock Exchange in the New Ordinary Shares will commence at 8.00 a.m. on 10 December 2009.

Renold plc

(incorporated and registered in England & Wales under the Companies Act 1985 with company registration number 249688)

Proposed Placing and Open Offer and Firm Placing of 142,500,000 New Ordinary Shares at 20 pence per share Proposed Capital Reorganisation Notice of General Meeting

Singer Capital Markets Limited
Financial Adviser and Broker

Smith & Williamson Corporate Finance Limited
Sponsor

The Open Offer Shares and Firm Placed Shares will, on Admission, rank *pari passu* in all respects with the New Ordinary Shares including the right to all future dividends or other distributions made, paid or otherwise declared on or after the date of Admission.

Your attention is drawn to the letter from the Chairman of Renold in Part I of this document, recommending you to vote in favour of the Resolutions to be proposed at the General Meeting. You should read this document in its entirety and consider whether to vote in favour of the Resolutions in light of the information contained in, or incorporated by reference into, this document. Qualifying Shareholders, Conditional Placees, Firm Placees and any other person contemplating a purchase of New Ordinary Shares should review the "Risk Factors" set out on pages 10 to 14 inclusive of this document for a discussion of certain factors that should be considered by Qualifying Shareholders, Conditional Placees and Firm Placees when deciding on what action to take in relation to the Placing and Open Offer and Firm Placing and by any other person in deciding whether or not to purchase New Ordinary Shares.

Notice of the General Meeting of the Company, to be held at 12.00 p.m. on 9 December 2009 at the offices of Singer Capital Markets Limited, One Hanover Street, London, W1S 1YZ to consider and, if thought fit, to pass the Resolutions, is set out at the end of this document. A Form of Proxy is enclosed for use by Shareholders in connection with this meeting. To be valid, Forms of Proxy, completed in accordance with the instructions thereon, must be received

by the Company's registrars, Capita Registrars, Proxies, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU as soon as possible and, in any event, by no later than 10.00 a.m. on 7 December 2009. If you hold Existing Ordinary Shares in CREST, you may appoint a proxy by completing and transmitting a CREST Proxy Instruction to the Company's registrars, Capita Registrars (CREST participant RA10), so that it is received by no later than 10.00 a.m. on 7 December 2009. Completion of a Form of Proxy will not preclude the Shareholder from attending and voting at the General Meeting should the Shareholder so wish.

Applications for New Ordinary Shares pursuant to the Open Offer by Qualifying non-CREST Shareholders may only be made on the accompanying Application Form which, pursuant to the Open Offer, is personal to the Qualifying Shareholder(s) named thereon and may not be sold, assigned or transferred except to satisfy *bona fide* market claims pursuant to the rules of the London Stock Exchange. Qualifying CREST Shareholders (none of whom will receive an Application Form) will receive a credit to their appropriate stock accounts in CREST in respect of the Open Offer Entitlements and Excess CREST Open Offer Entitlements which will be enabled for settlement on 18 November 2009. If the Open Offer Entitlements or Excess CREST Open Offer Entitlements of Qualifying CREST Shareholders are for any reason not enabled by 5.00 p.m. on 18 November 2009 or such later time as the Company may decide, an Application Form will be sent to each Qualifying CREST Shareholder in substitution for the Open Offer Entitlements or Excess CREST Open Offer Entitlements credited to its stock account in CREST. Qualifying CREST Shareholders who are CREST sponsored members should refer to their CREST sponsors regarding the action to be taken in connection with this document and the Open Offer.

The latest time and date for acceptance and payment under the Open Offer is expected to be 11.00 a.m. on 8 December 2009. The procedure for application and payment is set out in paragraphs 5 and 6 of Part III of this document and, where relevant, in the enclosed Application Form.

None of this document, the Application Form, the Open Offer Entitlements, the Open Offer Shares, the Excess CREST Open Offer Entitlements or the Excess Shares constitutes an offer to sell or the solicitation of an offer to buy New Ordinary Shares in the United States, any Excluded Territory or in any jurisdiction in which such offer or solicitation is unlawful.

None of the Open Offer Entitlements, the Open Offer Shares, the Application Form, the Excess CREST Open Offer Entitlements, the Excess Shares or the New Ordinary Shares has been, or will be, registered under the United States Securities Act of 1933 (as amended) or under the securities legislation of any state or other jurisdiction of the United States. The Open Offer Entitlements, the Open Offer Shares, the Excess CREST Open Offer Entitlements, the Excess Shares and the New Ordinary Shares may not be directly or indirectly offered, sold, renounced, transferred, taken up or delivered in, into or within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act of 1933 (as amended) and in compliance with state securities laws. Application Forms are not being posted to any person in the United States and no Open Offer Entitlements nor any Excess CREST Open Offer Entitlements will be credited to a stock or share account of any person in the United States. The New Ordinary Shares, the Application Form and this document have not been approved or disapproved by the United States Securities and Exchange Commission, any state securities commission in the United States or any other US regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the New Ordinary Shares or the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offence in the United States.

None of the Open Offer Entitlements, the Open Offer Shares, the Application Form, the Excess CREST Open Offer Entitlements, the Excess Shares or the New Ordinary Shares has been or will be registered under the relevant laws of any state, province or territory of any of the Excluded Territories. **Subject to certain limited exceptions** (i) the Open Offer Entitlements, the Open Offer Shares, the Excess CREST Open Offer Entitlements, the Excess Shares and the New Ordinary Shares may not be, directly or indirectly, offered, sold, renounced, transferred, taken up or delivered in, into or within any of the Excluded Territories, (ii) Application Forms are not being posted to any person in any of the Excluded Territories and (iii) no Open Offer Entitlements nor any Excess CREST Open Offer Entitlements will be credited to a stock account of any person in any of the Excluded Territories.

The attention of Overseas Shareholders and other recipients of this document who are residents or citizens of any country other than the United Kingdom or who have a contractual or other legal obligation to forward this document, the Form of Proxy or, where relevant, the Application Form to a jurisdiction outside the United Kingdom (including without limitation custodians, nominees and trustees) is drawn to paragraph 7 of Part III of this document.

It is the responsibility of any person receiving a copy of this document outside the United Kingdom to satisfy himself as to the full observance of the laws and regulatory requirements of the relevant territory in connection therewith, including obtaining any governmental or other consents which may be required or observing any other formalities required to be observed in such territory and paying any other issue, transfer or other taxes due in such other territory. Persons (including, without limitation, custodians, nominees and trustees) receiving this document, the Form of Proxy and, where relevant, the Application Form should not distribute or send it into any jurisdiction when to do so would, or might contravene local securities laws or regulations. Any person who does forward this document into any such jurisdictions should draw the recipient's attention to the contents of paragraph 7 of Part III of this document.

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SUMMARY

This summary should be read as an introduction to this document. Any decision to acquire New Ordinary Shares and/or to take up any entitlement under the Open Offer Entitlements or Excess Application Facility should be based on consideration of this document as a whole by the prospective investor.

Where a claim relating to the information contained in this document is brought before a court, the claimant might, under the national legislation of any of the EEA States, have to bear the costs of translating this document before the legal proceedings are initiated. Civil liability attaches to those persons who have responsibility for this summary, including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of this document.

Introduction

The Company proposes to undertake a Placing and Open Offer and Firm Placing to raise approximately £26.9 million (net of expenses) through the issue of New Ordinary Shares at an Issue Price of 20 pence per New Ordinary Share. 87,500,000 New Ordinary Shares will be issued through the Placing and Open Offer and 55,000,000 New Ordinary Shares will be issued through the Firm Placing.

The Placing and Open Offer and Firm Placing are each conditional upon, amongst other things, the approval of Shareholders at the General Meeting and upon the Placing Agreement becoming unconditional in all respects.

Information on Renold

Renold is an international engineering group producing a wide range of high quality engineering products and application solutions, operating in 20 countries worldwide. The principal activities of the Group are the manufacture and sale of industrial steel chains and related power transmission products, including gears and couplings.

The Directors are Matthew Peacock (Non-executive Chairman), Robert Davies (Chief Executive Officer), Peter Bream (Finance Director), David Shearer (Senior Non-executive Director) and John Allkins (Non-executive Director).

Over recent years, the management team has implemented an ongoing programme of significant changes to the structure, operations and strategy of the Group which have included:

- a focus on power transmission businesses and divestment of non-core divisions in automotive and machine tools;
- a move to low cost manufacturing with the acquisition or establishment of operations in Poland, Malaysia, China and India, and the closure of one Western site;
- exploiting access to new markets provided by low cost sources; and
- an ongoing rationalisation of the legacy cost base in the UK, Europe and the USA.

These management actions contributed to a successful growth in sales and profits up to the financial year ended 31 March 2008, with demonstrable progress made against the Company's targets of a 10 per cent. return on sales and 20 per cent. return on capital employed.

In respect of the financial year ended 31 March 2009, the Group exceeded management expectations in the first half and, reflecting this trend, market expectations at that time were for £20 million of EBITDA for that financial year. However, since October 2008, most parts of the Group have experienced major reductions in orders and sales from most customers and markets as a result of the global economic crisis. On 14 July 2009, the Group reported its financial results for the financial year ended 31 March 2009 with sales of £194.7 million (2008: £172.6 million) and adjusted operating profit of £10.0 million (2008: £12.0 million). The Company also stated that sales for the first quarter of the financial year ending 31 March 2010 showed a 25 per cent. year on year decrease and that it had taken decisive action to resize the business to the new demand levels.

Annualised cost reductions achieved in the year ending 31 March 2010 will be approximately £16 million. These actions have partially mitigated the impact of the reduced contributions resulting from the lower sales revenue.

The Company has today reported its interim results for the six months ended 30 September 2009 with sales down 21 per cent. (29 per cent. on a constant currency basis) at £75.5 million (2008: £95.2 million), indicating an annualised run rate of £150 million which would represent approximately a 25 per cent. reduction compared to the full year results for the year ended 31 March 2009.

In terms of current trading, the Directors believe that customer destocking is now coming to an end in parts of Europe and is expected to finish in the US by first quarter 2010/11. Overall order intake has improved by 20 per cent. in recent months, from a low in February 2009, showing increasing stabilisation and some early evidence of recovery.

The end of destocking is expected to have a significant positive impact on sales without requiring any improvement in underlying demand and, the Directors believe the Group's performance should be further enhanced by market share gains, its high operational gearing and a more favourable exchange rate environment.

Looking forward, the Directors consider the power transmission industry, and chain in particular, to be fragmented and due for consolidation. With a strengthened balance sheet and a recovery in its core markets, the Group should be well placed as the second largest global player to take advantage of the consolidation opportunity, building on its good track record of acquisitions. The Directors believe that the Group's smaller national and regional competitors have suffered as sales have declined significantly and it is likely that they will view capacity reduction through consolidation as a next step.

The Directors do not consider there to have been any structural changes to the Group's end market uses and needs for the Group's products. The speed at which the Group could return to pre-recession levels of activity will be driven largely by market factors including:

- the rate and timing of destocking ending – expected by the Directors to be largely complete by first quarter 2010/11;
- the rate and timing of demand recovery;
- the extension of market share gains; and
- potential industry consolidation.

Nevertheless, the Directors consider that efficiency changes made during the recession have improved the Company's margin potential and competitive position. The Directors believe that approximately £10 million of the annualised £16 million of cost savings should be retained once the markets have recovered as higher levels of operating activity should see, amongst other variable cost increases, the restoration of standard working weeks and the reversal of pay cuts. Moreover, operating disciplines have been honed, particularly with regard to inventory and working capital generally, and there are further potential operational improvements that the Company can pursue which have a short term payback.

In summary, the Directors believe that the Company represents a true recovery play with significant potential upside.

Details of the Placing and Open Offer and Firm Placing and Admission to trading

Qualifying Shareholders, on and subject to the terms and conditions of the Open Offer, are being given the opportunity to apply for the Open Offer Shares at the Issue Price, *pro rata* to their holdings of Existing Ordinary Shares on the Record Date, on the basis of:

1.1354 Open Offer Shares for each Existing Ordinary Share

The Issue Price of 20 pence per Open Offer Share represents a discount of 7.75 pence (27.9 per cent.) to the Closing Price of 27.75 pence per Existing Ordinary Share on 16 November 2009 (being the last trading day prior to announcement of the Placing and Open Offer and Firm Placing).

The commitments of the Conditional Placees (which commitments relate to all New Ordinary Shares the subject of the Open Offer) are subject to clawback in respect of valid applications for Open Offer Shares by Qualifying Shareholders pursuant to the Open Offer. The Open Offer has been fully underwritten by Singer Capital Markets pursuant to the Placing Agreement. Qualifying Shareholders are also being given the opportunity, provided they take up their Open Offer Entitlement in full, to apply for Excess Shares through the Excess Application Facility, up to a maximum number of Excess Shares equal to 0.7137 times the number of Existing Ordinary Shares held in such Qualifying Shareholder's name as at the Record Date. If applications under the Excess Application Facility are received for more than the total number of Open Offer Shares available following take up of Open Offer Entitlements, such applications will be scaled back *pro rata* to the number of Excess Shares applied for by Qualifying Shareholders under the Excess Application Facility.

Renold is proposing to issue 55,000,000 Firm Placed Shares pursuant to the Firm Placing. The Firm Placing has also been fully underwritten by Singer Capital Markets pursuant to the Placing Agreement. The Firm Placed Shares are not subject to clawback under, and do not form part of, the Open Offer. The Firm Placing is expected to raise approximately £11.0 million, before expenses. The Firm Placing is subject to the same conditions and termination rights which apply to the Placing and Open Offer.

The Open Offer Shares and the Firm Placed Shares, when issued and fully paid, will be identical to and rank in full for all dividends and other distributions declared, made or paid after Admission, and in all respects will rank *pari passu* with all of the other New Ordinary Shares as at the date of issue.

Application will be made to the UKLA for the New Ordinary Shares (which will include the Open Offer Shares and Firm Placed Shares) to be admitted to listing on the Official List and to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on the London Stock Exchange's main market for listed securities. It is expected that Admission will become effective on 10 December 2009 and that dealings for normal settlement in the New Ordinary Shares will commence at 8.00 a.m. on the same day.

The Placing and Open Offer and Firm Placing are each conditional, *inter alia*, upon:

- the passing of the Resolutions without any material amendment;
- the Placing Agreement having become unconditional in all respects (save for the condition relating to Admission) and not having been terminated in accordance with its terms; and
- Admission, becoming effective by no later than 8.00 a.m. on 10 December 2009 (or such later date as the Company, Singer Capital Markets and Smith & Williamson may agree).

Working capital

In the opinion of the Company, taking into account the bank facilities available to the Group and the net proceeds of the Placing and Open Offer and Firm Placing, the working capital available to the Group is sufficient for its present requirements, that is for at least the next twelve months from the date of this document.

Capitalisation and indebtedness

Capitalisation

The table below sets forth the Group's total capitalisation as at 30 September 2009, extracted from the Company's interim results for the six months ended 30 September 2009 (which are incorporated by reference into this document) to which there have been no material adjustments. This table should be read together with the financial statements and the notes to those financial statements and the notes incorporated by reference in this document.

	<i>£ million</i>
Called up share capital	19.3
Share premium account	9.6
Total capitalisation as at 30 September 2009	<u>28.9</u>

Total capitalisation excludes the currency translation reserve, other reserves and retained earnings, which together amounted to £(12.1) million as at 30 September 2009.

There has been no material change to the capitalisation of the Group since 30 September 2009.

Indebtedness

The table below sets out the total indebtedness of the Group as at 30 September 2009.

	£ million	£ million
Total current debt		
Guaranteed	6.7	
Secured	4.7	
Unguaranteed/unsecured	1.2	
		12.6
Total non-current debt		
Guaranteed	0.1	
Secured	35.4	
		35.5
Total indebtedness		48.1

There have been no material changes to the total indebtedness of the Group since 30 September 2009.

Reasons for the Placing and Open Offer and Firm Placing and use of proceeds

Notwithstanding recent and significant cost cutting measures, the Group remains relatively highly operationally geared with a relatively fixed overhead base and, accordingly, variations in sales volumes have a significant impact on Group profitability.

As at 30 September 2009, the Group's net borrowings were approximately £39.1 million. The Group renegotiated its main bank facility in August 2009 which has a term of approximately three years and provides loans and overdrafts to the Group totalling £11,986,387.03, US\$13,000,000 and €13,000,000. This facility also has a number of financial covenants attached to it (such as leverage, interest cover and operating cash flow covenants tested quarterly and a capital expenditure covenant tested annually) together with security in the form of direct debentures over approximately £60 million of fixed assets, debtors and stock. The terms also include warrants over 3,500,000 ordinary shares of 25p in the capital of the Company which at the time of entering into the new facility represented approximately 4.3 per cent. of the fully diluted issued ordinary share capital of the Company.

Given the limited availability and increased cost of borrowing generally, the Group's borrowing costs have increased materially following the renegotiation of the main facility. The Directors consider that this reflects an overall level of Group debt that is higher than desired and which has resulted, consequently, in a cost of borrowing that the Directors consider too high overall.

Accordingly, the Board has decided that it is in the best interests of the Group and its Shareholders as a whole at this time to raise approximately £26.9 million (net of expenses) of new equity capital to reduce borrowings, the costs of borrowing, to invest in operational improvements with short-term payback and to provide greater resilience and financial flexibility in the current environment.

The Directors have already secured a widespread improvement in the Group's banking terms under its main facility, conditional on the Placing and Open Offer and Firm Placing successfully completing, which includes a relaxation of financial covenants and improved terms for shareholders in respect of the lending banks' Warrant Shares.

The Directors believe the additional equity, in strengthening the Group's balance sheet and reducing financing costs, would protect the Group against a delayed recovery or recession after-shocks and positions the Group for a strong recovery. Moreover, a stronger balance sheet would leave the Group well positioned for industry consolidation.

Approximately £11.4 million of the net proceeds of the Placing and Open Offer and Firm Placing will be used to repay in full a sterling term facility of £11,000,000, and accrued interest, under the facilities agreement with The Royal Bank of Scotland plc and Fortis Bank, UK Branch. Part of the proceeds will be invested in operational improvements with a short-term payback, with the remainder of the proceeds being used in the short term to repay, but not cancel, borrowings under revolving and overdraft facilities.

These statements do not constitute a profit forecast and should not be interpreted to mean that the earnings per share in any financial period will necessarily match or be lesser or greater than those for the relevant preceding period.

Selected consolidated financial information on the Group

	2007 £ million	2008 £ million	2009 £ million
Continuing operations:			
Revenue	159.3	172.6	194.7
Operating profit before exceptional items	9.8	12.0	10.0
Exceptional items	(5.9)	0.2	(2.4)
Operating profit	3.9	12.2	7.6
Profit before tax	1.4	9.3	2.9
Profit for the financial year from continuing operations	0.8	6.2	2.1
Discontinued operations:			
(Loss)/profit for the financial year from discontinued operations	(13.5)	1.5	—
(Loss)/profit for the financial year	(12.7)	7.7	2.1
Attributable to:			
Equity holders of the parent	(12.7)	7.7	2.1
	(12.7)	7.7	2.1
(Loss)/earnings per share (pence)			
Basic (loss)/earnings per share	(18.3)p	11.0p	2.8p
Diluted (loss)/earnings per share	(18.1)p	10.8p	2.8p
Basic earnings per share from continuing operations	1.2p	8.9p	2.8p
Diluted earnings per share from continuing operations	1.2p	8.7p	2.8p
Adjusted earnings per share from continuing operations*	8.4p	8.5p	7.3p
Diluted adjusted earnings per share from continuing operations*	8.3p	8.3p	7.3p

* Adjusted for the after tax effects of exceptional items and the IAS19 finance charge

Selected interim financial information for the Group

	H1 FY2008/09 £ million	H1 FY2009/10 £ million
Sales	95.2	75.5
Operating profit/(loss) before exceptional items	6.0	(2.3)
Operating profit/(loss)	6.0	(3.7)
Net borrowings*	(39.6)	(39.1)
Net working capital	50.8	40.9
Retirement benefit obligations [#]	(29.5)	(57.3)

* Net borrowings exclude preference shares of £0.5m.

[#] Retirement benefit obligations net of associated deferred tax asset, including unfunded German scheme.

Related party transaction

M&G Investment Management holds approximately 14.7 per cent. of the Existing Ordinary Shares. 8,096,935 New Ordinary Shares will be issued to M&G Investment Management pursuant to the Firm Placing and this, due to its holding of Existing Ordinary Shares being in excess of 10 per cent. of the Existing Ordinary Shares, constitutes a related party transaction under the Listing Rules.

Shareholder approval is required with regard to this related party transaction. M&G Investment Management will not, and has undertaken to take all reasonable steps to ensure that its associates will not, vote on the relevant Resolution at the General Meeting seeking Shareholder approval of the Related Party Transaction.

Dividend policy

The Board decided that it was in the best interests of shareholders not to pay a final dividend in 2009. The Board will consider future dividend policy taking into account the Group's earnings, cashflow and balance sheet position.

Key risk factors

A number of risk factors are set out on pages 10 to 14 inclusive of this document and investors and prospective investors are encouraged to read them in their entirety. The Directors believe that the key risk factors are as set out below.

- The Group's operating and financial performance is influenced by the economic conditions of the regions it operates in. The current strained global economic conditions and the volatility of international markets could result in a general reduction in business activity and a consequent loss of income for the Group. The rate and timing of Renold's customers returning to higher stock levels also cannot be predicted.
- The Group's profit is impacted by the price of the raw materials that it purchases, particularly steel. This year has seen volatility in the price of raw steel with movements in steel prices driven by global market conditions outside the control of the Group.
- The Group's revenues are dependent on the continued operations of its various facilities. Operational risks include equipment failure, failure to comply with applicable regulations and standards, raw material supply disruptions, labour force shortages or work stoppages, events impeding or increasing the cost of transporting the Group's products and natural disasters.
- Revision of environmental legislation in various countries takes time and is monitored by the Group at a local level in order to anticipate the effect on its businesses and customers. However, unforeseen legislative changes may increase manufacturing costs of the Group.
- The Group's activities are subject to tax at various rates in the jurisdictions in which it operates, computed in accordance with local legislation and practice. Action by governments to increase tax rates or to impose additional taxes would reduce the Group's profitability. Revisions to tax legislation or to its interpretation might also affect the Group's results in the future.
- In order to manage the longer term risk in relation to the availability of debt to fund ongoing operations, the Group maintains a mix of short and medium-term facilities to ensure that it has sufficient funds available. Its main facility is committed until June 2012. Cash deposits are placed short-term with banks where security and liquidity are the primary objectives.
- The Group has operations in 20 countries and sells into many more with the result that two forms of currency risk arise: transactional exposure and translational exposure.
- Borrowings issued at variable rates expose the Group to cash flow interest rate risk, and borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group reviews the mix of fixed and floating debt and has interest rate swaps to seek to manage part of this exposure.
- Risks associated with the Placing and Open Offer and Firm Placing:
 - unless Qualifying Shareholders are Firm Placees or are able to take up sufficient New Ordinary Shares under the Excess Application Facility (which cannot be guaranteed), they will be diluted in terms of their respective ownership and voting interests in the Company's share capital following the issue of the New Ordinary Shares; and
 - fluctuation in price of the Existing Ordinary Shares and/or the New Ordinary Shares (as appropriate), due to a change in sentiment in the market regarding the Existing Ordinary Shares and/or the New Ordinary Shares (as appropriate) (or any similar securities).

RISK FACTORS

Any investment in the Company and/or the New Ordinary Shares is subject to a number of risks. Prior to subscribing for any New Ordinary Shares and/or taking up any Open Offer Shares or Excess Shares, prospective investors should consider carefully the factors and risks associated with any investment in the Company, the Group's business and the industries in which it operates (as described below), together with all other information contained in this document and the information incorporated by reference. All risks known by the Company in relation to the Group that it currently deems material are set out below. Additional risks and uncertainties relating to the Group that are not known to the Company, or that it deems immaterial, may also have an adverse effect on the results of operation, financial condition, business or prospects of the Group.

The Group's results of operations, financial condition, business and/or prospects could be affected materially and adversely by any of the risks described below. In such case, the market price of the Existing Ordinary Shares, or following the Capital Reorganisation and/or the Placing and Open Offer and Firm Placing, the New Ordinary Shares, may decline due to any of these risks, and investors may lose all or part of their investment.

Investors and prospective investors should consider carefully whether an investment in the Company is suitable for them in light of the information in this document (including the information incorporated by reference) and their personal circumstances.

1. Risks relating to the Renold Group

Economic and political risks

The Group's operating and financial performance is influenced by the economic conditions of the regions it operates in. The Group operates in 20 countries and sells to customers in many more countries and territories, including China and India. While benefiting from the opportunities and growth in these diverse territories, the Company is necessarily exposed to the economic, political and business risks associated with international operations such as a global recession, sudden changes in regulation, imposition of trade barriers and wage controls, security risks, limits on the export of currency and volatility of prices, taxes and currencies.

The current strained global economic conditions and the volatility of international markets could result in a general reduction in business activity and a consequent loss of income for the Group. The current global credit market conditions mean financial institutions are applying more stringent lending criteria and the availability of debt is low by historical comparison, which may mean that it will be more costly for the Group to raise funds to take advantage of opportunities. Given the wide-reaching impact of the current economic conditions, there is a greater risk that Renold's customers and/or suppliers may default on obligations with the Company. The rate and timing of Renold's customers returning to higher stock levels also cannot be predicted. In the event that global economic conditions worsen, there may be a material adverse effect on the Group's business, results of operation and overall financial condition.

Reliance on key personnel

The Directors highlighted in this document have contributed to the growth of the Group, both organically and by acquisition. Whilst the Company has sought and will continue to seek to ensure that the Directors and senior management are appropriately remunerated, retention of such Directors and senior management cannot be guaranteed and the loss of their services to the Company could have a material adverse effect on the business, financial condition, results of operation and prospects of the Company.

The Company's future success depends on the Group's ability to attract, motivate and retain skilled senior engineers, sales, marketing and customer support personnel. As a result, an inability to attract and/or retain the necessary highly skilled personnel could have a material adverse effect on the Group's business, growth prospects, results of operations and/or financial condition.

Raw material prices

The Group's profit is impacted by the price of the raw materials that it purchases, particularly steel. This year has seen volatility in the price of raw steel with movements in steel prices driven by global market conditions outside the control of the Group. Where contractually possible, the Group passes price increases onto its customers but this ability is, to some extent, dependent upon market conditions and in any event may tend to lag behind the price input movements. There may be periods of time in which the Group is not fully able to recover increases in the cost of raw materials due to the weakness in demand for its products or the action of its competitors. During periods in which prices of raw materials fall, the Group may face demands from its customers to reduce its prices or experience a fall in demand for its products whilst customers delay orders in anticipation of price reductions. All of these factors could have a material adverse effect on the Group's business, financial condition, prospects, customer retention and results of operations.

Market growth

The Board regards growth, both organically and through acquisitions, as an important part of its strategy for the Group. The Board reviews such growth opportunities on an ongoing basis and its strategy is based on there being the appropriate opportunities available. It may be that such opportunities are not available and the growth of the Group may be restricted. The Board also believes that outside of the current environment the markets in which the Group operates will continue to grow. However, there can be no assurance that growth in these markets will occur at the rate envisaged by the Board. Further, there may be increased competition for business in a reduced market and, given the reduction in the Group's fixed cost base, the Group may experience difficulties in responding quickly to an upturn in demand. Equally, customers' behaviour patterns may change in that stocks are maintained at a lower level than they have been historically.

Operational problems

The Group's revenues are dependent on the continued operations of its various facilities. Operational risks include equipment failure, failure to comply with applicable regulations and standards, raw material supply disruptions, labour force shortages or work stoppages, events impeding or increasing the cost of transporting the Group's products and natural disasters.

Any disruption of the manufacturing processes can either result in delivery delays, interrupt production or even lead to a full cessation of production. If production is interrupted, customers may decide to purchase products from other suppliers.

Intellectual property protection

The Group may be unable to successfully establish and protect its intellectual property which may be significant to the Group's competitive position. The Group owns a portfolio of intellectual property rights which may or may not have priority over other third parties' claims to the same intellectual property.

Defined benefit pension schemes

Renold has funding risks related to its UK defined benefit schemes. The UK defined benefit schemes are closed to new entrants and, since 1 June 2009, are closed to future accrual. In the current business environment, with volatile and unstable equity markets, there is an increased risk that large deficits may arise on Renold's pension schemes. In the financial year to 31 March 2009 the Company made deficit repair payments to the UK defined benefit pension schemes of £1,960,000 in aggregate. Any requirement to put cash into the pension scheme to cover any such deficits could have a material adverse effect on the Company.

Competitive environment

The Group operates in a competitive environment with a mix of direct competition and competing technologies. Direct competition includes manufacturers who may operate in national, regional or global markets. Some of the Group's competitors may be funded in such a way that they are willing to accept lower financial returns than the Group, or have a lower cost base, or have a greater breadth of resources than the Group. Competition with these companies could have a material adverse effect on the Group's business, results of operations and overall financial condition.

2. Risks associated with the industry

Health, safety and the environment

Revision of environmental legislation in various countries takes time and is monitored by the Group at a local level in order to anticipate the effect on its businesses and customers. However, unforeseen legislative changes may increase manufacturing costs of the Group.

Tax rates and legislation

The Group's activities are subject to tax at various rates in the jurisdictions in which it operates, computed in accordance with local legislation and practice. Action by governments to increase tax rates or to impose additional taxes would reduce the Group's profitability. Revisions to tax legislation or to its interpretation might also affect the Group's results in the future.

Product liability and warranty claims

As a result of the nature of the products manufactured, the Company faces the inherent business risk of exposure to product failure and warranty claims in the event that a product fails. In order to mitigate these risks, where possible, the Company maintains product liability and product recall insurance. In order to mitigate the risk of warranty claims for property damage or consequential losses, the Company has adopted a policy of contractually limiting liability, where possible.

Technological change and product improvements

Manufacturers in the Group's sector may introduce new generations of products or new products. The Group's future success depends on its ability to maintain advanced technological capability and to develop or acquire new technologies in order to offer a competitive mix of products. If the Group fails to keep pace with the evolving technological innovations in the market for its products, its sales, profitability and cash flow may be negatively affected.

3. Financial Risks

Liquidity

In the present economic climate, all companies face risk in relation to the availability of debt to fund their ongoing operations. This is a risk that the Group faces in the longer term. In order to manage this risk, the Group maintains a mix of short and medium-term facilities to ensure that it has sufficient funds available and its main facility is committed until June 2012. Cash deposits are placed short-term with banks where security and liquidity are the primary objectives.

Foreign exchange risk

The Group has operations in 20 countries and sells into many more with the result that two forms of currency risk arise: transactional exposure and translational exposure.

Transactional exposure – a major exposure of the Group's earnings and cash flows relates to currency risk on its sales and purchases made in foreign (non-functional) currencies. To seek to reduce such risks, these transactions are covered primarily by forward foreign exchange contracts. Such commitments generally do not extend more than 12 months beyond the balance sheet date, although exceptions can occur where longer-term projects are entered into.

Translational exposure – Translational exposure arises due to exchange rate fluctuations in the translation of the results of overseas subsidiaries into sterling. To manage foreign exchange currency risk on the translation of net investments, certain dollar denominated borrowings taken out in the UK to finance US acquisitions have been designated as a hedge of the net investment in US subsidiaries.

Interest rates

Borrowings issued at variable rates expose the Group to cash flow interest rate risk, and borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group reviews the mix of fixed and floating debt and has interest rate swaps to seek to manage part of this exposure.

4. Risks associated with the Placing and Open Offer and Firm Placing

Risk of dilution

One of the proposed Resolutions (Resolution 3), if passed, will empower the Directors to allot and issue the Open Offer Shares and Firm Placed Shares without first having to offer such New Ordinary Shares to Shareholders on a pre-emptive basis.

Unless Qualifying Shareholders are Firm Placees or are able to take up sufficient New Ordinary Shares under the Excess Application Facility (which cannot be guaranteed), they will suffer a reduction in their proportionate ownership and voting interest in the Company's share capital following the issue of the New Ordinary Shares pursuant to the Firm Placing.

Singer Capital Markets has agreed to subscribe for and underwrite the New Ordinary Shares not taken up by Qualifying Shareholders and Conditional Placees under the Placing and Open Offer. Singer Capital Markets may sell such remaining New Ordinary Shares in the public market or otherwise. Thus, to the extent that a Qualifying Shareholder does not take up their entitlement in respect of New Ordinary Shares in full pursuant to the Open Offer, their proportionate ownership and voting interest in the Company will be reduced even further beyond the dilution described in the paragraph above.

Holders of Existing Ordinary Shares outside the United Kingdom

In the case of an allotment of ordinary shares in the capital of the Company or, after the Capital Reorganisation, New Ordinary Shares for cash, Shareholders have certain statutory pre-emption rights unless those rights are disapplied by a special resolution of the Shareholders at a general meeting, and such an issue could dilute the interests of the then existing Shareholders. Securities laws of certain jurisdictions may restrict the Company's ability to allow participation by Shareholders in such jurisdictions in any future issue of shares carried out on a pre-emptive basis. In particular, holders of Existing Ordinary Shares or, after the Capital Reorganisation, the New Ordinary Shares who are situated in the US, may not be able to exercise their pre-emption rights unless a registration statement under the Securities Act is effective with respect to such rights or an exemption from the registration requirements is available thereunder. The Placing and Open Offer and Firm Placing will not be registered under the Securities Act. Qualifying Shareholders who have a registered address, or who are resident in, or who are citizens of, countries other than the United Kingdom should consult their professional advisers about whether they require any governmental or other consents or need to observe any other formalities to enable them to take up their Open Offer Entitlements or to acquire New Ordinary Shares.

Fluctuation in price

The market price of the Existing Ordinary Shares and/or the New Ordinary Shares (as appropriate), could be subject to significant fluctuation due to a change in sentiment in the market regarding the Existing Ordinary Shares and/or the New Ordinary Shares (as appropriate) (or any similar securities). Such risks depend on the market's perception of the likelihood of completion of the Placing and Open Offer and Firm Placing, and/or in the market's response to various facts and events, including, but not limited to, any regulatory changes affecting the Group's operations, variations in the Group's operating results and business developments concerning the Group and/or its competitors. Stock markets have, from time to time, experienced significant price and volume fluctuations that have affected the market prices for securities and which may be unrelated to the Group's operating performance or prospects. Furthermore, the Group's operating results and prospects from time to time may be below the expectations of market analysts and investors. Any of these events could result in a decline in the market price of the Existing Ordinary Shares and/or, after the Capital Reorganisation, the New Ordinary Shares.

5. General investment/market risks

Investor sentiment and international stock market conditions, which are outside the control of the Group, may impact on its performance and the price of Existing Ordinary Shares and/or, after the Capital Reorganisation, the New Ordinary Shares. Investors should recognise that the price of Existing Ordinary Shares and/or New Ordinary Shares (as appropriate) may fall as well as rise.

An investment in the Company is only suitable for investors capable of evaluating the risks and merits of such investment and who have sufficient resources to bear any loss which may result from the investment. A prospective investor should consider with care whether an investment in the Company is suitable for them in the light of their personal circumstances and the financial resources available to them.

Investment in the Company should not be regarded as short-term in nature. There can be no guarantee that any appreciation in the value of the Company's investments will occur or that the investment objectives of the Company will be achieved. Investors may not get back the full amount initially invested.

The prices of shares and the income derived from them can go down as well as up. Past performance is not necessarily a guide to the future.

Changes in economic conditions including, for example, interest rates, rates of inflation, industry conditions, competition, political and diplomatic events and trends, tax laws and other factors can substantially and adversely affect equity investments and the Group's prospects.

DIRECTORS, SECRETARY AND ADVISERS TO THE COMPANY

<i>Directors</i>	Matthew Peacock Robert Davies Peter Bream David Shearer John Allkins	<i>(Non-executive Chairman)</i> <i>(Chief Executive Officer)</i> <i>(Finance Director)</i> <i>(Senior Non-executive Director)</i> <i>(Non-executive Director)</i>
<i>Joint Company Secretaries</i>	Lindsay Beardsell Hannah Woodcock	
<i>Registered office</i>	Renold House Styal Road Wythenshawe Manchester M22 5WL	
<i>Financial Adviser and Broker</i>	Singer Capital Markets Limited One Hanover Street London W1S 1YZ	
<i>Sponsor</i>	Smith & Williamson Corporate Finance Limited 25 Moorgate London EC2R	
<i>Legal advisers to the Company</i>	Eversheds LLP Eversheds House 70 Great Bridgewater Street Manchester M1 5ES	
<i>Legal advisers to the Sponsor and Financial Adviser and Broker</i>	Shepherd & Wedderburn LLP 1 Exchange Crescent Conference Square Edinburgh EH3 8UL	
<i>Reporting Accountants and Auditors</i>	Ernst & Young LLP 100 Barbirolli Square Manchester M2 3EY	
<i>Registrars and location of register</i>	Capita Registrars Northern House Woodsome Park Fenay Bridge Huddersfield HD8 0GA	
<i>Receiving Agent</i>	Capita Registrars Corporate Actions The Registry 34 Beckenham Road Beckenham Kent BR3 4TU	
<i>PR Advisers</i>	College Hill Associates Limited The Registry Royal Mint Court London EC3N 4QN	

PLACING AND OPEN OFFER AND FIRM PLACING STATISTICS

Price per Open Offer Share	20 pence
Price per Firm Placed Share	20 pence
Discount to price per Existing Ordinary Share as at the Closing Price	27.9 per cent.
Number of Existing Ordinary Shares in issue as at 16 November 2009 (being the latest practicable date prior to the publication of this document)	77,064,703
Number of Open Offer Shares to be issued pursuant to the Placing and Open Offer	87,500,000
Number of Firm Placed Shares to be issued pursuant to the Firm Placing	55,000,000
Enlarged Issued Share Capital immediately following completion of the Placing and Open Offer and Firm Placing ⁽¹⁾	219,564,703
Gross proceeds of the Placing and Open Offer and Firm Placing	£28.5 million
Estimated net proceeds of the Placing and Open Offer and Firm Placing to be retained by the Company	£26.9 million
ISIN of Existing Ordinary Shares and, following the Capital Reorganisation, the New Ordinary Shares	GB0007325078

Note:

- (1) Assuming that no ordinary shares of 25p each in the capital of the Company are issued between the date of this document and completion of the Placing and Open Offer and Firm Placing, whether pursuant to the exercise of Options and/or Warrants or otherwise.

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Event

Record Date for entitlements under the Open Offer	5.00 p.m. on 13 November 2009
Ex-entitlement Date (expected to be)	17 November 2009
Despatch of Prospectus, Application Forms and Forms of Proxy	17 November 2009
Open Offer Entitlements and Excess CREST Open Offer Entitlements credited to stock accounts in CREST of Qualifying CREST Shareholders	18 November 2009
Latest recommended time and date for requested withdrawal of Open Offer Entitlements and Excess CREST Open Offer Entitlements from CREST	4.30 p.m. on 2 December 2009
Latest time and date for depositing Open Offer Entitlements and Excess CREST Open Offer Entitlements into CREST	3.00 p.m. on 3 December 2009
Latest time and date for splitting Application Forms (to satisfy <i>bona fide</i> market claims)	3.00 p.m. on 4 December 2009
Latest time and date for receipt of Forms of Proxy for use at the General Meeting	12.00 p.m. on 7 December 2009
Latest time and date for receipt of electronic proxy appointments via the CREST system	12.00 p.m. on 7 December 2009
Latest time and date for receipt of completed Application Forms and payment in full under the Open Offer and settlement of relevant CREST instructions (as appropriate)	11.00 a.m. on 8 December 2009
Results of the Placing and Open Offer and Firm Placing announced through a Regulatory Information Service	9 December 2009
General Meeting	12.00 p.m. on 9 December 2009
Admission and commencement of dealings in the New Ordinary Shares expected to commence	8.00 a.m. on 10 December 2009
CREST stock accounts expected to be credited for the New Ordinary Shares	10 December 2009
Share certificates for New Ordinary Shares expected to be despatched	17 December 2009

Notes:

- (1) CREST Shareholders should inform themselves of CREST's requirements in relation to electronic proxy appointments.
- (2) The dates set out in the expected timetable of principal events above are subject to certain restrictions relating to Shareholders with a registered address outside the UK, details of which are set out in Part III – “Terms and Conditions of the Placing and Open Offer and Firm Placing” of this document.
- (3) The dates set out in the expected timetable of principal events above and mentioned throughout this document and the Application Form are indicative only and may be adjusted by the Company (with the agreement of the Sponsor and the Financial Adviser and Broker), in which event details of the new dates will be notified to the UK Listing Authority and to the London Stock Exchange and, where appropriate, to Shareholders.
- (4) References to times in this document are to London time.

IMPORTANT NOTICES

Overseas Shareholders

This document does not constitute an offer to sell or the solicitation of an offer to buy New Ordinary Shares nor any Open Offer Entitlements in the United States, any Excluded Territory or in any jurisdiction in which such offer or solicitation is unlawful.

Neither the Open Offer Entitlements nor the New Ordinary Shares have been, or will be, registered under the United States Securities Act of 1933 (as amended) or under the securities legislation of any state or other jurisdiction of the United States of America. The Open Offer Entitlements and the New Ordinary Shares may not be directly or indirectly offered, sold, renounced, transferred, taken up or delivered in, into or within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act of 1933 (as amended) and in compliance with state securities laws. Application Forms are not being posted to any person in the United States and no Open Offer Entitlements will be credited to a stock or share account of any person in the United States. The New Ordinary Shares, the Application Form and this document have not been approved or disapproved by the United States Securities and Exchange Commission, any state securities commission in the United States or any other US regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the New Ordinary Shares or the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence in the United States.

Neither the Open Offer Entitlements nor the New Ordinary Shares have been or will be registered under the relevant laws of any state, province or territory of any of the Excluded Territories. Subject to certain limited exceptions (i) the Open Offer Entitlements and the New Ordinary Shares may not be, directly or indirectly, offered, sold, renounced, transferred, taken up or delivered in, into or within any of the Excluded Territories, (ii) Application Forms are not being posted to any person in any of the Excluded Territories and (iii) no Open Offer Entitlements will be credited to a stock account of any person in any of the Excluded Territories.

The attention of Overseas Shareholders and other recipients of this document who are residents or citizens of any country other than the United Kingdom or who have a contractual or other legal obligation to forward this document, the Form of Proxy or, where relevant, the Application Form to a jurisdiction outside the United Kingdom (including without limitation custodians, nominees and trustees) is drawn to paragraph 7 of Part III of this document.

It is the responsibility of any person receiving a copy of this document outside the United Kingdom to satisfy himself as to the full observance of the laws and regulatory requirements of the relevant territory in connection therewith, including obtaining any governmental or other consents which may be required or observing any other formalities required to be observed in such territory and paying any other issue, transfer or other taxes due in such other territory. Persons (including, without limitation, nominees and trustees) receiving this document, the Form of Proxy and, where relevant, the Application Form should not, in connection with the Proposal, distribute or send it into any jurisdiction when to do so would, or might contravene local securities laws or regulations. Any person who does forward this document into any such jurisdictions should draw the recipient's attention to the contents of paragraph 7 of Part III of this document.

Forward looking statements

This document contains forward-looking statements, which are based on the Board's current expectations and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. It is believed that the expectations reflected in these statements are reasonable, but they may be affected by a number of variables which could cause actual results or trends to differ materially, including, but not limited to: the Group's ability to obtain capital/additional finance; a reduction in demand by customers; the limitations of the Group's internal financial reporting controls; an increase in competition; an unexpected decline in turnover; legislative, fiscal and regulatory developments, including, but not limited to, changes in environmental and safety regulations; currency and interest rate fluctuations and the adoption of International Financial Reporting Standards (IFRS). Each forward

looking statement speaks only as of the date of the particular statement. Except as required by the Listing Rules, the Disclosure and Transparency Rules, the Prospectus Rules, the London Stock Exchange or otherwise by law, the Company expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in the Company's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

Information not contained in this document

No person has been authorised to give any information or to make any representations other than those contained in this document and, if given or made, such information or representations must not be relied on as having been authorised by the Group, Smith & Williamson or Singer Capital Markets. Subject to the Listing Rules and/or the Prospectus Rules and/or the Disclosure Rules and Transparency Rules, neither the delivery of this document or the Application Form nor any subscription or acquisition made under it shall, in any circumstances, create any implication that there has been no change in the affairs of the Group since the date of this document or that the information in it is correct as of any subsequent date.

No statement in this document is intended as a profit forecast and no statement in this document should be interpreted to mean that the earnings per Existing Ordinary Share or, after the Capital Reorganisation, New Ordinary Share, for the current or future years would necessarily match or exceed the historical published earnings per Existing Ordinary Share.

Recipients of this document acknowledge that: (i) they have not relied on Singer Capital Markets or any person affiliated with it in connection with any investigation of the accuracy of any information contained in this document or their investment decision; (ii) they have not relied on Smith & Williamson or any person affiliated with it in connection with any investigation of the accuracy of any information contained in this document or their investment decision; and (iii) they have relied only on the information contained in this document, and that no person has been authorised to give any information or to make any representation concerning the Company or its subsidiaries, the New Ordinary Shares, the Open Offer Shares, the Open Offer Entitlements, the Excess Shares or the Excess CREST Open Offer Entitlements (other than as contained in this document) and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Company, Smith & Williamson or Singer Capital Markets.

Presentation of financial information

The Company publishes its financial statements in pounds sterling ("£" or "sterling"). The abbreviations "£m" or "£ million" represents millions of pounds sterling, and references to "pence" and "p" represent pence in the UK.

The financial information presented in a number of tables in this document has been rounded to the nearest whole number or the nearest decimal place. Therefore, the sum of the numbers in a column may not conform exactly to the total figure given for that column. In addition, certain percentages presented in the tables in this document reflect calculations based upon the underlying information prior to rounding, and, accordingly, may not conform exactly to the percentages that would be derived if the relevant calculations were based upon the rounded numbers.

References to defined terms

Capitalised terms have the meanings ascribed to them in Part X of this document.

General notice

Any reproduction or distribution of this document, in whole or in part, and any disclosure of its contents or use of any information contained in this document for any purpose other than considering an investment in the New Ordinary Shares is prohibited. By accepting delivery of this document, each purchaser or offeree of the New Ordinary Shares agrees to the foregoing.

Neither the delivery of this document nor any subscription or sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date of this document or that the information in this document is correct as at any time after its date.

Nothing contained in this document is intended to constitute investment, legal, tax, accounting or other professional advice. This document is for your information only and nothing in this document is intended to endorse or recommend a particular course of action. You should consult with an appropriate professional for specific advice rendered on the basis of your situation.

No incorporation of website information

The contents of the websites of the Company do not form part of this document.

PART I
LETTER FROM THE CHAIRMAN OF RENOLD



(incorporated and registered in England and Wales No. 249688)

Registered Office:
Renold House
Styal Road
Wythenshawe
Manchester
M22 5WL

17 November 2009

To: Shareholders, holders of options under the 1995 Scheme and holders of Warrants under the Warrant Instruments

**Proposed Placing and Open Offer and Firm Placing of 142,500,000 New
Ordinary Shares at 20 pence per New Ordinary Share
Proposed Capital Reorganisation
Notice of General Meeting**

1. Introduction

The Board of Directors of Renold announced today that it proposes to undertake a Placing and Open Offer and Firm Placing to raise approximately £26.9 million (net of expenses) through the issue of New Ordinary Shares at an Issue Price of 20 pence per New Ordinary Share. 87,500,000 New Ordinary Shares will be issued through the Placing and Open Offer and 55,000,000 New Ordinary Shares will be issued through the Firm Placing.

The Placing and Open Offer and Firm Placing are each conditional upon, amongst other things, the approval of Shareholders at the General Meeting and upon the Placing Agreement becoming unconditional in all respects.

The purpose of this letter is to set out the background to, and reasons for, the Placing and Open Offer and Firm Placing and to explain why the Directors believe each of them to be in the best interests of the Company and the Shareholders as a whole. In order for the Placing and Open Offer and Firm Placing to proceed, the CA 2006 requires Resolutions 1-3, and the Listing Rules require Resolutions 4 and 5, to be put to a vote by Shareholders. M&G Investment Management or its associates will not be able to vote on Resolution 5 to approve the Firm Placing of New Ordinary Shares to M&G Investment Management as it is a related party transaction.

Paragraph 15 (Action to be taken) of this Part I sets out the actions to be taken by Shareholders. The Notice convening the General Meeting, to be held at 12.00 p.m. on 9 December 2009, is set out at the end of this document.

2. Background to and reasons for the Placing and Open Offer and Firm Placing

Background

Renold is an international engineering group with a 130 year history of organic and acquisitive growth. The Group produces a wide range of high quality engineering products and application solutions, operating in 20 countries worldwide. The principal activities of the Group are the manufacture and sale of industrial steel chains and related power transmission products, including gears and couplings.

The Directors believe that the Group has a good reputation for engineering and quality and, moreover, that the Renold brand is a key differentiator in what is a relatively standardised global market where price is increasingly important. In particular, the Directors further believe that the Chain division is one of only two major global players in industrial transmission chain and a leading business in various territories in industrial conveyor chain, with a very broad range of OEM (original equipment manufacturer), end user and distributor customers.

Over recent years, the management team has implemented an ongoing programme of significant changes to the structure, operations and strategy of the Group which have included:

- focus on power transmission businesses and divestment of non-core divisions in automotive and machine tools;
- a move towards low cost manufacturing with the acquisition or establishment of operations in Poland, Malaysia, China (two) and India, and the closure of one Western site (Burton);
- exploiting access to new markets provided by low cost sources;
- ongoing rationalisation of the legacy cost base in the UK, Europe and the USA;
- ongoing initiatives aimed at improving manufacturing systems and reducing stock on a global basis;
- rationalisation and globalisation of brand and price architecture for Chain, leveraging the ‘Renold’ name and focusing on core, differentiated products in specific price/quality tiers; and
- standardisation of reporting processes.

These management actions contributed to a successful growth in sales and profits up to the financial year ended 31 March 2008 with demonstrable progress made against the Company’s targets of a 10 per cent. return on sales and 20 per cent. return on capital employed.

In respect of the financial year ended 31 March 2009, the Group exceeded management expectations in the first half of the financial year with a 36 per cent. increase in the order book and a 33 per cent. increase in operating profit. However, since October 2008 most parts of the Group have experienced major reductions in orders and subsequently sales from most customers and markets as a consequence of the global economic crisis.

Management responded swiftly to the decline in sales, resizing the business for an anticipated 25 per cent. reduction on 2008 calendar sales with a series of major cost reductions across the Group. Key actions include:

- annualised cost reductions achieved between September 2008 and September 2009 of £13 million:
 - overall headcount reduction of 25 per cent. since September 2008 (793 people);
 - reduction in salary costs as a result of implementing a shorter working week in Germany, Switzerland and France;
 - temporary reduction in salary costs (10 per cent.) for the Board, senior management teams and most employees;
 - the closure of the Poland manufacturing facility in the first quarter of the financial year ending 31 March 2010; and
 - the sale of the Brussels office and the relocation of the respective business;
- a further £3 million of annualised reductions may be achieved in the financial year ending 31 March 2010 bringing the total to £16 million; and
- further cash conservation actions such as:
 - securing inventory volume reduction last year of £5 million;

- a continuing inventory reduction programme with a further £5 million expected this year (£2 million in the first six months of the financial year ending 31 March 2010); and
- capital expenditure is being constrained to health and safety, maintenance and new product launches.

As at 31 March 2009, circa 60 per cent. of the Group's direct labour was in low cost countries compared to zero in 2005 and to the original target of 40 per cent.

Notwithstanding recent significant cost cutting measures, the Group remains relatively highly operationally geared with a relatively fixed overhead base and, accordingly, variations in sales volumes have a significant impact on Group profitability.

Bank facilities

In August 2009 the Group renegotiated its main bank facility with its key lenders as the previous facility was due to expire at the end of February 2010.

The Group's main bank facility has a term of approximately three years and provides loans and overdrafts to the Group totalling £11,986,387.03, US\$13,000,000 and €13,000,000 of which approximately £1 million was undrawn as at 30 September 2009 (the Group has total debt facilities of approximately £63.9 million). The main bank facility has a number of financial covenants attached to it together with security in the form of direct debentures over approximately £60 million of fixed assets, debtors and stock.

The key terms of the facility are as follows:

- total facilities of £11,986,387.03, US\$13,000,000 and €13,000,000, including a multicurrency revolving credit facility ("Facility A") maturing on 30 June 2012 of £986,387.03, US\$13,000,000 and €13,000,000 and a sterling term-loan facility ("Facility B") maturing on 30 June 2012 of £11 million;
- margin on Facility A is a maximum of 4.5 per cent. above LIBOR, reducing down to 2.5 per cent. based on leverage;
- margin on Facility B comprises a cash margin of 6 per cent. above LIBOR and a payment-in-kind margin accruing at a rate commencing at 7.5 per cent. and increasing by 0.5 per cent. every six months;
- leverage, interest cover and operating cash flow covenants tested quarterly;
- capital expenditure covenant tested annually; and
- warrants over 3,500,000 ordinary shares of 25p in the capital of the Company which at the time of entering into the new facility represented approximately 4.3 per cent. of the fully diluted issued ordinary share capital of the Company. Details relating to the Warrants are set out below.

The Group also has banking agreements with a number of local bi-lateral lenders in other geographies which provided in aggregate approximately £16 million of funds as at 30 September 2009 (with approximately a total £25 million of facilities). These local facilities are secured against a package of some further £70 million of Group assets, notably the assets of the US operations, and have no material earnings based covenants.

The Group's net borrowings have increased over recent financial years and as at 30 September 2009 were approximately £39.1 million. These increases are principally as a result of:

- capital expenditure of approximately £14 million (in particular the successful acquisition in September 2008 of the Indian industrial chain business of LGB);
- adverse working capital movements; and
- pension payments, interest and redundancy costs.

However, as stated above, cash conservation measures have been successfully implemented including inventory reductions and constraints on capital expenditure.

This notwithstanding, due to the lack of supply in the UK debt market, the Group's borrowing costs have increased materially following the renegotiation of the main facility. The Directors consider that this reflects an overall level of Group debt that is higher than desired and which has resulted, consequently, in a cost of borrowing that the Directors consider too high overall.

Placing and Open Offer and Firm Placing

Accordingly, the Board has decided that it is in the best interests of the Group and its Shareholders as a whole at this time to raise approximately £26.9 million (net of expenses) of new equity capital to reduce borrowings, the costs of borrowing, to invest in operational improvements with short-term payback and to provide greater resilience and financial flexibility in the current environment.

The Directors have already secured a widespread improvement in the Group's banking terms under its main facility, conditional on the Placing and Open Offer and Firm Placing successfully completing, which include a relaxation of financial covenants and improved terms for Shareholders in respect of the lending banks' Warrant Shares.

The Directors believe the additional equity, in strengthening the Group's balance sheet and reducing financing costs, would protect the Group against a delayed recovery or recession after-shocks and positions the Group for a strong recovery. Moreover, a stronger balance sheet would leave the Group well positioned for industry consolidation.

These statements do not constitute a profit forecast and should not be interpreted to mean that the earnings per share in any financial period will necessarily match or be lesser or greater than those for the relevant preceding period.

3. Current trading and prospects

In the first half of the year ended 31 March 2009, the Group exceeded management expectations with a 36 per cent. increase in the order book and 33 per cent. increase in operating profit. At that time market expectations for the financial year ended 31 March 2009 reflected this trend with expected EBITDA of £20 million.

However, since October 2008, most parts of the Group have experienced major reductions in orders and subsequently sales as a consequence of the global economic crisis.

On 14 July 2009, the Company announced its results for the financial year ended 31 March 2009 reporting sales of £194.7 million (2008: £172.6 million) and adjusted operating profit of £10 million (2008: £12 million). The Company also stated that sales for the first quarter of the financial year ending 31 March 2010 showed a 25 per cent. year on year decrease and that it had taken decisive action to resize the business to the new demand levels. These actions have partially mitigated the impact of the reduced contributions resulting from lower sales revenues.

Since that date, trading has progressed in line with these expectations. The Company has today reported its interim results for the six months ended 30 September 2009 and a summary of the interim results follows:

	<i>HI</i> <i>FY2008/09</i> <i>£ million</i>	<i>HI</i> <i>FY2009/10</i> <i>£ million</i>	<i>FY 2008/09</i> <i>£ million</i>
Sales	95.2	75.5	194.7
Operating profit/(loss) before exceptional items	6.0	(2.3)	10.0
Operating profit/(loss)	6.0	(3.7)	7.6
Net borrowings*	(39.6)	(39.1)	(36.7)
Net working capital	50.8	40.9	45.9
Retirement benefit obligations [#]	(29.5)	(57.3)	(44.1)

* Net borrowings exclude preference shares of £0.5m.

[#] Retirement benefit obligations net of associated deferred tax asset, including unfunded German scheme.

Sales for the six months ended 30 September 2009 are down 21 per cent. (29 per cent. on a constant currency basis) compared to the equivalent period last year, indicating an annualised run rate of £150 million which would represent a 25 per cent. reduction compared to the full year results for the

year ended 31 March 2009. Within the Group, the chain division has been most impacted showing an overall reduction in annual run rate of 35 per cent. to £100 million, of which the Directors estimate the effect of destocking accounts for approximately 15 – 20 per cent. with the drop in underlying demand representing the balance.

The summary results for the six months ended 30 September 2009 also show net borrowings (which exclude £0.5 million of preference shares) stable at £39.1 million and reduced net working capital reflecting lower activity levels and a focus on inventory reduction.

Retirement benefit obligations net of deferred tax have increased to £57.3 million (£44.1 million as at 31 March 2009) net of deferred tax with the schemes' liabilities, accounted for under IAS, being inflated by lower AA corporate bond rates.

In terms of current trading, the Directors believe that customer destocking is now coming to an end in parts of Europe and is expected to finish in the US by first quarter 2010/11. With India, Australasia and South Africa having remained robust throughout the period, overall order intake has improved by 20 per cent. in recent months, from a low in February 2009, showing increasing stabilisation and some early evidence of recovery.

The end of destocking is expected to have a significant positive impact on sales without requiring any improvement in underlying demand and, the Directors believe, the Group's performance should be enhanced by market share gains, its high operational gearing and a more favourable exchange rate environment. The Company appears to be winning market share, particularly with products from its recently acquired facilities in India and China as well as in the US where it has recently introduced a wider range of locally manufactured product.

Looking forward, the Directors consider the power transmission industry, and chain in particular, to be fragmented and due for consolidation. With a strengthened balance sheet and a recovery in its core markets, the Group should be well placed as the second largest global player to take advantage of the consolidation opportunity building on its good track record of acquisitions. The Directors believe that the Group's smaller national and regional competitors have suffered as sales have declined significantly and it is likely that they will view capacity reduction through consolidation as a next step.

As previously stated, before the global economic crisis had a significant impact on the Company's markets from October 2008, market expectations at that time were for EBITDA of approximately £20 million for the year ended 31 March 2009. The Directors do not consider there to have been any structural changes to the Group's end markets uses and needs for the Group's products. The speed at which the Group could return to pre-recession levels of activity will be driven largely by market factors including:

- the rate and timing of destocking ending – expected by the Directors to be largely complete by first quarter 2010/11;
- the rate and timing of demand recovery;
- the extension of market share gains; and
- potential industry consolidation.

Nevertheless, the Directors consider that efficiency changes made during the recession have improved the Company's margin potential and competitive position. The Directors believe that approximately £10 million of the annualised £16 million of cost savings should be retained once the markets have recovered, as higher levels of operating activity should see, amongst other variable cost increases, the restoration of standard working weeks and the reversal of pay cuts. Moreover, operating disciplines have been honed, particularly with regard to inventory and working capital generally, and there are further potential operational improvements that the Company can pursue which have a short term payback.

In summary, the Directors believe the Company represents a true recovery play with significant potential upside.

4. Defined benefit pension scheme

The Group operates a number of pension plans throughout the world covering many of its employers. The principal funds are those in the United Kingdom: (i) the Renold Group pension scheme (“RGPS”), (ii) the Jones & Shipman plc retirement benefits plan (1971) (“J&S RBP”) and (iii) the Renold supplementary pension scheme 1967 (“RSPS”). These three plans are funded plans of the defined benefit type with assets held in separate trustee administered funds. Future accrual to the J&S RBP and RSPS ceased in August 2008 and ceased for RGPS in June 2009.

All current and future UK employees have the opportunity to join the Renold personal pension plan which is a contract-based defined contribution scheme.

The most recent actuarial valuations of the RGPS and RSPS were at 5 April 2007. The valuation of both plans used the projected unit method and were carried out by professionally qualified actuaries. The last valuation of the J&S RBP was at April 2006 and was also carried out by professionally qualified actuaries. In June 2008, the Company agreed a schedule of contributions with the trustees of the RGPS and RSPS, under which it made its first deficit repair payment of £1,500,000 to RGPS and £460,000 to RSPS on 31 December 2008. Following the closure of the RGPS and RSPS to future accrual from 1 June 2009, the Company agreed a revised schedule of contributions with the trustees of the RGPS and RSPS, under which it will make its first deficit repair payment of £1,553,000 to RGPS and £476,000 to RSPS on 31 December 2009.

Overseas employees participate in a variety of different pension arrangements of the defined contribution or defined benefit type, funded in accordance with local practice.

Further information on pensions is set out in note 18 to the Renold Annual Report 2009 incorporated by reference in this document.

The IAS 19 retirement benefit deficit as at 30 September 2009, accounted for in accordance with IAS 19, was £73.8 million. The related liabilities increased since 31 March 2009 as the AA corporate bond yield further declined due to the global economic crisis. The cash contributions made by the Company to the pension schemes are agreed and stable, and are determined by a funding valuation not IAS 19. The German pension liability of approximately £23 million relates to an unfunded scheme.

The Group pension obligations are being actively managed and buy-out opportunities with nil cash premium are being pursued. The short term cash flow requirements are agreed with the respective pension trustees and are stable.

5. Use of proceeds

The Directors intend to use the net proceeds of the Placing and Open Offer and Firm Placing, anticipated to amount to approximately £26.9 million, to reduce borrowings, the cost of borrowing and to provide greater resilience and financial flexibility in the current environment. Approximately £11.4 million of the net proceeds of the Placing and Open Offer and Firm Placing will be used to repay in full a sterling term facility of £11,000,000, and accrued interest, under the facilities agreement with The Royal Bank of Scotland plc and Fortis Bank, UK Branch. Part of the proceeds will be invested in operational improvements with a short-term payback, with the remainder of the proceeds being used in the short term to repay, but not cancel, borrowings under revolving and overdraft facilities. Such repayment of the various facilities will also enable the Group to secure improved terms on the banking facilities which are set out in more detail in Part VI of this document.

6. Dividends and dividend policy

The Board has decided that it is in the best interest of shareholders not to pay a final dividend in 2009. The Board will consider future dividend policy taking into account the Group’s earnings, cashflow and balance sheet position.

7. Capital Reorganisation

Section 580 of CA 2006 prohibits the Company from issuing any shares at a subscription price below the nominal value of such shares. The Directors believe that the current nominal value of the Existing Ordinary Shares of 25 pence per share is high relative to the price at which Existing Ordinary Shares are currently traded on the London Stock Exchange and that, consequently, it is desirable to reduce the nominal value of each Existing Ordinary Share to 5 pence per share.

Resolution 1 to be proposed at the General Meeting, the notice of which is set out at the end of this document, proposes that each Existing Ordinary Share of 25 pence each in nominal value be subdivided and converted into one New Ordinary Share of 5 pence in nominal value and one Deferred Share of 20 pence in nominal value. The New Ordinary Shares of 5 pence each so created will continue to carry the same rights as attach to the Existing Ordinary Shares of 25 pence each and will be admitted to the Official List and to trading on the London Stock Exchange. The Deferred Shares will not be admitted to the Official List nor to trading on the London Stock Exchange and will have very limited rights as set out in Resolution 1. The Directors consider the Deferred Shares so created to be of no economic value. No new share certificates will be despatched or CREST messages sent in respect of the Capital Reorganisation.

Resolutions 2, 3, 4 and 5 are also necessary in order to give effect to the Placing and Open Offer and Firm Placing and are explained further in paragraph 11 below. Each of the Resolutions are conditional upon the other Resolutions being duly passed.

8. Principal terms and conditions of the Placing and Open Offer and Firm Placing

Renold is proposing to raise approximately £26.9 million (net of expenses) by way of the Placing and Open Offer and Firm Placing. 87,500,000 New Ordinary Shares will be issued through the Placing and Open Offer and 55,000,000 New Ordinary Shares will be issued through the Firm Placing.

Placing and Open Offer

Qualifying Shareholders, on and subject to the terms and conditions of the Open Offer, are being given the opportunity to apply for Open Offer Shares at the Issue Price, *pro rata* to their holdings of Existing Ordinary Shares on the Record Date, on the basis of:

1.1354 Open Offer Shares for each Existing Ordinary Share

The Issue Price of 20 pence per Open Offer Share represents a discount of 7.75 pence (27.9 per cent.) to the Closing Price of 27.75 pence per Existing Ordinary Share on 16 November 2009 (being the last trading day prior to announcement of the Placing and Open Offer and Firm Placing).

Qualifying Shareholders may apply for any whole number of Open Offer Shares up to their maximum Open Offer Entitlement which, in the case of Qualifying non-CREST Shareholders, is equal to the number of Open Offer Shares as shown in Box 3 on their Application Form, or, in the case of Qualifying CREST Shareholders, is equal to the number of Open Offer Shares standing to the credit of their stock account in CREST. Qualifying Shareholders are also being given the opportunity, provided they take up their Open Offer Entitlements in full, to apply for Excess Shares through the Excess Application Facility, up to a maximum number of Excess Shares equal to 0.7137 times the number of Existing Ordinary Shares held in such Qualifying Shareholder's name as at the Record Date.

Fractions of Open Offer Shares will not be allotted to Qualifying Shareholders in the Open Offer and fractional entitlements under the Open Offer will be rounded down to the nearest whole number of Open Offer Shares. Qualifying CREST Shareholders will receive a credit to their appropriate stock accounts in CREST in respect of their Open Offer Entitlements and Excess CREST Open Offer Entitlements on 18 November 2009. Qualifying Shareholders with holdings of Existing Ordinary Shares in both certificated and uncertificated form will be treated as having separate holdings for the purpose of calculating their entitlements under the Open Offer.

Excess Application Facility

The Excess Application Facility will enable Qualifying Shareholders, provided they take up their Open Offer Entitlement in full, to apply for Excess Shares through the Excess Application Facility, up to a maximum number of Excess Shares equal to 0.7137 times the number of Existing Ordinary Shares held in such Qualifying Shareholder's name as at the Record Date, subject to availability. Qualifying Non-CREST Shareholders who wish to apply to acquire more than their Open Offer Entitlement should complete the relevant sections on the Application Form. Qualifying CREST Shareholders will have Excess CREST Open Offer Entitlements credited to their stock account in CREST and should refer to paragraph 5.2 of Part III of this document for information on how to apply for Excess Shares pursuant to the Excess Application Facility. If applications under the Excess Application Facility are received for more than the total number of Open Offer Shares available following take up of Open Offer Entitlements, such applications will be scaled back *pro rata* to the number of Excess Shares applied for by Qualifying Shareholders under the Excess Application Facility.

The aggregate number of Open Offer Shares available for acquisition pursuant to the Open Offer will not exceed 87,500,000 New Ordinary Shares.

The Placing and Open Offer and Firm Placing are each conditional, *inter alia*, upon:

- the passing of the Resolutions without any material amendment;
- the Placing Agreement having become unconditional in all respects (save for the condition relating to Admission) and not having been terminated in accordance with its terms; and
- Admission, becoming effective by no later than 8.00 a.m. on 10 December 2009 (or such later time and date as the Company, Singer Capital Markets and Smith & Williamson may agree).

Application has been made for the Open Offer Entitlements (in respect of Qualifying CREST Shareholders) and Excess CREST Open Offer Entitlements to be admitted to CREST. It is expected that the Open Offer Entitlements and Excess CREST Open Offer Entitlements will be admitted to CREST on 18 November 2009. The Open Offer Entitlements and Excess CREST Open Offer Entitlements will also be enabled for settlement in CREST on 10 December 2009. Applications through the CREST system may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a *bona fide* market claim.

Qualifying CREST Shareholders should note that, although the Open Offer Entitlements will be admitted to CREST and be enabled for settlement, applications in respect of entitlements under the Open Offer may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a *bona fide* market claim raised by Euroclear's Claims Processing Unit. Qualifying non-CREST Shareholders should note that their Application Form is not a negotiable document and cannot be traded.

If Admission does not take place on or before 8.00 a.m. on 10 December 2009 (or such later date as the Company, Singer Capital Markets and Smith & Williamson may determine, not being later than 8.00 a.m. on 24 December 2009), the Open Offer will lapse, any Open Offer Entitlements and Excess CREST Open Offer Entitlements admitted to CREST will thereafter be disabled and application monies under the Open Offer will be refunded to the applicants, by cheque (at the applicant's risk) in the case of Qualifying non-CREST Shareholders and by way of a CREST payment in the case of Qualifying CREST Shareholders, without interest as soon as practicable thereafter. In these circumstances, the Placing to the Conditional Placees will not proceed.

Application will be made to the UKLA for the New Ordinary Shares (which will include the Open Offer Shares) to be admitted to listing on the Official List and to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on the London Stock Exchange's main market for listed securities. It is expected that Admission will become effective on 10 December 2009 and that dealings for normal settlement in the New Ordinary Shares will commence at 8.00 a.m. on the same day.

Any Qualifying Shareholder who has sold or transferred all or part of his/her registered holding(s) of Existing Ordinary Shares prior to the Ex-entitlement Date is advised to consult his or her stockbroker, bank or other agent through or to whom the sale or transfer was effected as soon as possible since the invitation to apply for Open Offer Shares under the Open Offer may be a benefit which may be claimed from him/her by the purchasers under the rules of the London Stock Exchange.

The Open Offer Shares, when issued and fully paid, will be identical to and rank in full for all dividends or other distributions declared, made or paid on or after Admission and in all respects will rank *pari passu* with all of the other New Ordinary Shares. No temporary documents of title will be issued.

The commitments of the Conditional Placees are subject to clawback in respect of valid applications for Open Offer Shares by Qualifying Shareholders pursuant to the Open Offer. The Open Offer has been fully underwritten by Singer Capital Markets pursuant to the Placing Agreement, the principal terms and conditions of which are summarised in paragraph 9 of Part VIII of this document.

Firm Placing

Renold is proposing to issue 55,000,000 Firm Placed Shares pursuant to the Firm Placing. The Firm Placing has been fully underwritten by Singer Capital Markets pursuant to the Placing Agreement, the principal terms and conditions of which are summarised in paragraph 9 of Part VIII of this document.

The Firm Placed Shares are not subject to clawback under, and do not form part of, the Open Offer. The Firm Placing is expected to raise approximately, £11.0 million, before expenses.

The Firm Placing is subject to the same conditions and termination rights which apply to the Placing and Open Offer.

If Admission does not take place on or before 8.00 a.m. on 10 December 2009 (or such later date as the Company, Singer Capital Markets and Smith & Williamson may determine, not being later than 8.00 a.m. on 24 December 2009), the Firm Placing will not proceed and subscription monies will be refunded to the Firm Placees by cheque (at the subscriber's risk).

Application will be made to the UKLA for the Firm Placed Shares, as included in the number of New Ordinary Shares, to be admitted to listing on the Official List and to trading on the London Stock Exchange's main market for listed securities as set out above.

The Firm Placed Shares, when issued and fully paid, will be identical to, and rank in full for all dividends and other distributions declared, made or paid on or after Admission, and in all respects will rank *pari passu* with all of the other New Ordinary Shares as at the date of issue.

Further information on the Placing and Open Offer and Firm Placing and terms and conditions on which it is made, including the procedure for application and payment, are set out in Part III of this document and, where relevant, on the applicable Application Form.

9. Effect of the Placing and Open Offer and Firm Placing

In structuring the Placing and Open Offer and Firm Placing, the Directors have considered how to form the proposed equity fundraising, having regard to the current market conditions, the level of the Company's share price and the importance of pre-emption rights to Shareholders. After considering all these factors, the Directors have concluded that the Placing and Open Offer and Firm Placing are, together, the most suitable option available to the Company and its Shareholders. The Open Offer provides an opportunity for all Qualifying Shareholders to participate in the fundraising by subscribing for Open Offer Shares *pro rata* to their current holding of Existing Ordinary Shares. The Firm Placing is an opportunity to attract new investors and additional investment to the Company. The Excess Application Facility also enables Qualifying Shareholders who wish to take up their full Open Offer Entitlement to subscribe for Excess Shares to mitigate the dilution to existing Shareholders from the Firm Placing.

In setting the Issue Price, the Directors have considered the price at which the New Ordinary Shares need to be offered to investors to ensure the success of the Placing and Open Offer and Firm Placing and raise a very significant level of equity compared with the current market capitalisation of the Company. The Directors believe that both the Issue Price and the discount are appropriate.

Upon completion of the Placing and Open Offer and Firm Placing, the Open Offer Shares and Firm Placed Shares, in aggregate, will represent approximately 64.9 per cent. of the Company's Enlarged Issued Share Capital and the New Ordinary Shares issued to holders of Existing Ordinary Shares pursuant to the Capital Reorganisation will represent approximately 35.1 per cent. of the Company's Enlarged Issued Share Capital. New Ordinary Shares issued through the Placing and Open Offer and New Ordinary Shares issued through the Firm Placing will account for approximately 61.4 per cent. and 38.6 per cent., respectively, of the total New Ordinary Shares issued through the Placing and Open Offer and Firm Placing. The Resolutions set out in the Notice attached to this document must be passed at the General Meeting in order for the Placing and Open Offer and Firm Placing to proceed.

Following the issue of the New Ordinary Shares to be allotted pursuant to the Placing and Open Offer and Firm Placing, Qualifying Shareholders who take up their full Open Offer Entitlement (but do not take up any further Open Offer Shares pursuant to the Excess Application Facility) will suffer a dilution of approximately 25.0 per cent. to their interests in the Company. Qualifying Shareholders who do not take up any of their entitlements in respect of the Open Offer will suffer a dilution of approximately 64.9 per cent. to their interests in the Company (unless they avoid such level of dilution by participation in the Placing and/or Firm Placing).

Had the Placing and Open Offer and Firm Placing taken place as at the date of the last audited accounts of the Company, being 31 March 2009, the effect on the Company would have been a decrease in short term borrowings, and an increase in share capital and share premium account, with an associated reduction in the cost of borrowing. These statements do not constitute a profit forecast and should not be interpreted to mean that the earnings per share in any financial period will necessarily match or be lesser or greater than those for the relevant preceding period.

Shareholders' attention is drawn to paragraph 3 of Part III of this document for information on these changes.

Shareholders should note that the Open Offer is not a rights issue. Qualifying Shareholders should be aware that in the Open Offer, unlike in a rights issue, any Open Offer Shares not applied for will not be sold in the market on behalf of, or placed for, the benefit of Qualifying Shareholders who do not apply under the Open Offer, but will be subscribed for under the Placing for the benefit of the Company.

10. Related party transaction

M&G Investment Management holds approximately 14.7 per cent. of the Existing Ordinary Shares. 8,096,935 New Ordinary Shares will be issued to M&G Investment Management pursuant to the Firm Placing and this, due to its holding of Existing Ordinary Shares being in excess of 10 per cent. of the Existing Ordinary Shares, constitutes a related party transaction under the Listing Rules.

Shareholder approval is required with regard to this related party transaction. M&G Investment Management will not, and has undertaken to take all reasonable steps to ensure that its associates will not, vote on the relevant Resolution at the General Meeting seeking Shareholder approval of the Related Party Transaction.

11. Proposals to be voted on at the General Meeting

Set out at pages 132 to 135 of this document is a Notice convening a General Meeting to be held at 12.00 p.m. on 9 December 2009. The Notice sets out the Resolutions which will be proposed to Shareholders to allow the Capital Reorganisation, the Placing and Open Offer and Firm Placing and Related Party Transaction to proceed.

A summary and explanation of the Resolutions to be voted on at the General Meeting is set out below. Please note that this section does not contain the full text of the Resolutions and you should read this section in conjunction with the Resolutions contained in the Notice.

Shareholders should note that the Placing and Open Offer and Firm Placing are each conditional, *inter alia*, on the Resolutions being passed and that each of the Resolutions are conditional upon each other Resolution being passed at the General Meeting.

Resolution 1: Subdivision of share capital

An ordinary resolution which if approved, pursuant to the CA 2006, will result in each Existing Ordinary Share in issue at the Record Date being subdivided and converted into one New Ordinary Share of 5 pence each in nominal value, such New Ordinary Shares having the same rights as those set out in respect of the Existing Ordinary Shares in the Articles, and one Deferred Share of 20 pence each in nominal value with the rights more particularly set out in the relevant Resolution.

Resolution 2: Authority to allot New Ordinary Shares

An ordinary resolution to authorise the Directors for the purposes of section 551 of the CA 2006 to allot the New Ordinary Shares in connection with the Placing and Open Offer and Firm Placing and allow the Directors to have sufficient section 551 authority for general purposes in line with corporate governance guidelines. Given the Capital Reorganisation and the nominal value of the New Ordinary Shares it is necessary to re-state the general authority for the Directors to allot New Ordinary Shares up to an aggregate nominal amount of £3,659,411.70 (which represents approximately 33.3 per cent. of the Enlarged Issued Share Capital). Such authority is in substitution for all existing authorities and will expire on the conclusion of the Company's next annual general meeting. Assuming the Resolutions are duly passed, the maximum aggregate amount or relevant securities over which the Directors will have authority to allot will then represent approximately 98.23 per cent. of the Enlarged Issued Share Capital. As at the date of this document, the Company holds no treasury shares.

Resolution 3: Disapplication of pre-emption rights

A special resolution to disapply the pre-emption right provisions of section 561 of the CA 2006 in respect of the allotment of equity securities (as defined in section 560(1) of the CA 2006) pursuant to the Placing and Open Offer and Firm Placing and, given the Capital Reorganisation and nominal value of the New Ordinary Shares, a general authority in line with corporate governance guidelines. Pursuant to this Resolution, pre-emption rights will be disapplied in respect of New Ordinary Shares up to an aggregate nominal amount of £7,125,000 in order to satisfy the Placing and Open Offer and Firm Placing (which will represent approximately 64.90 per cent. of the Enlarged Issued Share Capital) and, otherwise than pursuant to the Placing and Open Offer and Firm Placing, in respect of New Ordinary Shares up to an aggregate nominal amount of £548,911.75 (which will represent 5 per cent. of the Enlarged Issued Share Capital). Such power is in substitution for all existing powers or authorities and will expire on the conclusion of the Company's next annual general meeting. Assuming the Resolutions are duly passed, the maximum aggregate amount of equity securities over which the Directors will have disapplied the pre-emption right provisions of section 561 of the CA 2006 will then represent approximately 69.90 per cent. of the Enlarged Issued Share Capital.

Resolution 4: Approving discount of market price

An ordinary resolution approving the issue of New Ordinary Shares at 20 pence per share, representing a discount of 27.9 per cent., which is in excess of 10 per cent. to the Closing Price of the Existing Ordinary Shares at the time of announcement of the terms of the Placing and Open Offer and Firm Placing. The purpose of this Resolution is to approve the Placing and Open Offer and Firm Placing generally as required under the Listing Rules because the Issue Price represents a discount of greater than 10 per cent. to the relevant middle market price of the Existing Ordinary Shares.

In setting the Issue Price, the Directors have considered the price at which the New Ordinary Shares need to be offered to investors to ensure the success of the Placing and Open Offer and Firm Placing and raise a very significant level of equity compared with the current market capitalisation of the Company. The Directors believe that both the Issue Price and the discount are appropriate.

Resolution 5: Related party transaction

An ordinary resolution to seek approval from Shareholders required under Chapter 11 of the Listing Rules to issue and allot New Ordinary Shares to M&G Investment Management, who is a related party for the purposes of Chapter 11 of the Listing Rules. M&G Investment Management will not, and has undertaken to take all reasonable steps to ensure that its associates will not, vote on the relevant Resolution at the General Meeting seeking Shareholder approval of the Related Party Transaction.

12. Share Option Schemes and Warrants

Options granted under the Share Option Schemes do not carry any entitlement to participate in the Placing and Open Offer or the Firm Placing. Under the rules of the Share Option Schemes, the number of shares under Option and the Option exercise price are capable of being adjusted following a variation in the share capital of the Company. The Directors propose to make adjustments to the number of shares under Option and the Option exercise price to reflect the dilutory impact of the Placing and Open Offer. In the case of Options under the Approved Scheme and some of the Options under the 1995 Scheme, such adjustments will be subject to the prior approval of HMRC. Option holders will be notified of the adjustments in due course in accordance with the terms of the Share Option Schemes.

As described in Part VI, the Warrantholders have agreed, conditional upon *inter alia*, the Placing and Open Offer and Firm Placing taking place and upon Admission, to vary the terms of the Warrant Instruments. As a result it is conditionally agreed that the number of Warrant Shares shall not be adjusted pursuant to the Capital Reorganisation or the Open Offer. However, it is conditionally agreed that the subscription price for the Warrant Shares shall be amended as more particularly set out in Part VI.

13. Overseas Shareholders

The attention of Overseas Shareholders who have registered addresses outside the United Kingdom, or who are citizens of, or residents, or located in countries other than the United Kingdom, or who are holding Existing Ordinary Shares for the benefit of such persons (including without limitation, nominees, custodians and trustees) or have a contractual or legal obligation to forward this document, the Form of Proxy or the Application Form to such persons, is drawn to the information which appears in paragraph 7 of Part III of this document.

In particular, Qualifying Shareholders who have registered addresses outside the UK, or who are citizens of or resident or located in countries other than the UK (including, without limitation, the US or any of the Excluded Territories) should consult their professional advisers as to whether they require any governmental or other consent or need to observe any other formalities to enable them to take up their entitlements in the Open Offer.

14. Taxation

Certain information about taxation in relation to the Placing and Open Offer and Firm Placing is set out in paragraph 11 of Part VIII of this document. **If you are in any doubt as to your tax position you should consult your own independent tax adviser without delay.**

15. Action to be taken

15.1 General Meeting

You will find enclosed with this document a form of proxy for use at the General Meeting. **Whether or not you propose to attend the General Meeting in person, it is important that you complete and sign the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's Registrars, Capita Registrars, Proxies, The Registry, 34 Beckenham Road, Beckenham Kent BR3 4TU, as soon as possible and, in any event, so as to be received not later than 10.00 a.m. on 7 December 2009.** The completion and return of a form of proxy will not preclude you from attending the General Meeting and voting in person, if you so wish.

If you hold shares in CREST, you may appoint a proxy by completing and transmitting a CREST Proxy Instruction to the Registrar so that it is received by no later than 10.00 a.m. on 7 December 2009.

15.2 *Qualifying non-CREST Shareholders (i.e. holders of ordinary shares who hold their ordinary shares in certificated form)*

If you are a Qualifying non-CREST Shareholder you will receive an Application Form which gives details of your maximum entitlement under the Open Offer (as shown by the number of Open Offer Entitlements set out in Box 3). If you wish to apply for Open Offer Shares under the Open Offer, you should complete the Application Form in accordance with the procedure for application set out in paragraph 5.1 of Part III of this document and on the Application Form itself. Completed Application Forms, accompanied by full payment in accordance with the instructions in paragraph 5.1 of Part III of this document, should be posted in the accompanying pre-paid envelope or returned by post or (during normal business hours only) by hand to Capita Registrars, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham Kent BR3 4TU, so as to arrive as soon as possible and in any event so as to be received by no later than 11.00 a.m. on 8 December 2009. If you do not wish to apply for any ordinary shares under the Open Offer, you should not complete or return the Application Form.

15.3 *Qualifying CREST Shareholders*

If you are a Qualifying CREST Shareholder no Application Form will be sent to you and you will receive a credit to your appropriate stock account in CREST in respect of the Open Offer Entitlements and Excess CREST Open Offer Entitlements representing your maximum entitlement under the Open Offer. You should refer to the procedure for application set out in paragraph 5.2 of Part III of this document. The relevant CREST instructions must have settled in accordance with the instructions in paragraph 5.2 of Part III of this document by no later than 11.00 a.m. on 8 December 2009.

Qualifying CREST Shareholders who are CREST sponsored members should refer to their CREST sponsors regarding the action to be taken in connection with this document and the Open Offer.

If you are in any doubt as to the action you should take, you should immediately seek your own personal financial advice from an independent professional adviser authorised under FSMA.

16. Further information and risk factors

Your attention is drawn to the further information set out in Parts II to X of this document. In addition, your attention is drawn to the section entitled “Risk Factors” on pages 10 to 14 of this document. You are advised to read the whole of this document and the documents incorporated by reference and not to rely solely on the information contained in this letter.

17. Recommendation

The Board has received financial advice from Singer Capital Markets in relation to this Placing and Open Offer and Firm Placing. In giving its financial advice, Singer Capital Markets has relied upon the Directors’ commercial assessment of the Placing and Open Offer and Firm Placing.

The Board, having received such advice as appropriate, considers the Capital Reorganisation, the Placing and Open Offer and Firm Placing and the Resolutions to be in the best interests of the Company and its Shareholders as a whole.

In addition, the Board, having been so advised by Smith & Williamson, believes that the Related Party Transaction is fair and reasonable as far as the Shareholders are concerned. In providing its advice to the Board, Smith & Williamson has taken into account the Directors’ commercial assessment of the Related Party Transaction.

Accordingly, the Board unanimously recommends that Shareholders vote in favour of the Resolutions to be put to the General Meeting as they intend to do, or procure, in respect of their own beneficial holdings, amounting to approximately 311,500 Existing Ordinary Shares, representing approximately 0.4 per cent. of the Existing Ordinary Shares. Further, Hanover I Master Fund LP (in which Matthew Peacock is interested) intends to vote in favour of the Resolutions to be put to the General Meeting in respect of its holding of Existing Ordinary Shares which, at the date of this document, represent approximately 16.79 per cent. of the Existing Ordinary Shares.

18. Directors' intentions

The Directors intend to subscribe for an aggregate total of 575,989 New Ordinary Shares pursuant to the Placing and Open Offer and Firm Placing, and following the Placing and Open Offer and Firm Placing the Directors will beneficially own, in aggregate, approximately 0.4 per cent. of the Enlarged Issued Share Capital. Further, Hanover I Market Fund LP (in which Matthew Peacock is interested) intends to subscribe for an aggregate total of 11,751,490 New Ordinary Shares pursuant to the Placing and Open Offer.

Yours faithfully

Matthew Peacock
Chairman

PART II

QUESTIONS AND ANSWERS ABOUT THE PLACING AND OPEN OFFER AND FIRM PLACING

The questions and answers set out in this Part II are intended to be in general terms only and, as such, you should read Part III of this document for full details of what action to take. If you are in any doubt as to the action you should take, you are recommended to seek your own personal financial advice immediately from your stockbroker, bank, fund manager, solicitor, accountant or other appropriate independent financial adviser, who is authorised under the FSMA if you are in the United Kingdom, or, if not, from another appropriately authorised independent financial adviser.

This Part II deals with general questions relating to the Placing and Open Offer and Firm Placing and more specific questions relating principally to persons resident in the United Kingdom who hold their Existing Ordinary Shares in certificated form only. If you are an Overseas Shareholder, you should read paragraph 7 of Part III of this document and you should take professional advice as to whether you are eligible and/or you need to observe any formalities to enable you to take up your Open Offer Entitlements or apply for Excess Shares pursuant to the Excess Application Facility. If you hold your Existing Ordinary Shares in uncertificated form (that is, through CREST) you should read Part III of this document for full details of what action you should take. If you are a CREST sponsored member, you should also consult your CREST sponsor.

If you do not know whether your Existing Ordinary Shares are in certificated or uncertificated form, please call the Capita Shareholder Helpline on 0871 664 0321 (from inside the United Kingdom) (calls to this number are charged at 10 pence per minute from a BT landline, other telephone provider costs may vary), or +44 20 8639 3399 (from outside the United Kingdom). Please note the Shareholder Helpline will be open between 9.00 a.m. to 5.00 p.m. on any business day. Please note that calls may be recorded or monitored and that, for legal reasons, the Shareholder Helpline is only able to provide information contained in this document and information relating to Renold's register of members and is unable to give advice on the merits of the Open Offer or to provide legal, business, financial, tax or investment advice.

The contents of this document should not be construed as legal, business, accounting, tax, investment or other professional advice. Each prospective investor should consult his, her or its own appropriate professional advisers for advice. This document is for your information only and nothing in this document is intended to endorse or recommend a particular course of action.

1. What is a placing and open offer?

A placing and open offer is a way for companies to raise money. Companies usually do this by giving their existing shareholders a right to acquire further shares at a fixed price in proportion to their existing shareholdings (the open offer) and providing for new investors to acquire any shares not bought by the Company's existing shareholders (the placing). The fixed price is normally at a discount to the market price of the existing ordinary shares prior to the announcement of the open offer.

This Open Offer is an invitation by Renold to Qualifying Shareholders to apply to acquire an aggregate of 87,500,000 Open Offer Shares at a price of 20 pence per Open Offer Share. If you hold Existing Ordinary Shares on the Record Date or have a *bona fide* market claim and have not sold all your Existing Ordinary Shares prior to the Ex-entitlement Date, other than, subject to certain exceptions, where you are a Shareholder with a registered address in or are located in the United States, or an Excluded Territory, you will be entitled to buy Open Offer Shares under the Open Offer.

The Open Offer is being made on the basis of 1.13540955 Open Offer Shares for each Existing Ordinary Share held by Qualifying Shareholders on the Record Date. If your entitlement to Open Offer Shares is not a whole number, you will not be entitled to buy an Open Offer Share in respect of any fraction of an Open Offer Share and your entitlement will be rounded down to the nearest whole number.

Open Offer Shares are being offered to Qualifying Shareholders in the Open Offer at a discount to the share price on the last dealing day before the details of the Placing and Open Offer were announced on 16 November 2009. The Issue Price of 20 pence per Open Offer Share represents a 27.9 per cent.

discount to the closing middle-market price quotation as derived from the Daily Official List of the London Stock Exchange of 27.75 pence per Existing Ordinary Share on 16 November 2009 (the last dealing day before the details of the Placing and Open Offer were announced).

Applications by Qualifying Shareholders will be satisfied in full up to the amount of their individual Open Offer Entitlement. Qualifying Shareholders are also being given the opportunity, provided they take up their Open Offer Entitlement in full, to apply for Excess Shares through the Excess Application Facility, up to a maximum number of Excess Shares equal to 0.713686 times the number of Existing Ordinary Shares held in such Qualifying Shareholder's name as at the Record Date.

If applications under the Excess Application Facility are received for more than the total number of Open Offer Shares available following take up of Open Offer Entitlements, such applications will be scaled back *pro rata* to the number of Excess Shares applied for by Qualifying Shareholders under the Excess Application Facility.

The inclusion of a limit on the number of Open Offer Shares that can be applied for under the Excess Application Facility of a maximum number of Excess Shares equal to 0.713686 times the number of Existing Ordinary Shares held in the name of a particular Qualifying Shareholder as at the Record Date, is due to technical reasons and to ensure the orderly processing of applications for Excess Shares. The number of available Open Offer Shares under the Excess Application Facility is dependent on the level of take-up of Open Offer Entitlements. If every Qualifying Shareholder takes up their Open Offer Entitlements in full there will be no Open Offer Shares available under the Excess Application Facility.

To the extent that Open Offer Shares are not taken up under the Open Offer (whether by way of Qualifying Shareholders' Open Offer Entitlements or through the Excess Application Facility, or placed with any Placees), then, subject to the terms of the Placing Agreement, Singer Capital Markets have agreed to acquire such Open Offer Shares at the Issue Price pursuant to the Placing.

In addition to the Open Offer and the Placing, Singer Capital Markets, as agent of the Company, have made arrangements to conditionally place Firm Placed Shares (being 55,000,000 New Ordinary Shares) with the Firm Placees at the Issue Price, pursuant to the Firm Placing. These Firm Placed Shares are not subject to clawback and therefore do not form part of the Open Offer.

Qualifying Shareholders should be aware that the Open Offer is not a rights issue. As such, Qualifying Non-CREST Shareholders should also note that their Application Forms are not negotiable documents and cannot be traded. Qualifying CREST Shareholders should note that, although the Open Offer Entitlements and the Excess CREST Open Offer Entitlements will be admitted to CREST they will have limited settlement capabilities (for the purposes of market claims only), and neither the Open Offer Entitlements nor the Excess CREST Open Offer Entitlements will be tradable or listed, and applications in respect of the Open Offer may only be made by the Qualifying Shareholders originally entitled or by a person entitled by virtue of a *bona fide* market claim.

Open Offer Shares for which application has not been made under the Open Offer will not be sold in the market for the benefit of those who do not apply under the Open Offer and Qualifying Shareholders who do not apply to take up their Open Offer Entitlement will neither have rights under the Open Offer nor receive any proceeds from it. Any Open Offer Shares for which an application has not been made in respect of the Open Offer, including the Excess Application Facility, will be acquired by those Placees who participate in the Placing and, to the extent they are not acquired by such Placees, will, subject to the terms of the Placing Agreement, be acquired by Singer Capital Markets, with the net proceeds being retained ultimately for the benefit of the Company.

Unlike in a rights issue, Application Forms are not negotiable documents and neither they nor the Open Offer Entitlements can themselves be traded.

2. What is a firm placing? Am I eligible to participate in the Firm Placing?

A firm placing is where specific investors procured by a company's advisers agree to subscribe for firm placed shares. The Firm Placed Shares do not form part of the Open Offer and are not subject to clawback. Unless you are a Firm Placee, you will not participate in the Firm Placing.

3. I hold my Existing Ordinary Shares in certificated form. How do I know I am eligible to participate in the Open Offer?

If you receive an Application Form and, subject to certain exceptions, are not a holder with a registered address or located in the United States or any Excluded Territory, then you should be eligible to participate in the Open Offer as long as you have not sold all of your Existing Ordinary Shares before the Ex-entitlement Date.

4. I hold my Existing Ordinary Shares in certificated form. How do I know how many Open Offer Shares I am entitled to take up?

If you hold your Existing Ordinary Shares in certificated form and, subject to certain exceptions, do not have a registered address and are not located in the United States or any Excluded Territory, you will be sent an Application Form that shows:

- how many Existing Ordinary Shares you held at the close of business on the Record Date;
- how many Open Offer Shares are comprised in your Open Offer Entitlement;
- how much you need to pay if you want to take up your right to buy all your entitlement to the Open Offer Shares; and
- how many Excess Shares you may apply for under the Express Application Facility if you take up your Open Offer Entitlement in full.

If you would like to apply for any of or all of the Open Offer Shares comprised in your Open Offer Entitlement, you should complete the Application Form in accordance with the instructions printed on it and the information provided in this document. Completed Application Forms should be posted, along with a cheque or banker's draft drawn in the appropriate form, in the accompanying pre-paid envelope or returned by post or by hand (during normal office hours only), to Capita Registrars, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU (who will act as receiving agent in relation to the Open Offer) so as to be received by Capita Registrars by no later than 11.00 a.m. on 8 December 2009, after which time Application Forms will not be valid.

5. I hold my Existing Ordinary Shares in certificated form and am eligible to receive an Application Form. What are my choices in relation to the Open Offer?

(a) *If you do not want to take up your Open Offer Entitlement*

If you do not want to take up the Open Offer Shares to which you are entitled, you do not need to do anything. In these circumstances, you will not receive any Open Offer Shares. You will also not receive any money when the Open Offer Shares you could have taken up are sold, as would happen under a rights issue. You cannot sell your Application Form or your Open Offer Entitlement to anyone else.

If you do not take up your Open Offer Entitlement, then following the issue of the Open Offer Shares pursuant to Open Offer, your interest in the Company will be diluted by approximately 64.9 per cent.

(b) *If you want to take up some but not all of your Open Offer Entitlement*

If you want to take up some but not all of the Open Offer Shares to which you are entitled, you should write the number of Open Offer Shares you want to take up in Box 7 of your Application Form; for example, if you are entitled to take up 100 shares but you only want to take up 50 shares, then you should write '50' in Box 7. To work out how much you need to pay for the Open Offer Shares, you need to multiply the number of Open Offer Shares you want (in this example, '50') by £0.2, which is the price in pounds of each Open Offer Share (giving you an amount of £10.0 in this example). You should write this amount in Box 10, rounding down to the nearest whole pence and this should be the amount your cheque or banker's draft is made out for. You should then sign the Application Form on page 1 (ensuring that all joint holders sign (if applicable)) and return the completed Application Form, together with a cheque or banker's draft for the relevant amount, in the accompanying pre-paid envelope, by post or by hand

(during normal office hours only) to Capita Registrars, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU (who will also act as receiving agent in relation to the Open Offer) so as to be received by Capita Registrars by no later than 11.00 a.m. on 8 December 2009, after which time Application Forms will not be valid.

All payments must be in pounds sterling and made by cheque or banker's draft made payable to "Capita Registrars Limited re: Renold plc open offer a/c" and crossed "A/C Payee Only". Cheques or banker's drafts must be drawn on a bank or building society or branch of a bank or building society in the United Kingdom or Channel Islands which is either a settlement member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques and banker's drafts to be cleared through the facilities provided by any of those companies or committees and must bear the appropriate sort code in the top right hand corner and must be for the full amount payable for the application. Third party cheques will not be accepted with the exception of building society cheques or banker's drafts where the building society or bank has confirmed the name of the account holder and the number of an account held in the applicant name at the building society or bank by stamping or endorsing the cheque or draft to such effect. The account name should be the same as that shown on the application. Post-dated cheques will not be accepted.

Cheques or banker's drafts will be presented for payment upon receipt. The Company reserves the right to instruct Capita Registrars to seek special clearance of cheques and banker's drafts to allow the Company to obtain value for remittances at the earliest opportunity. No interest will be paid on payments made before they are due. It is a term of the Open Offer that cheques shall be honoured on first presentation and the Company may elect to treat as invalid acceptances in respect of which cheques are not so honoured. All documents, cheques and banker's drafts sent through the post will be sent at the risk of the sender. Payments via CHAPS, BACS or electronic transfer will not be accepted.

A definitive share certificate will then be sent to you for the Open Offer Shares that you take up. Your definitive share certificate for Open Offer Shares is expected to be despatched to you by no later than 17 December 2009.

(c) ***If you want to take up all of your Open Offer Entitlement***

If you want to take up all of the Open Offer Shares to which you are entitled, all you need to do is sign the Application Form on page 1 (ensuring that all joint holders sign (if applicable)), send the Application Form, together with your cheque or banker's draft for the amount (as indicated in Box 4 of your Application Form), payable to "Capita Registrars Limited re: Renold plc open offers a/c" and crossed "A/C payee only", in the accompanying pre-paid envelope by post or by hand (during normal business hours only) to Capita Registrars, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU (who will act as receiving agent in relation to the Open Offer) so as to be received by Capita Registrars by no later than 11.00 a.m. on 8 December 2009, after which time Application Forms will not be valid. If you post your Application Form by first-class post, you should allow at least four business days for delivery.

All payments must be made in accordance with the instructions contained in question 5(b) above.

(d) ***If you want to apply for more than your Open Offer Entitlement***

Provided you have agreed to take up your Open Offer Entitlement in full, you can apply for further Open Offer Shares up to a maximum number of Excess Shares equal to 0.713686 times the number of Existing Ordinary Shares held in your name as at the Record Date (detailed in Box 1 of the Application Form) using the Excess Application Facility. You should write the number of Open Offer Shares you wish to take up, including those for which you are applying under the Excess Application Facility in Box 9. For example, if you have an Open Offer Entitlement for 50 Open Offer Shares but you want to apply for 80 Open Offer Shares in total, then you should write "80" in Box 9.

To work out how much you need to pay for the Open Offer Shares, you need to multiply the number of Open Offer Shares you want (in this example, "80") by £0.2, which is the price in pounds of each Open Offer Share (giving you an amount of £16.0 in this example). You should

write this amount in Box 10, rounding down to the nearest whole pence. You should then return your Application Form together with your cheque or banker's draft for that amount, payable to "Capita Registrars Limited re: Renold plc open offers a/c" and crossed "A/C payee only", in the accompanying pre-paid envelope provided by post or by hand (during normal business hours only) to Capita Registrars, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU (who will be acting as receiving agent in relation to the Open Offer) so as to be received by Capita Registrars by no later than 11.00 a.m. on 8 December 2009, after which time the Application Form will not be valid. If you post your Application Form by first-class post, you should allow at least four business days for delivery.

All payments must be made in accordance with the instructions contained in question 5(b) above.

If applications under the Excess Application Facility are received for more than the total number of Open Offer Shares available following take up of Open Offer Entitlements, such applications will be scaled back *pro rata* to the number of Excess Shares applied for by Qualifying Shareholders under the Excess Application Facility. Therefore, applications under the Excess Application Facility may not be satisfied in full. In this event Qualifying Shareholders will receive a pounds sterling amount equal to the number of Open Offer Shares applied and paid for, but not allocated to, the relevant Qualifying Shareholder, multiplied by the Issue Price. Monies will be returned as soon as reasonably practicable thereafter without payment of interest and at the applicant's sole risk, save that any sums of less than £5 will be retained for the benefit of the Company.

A definitive share certificate will be sent to you for the Open Offer Shares that you take up and otherwise successfully apply for using the Excess Application Facility. Your definitive share certificate for Open Offer Shares is expected to be despatched to you by no later than 17 December 2009.

6. I hold my Existing Ordinary Shares in uncertificated form in CREST. What do I need to do in relation to the Open Offer?

CREST members should follow the instructions set out in Part III of this document. Persons who hold Existing Ordinary Shares through a CREST member should be informed by the CREST member through which they hold their Existing Ordinary Shares of the number of Open Offer Shares which they are entitled to acquire under their Open Offer Entitlements and their Excess CREST Open Offer Entitlement respectively, and should contact them if they do not receive this information.

7. I acquired my Existing Ordinary Shares prior to the Record Date and hold my Existing Shares in certificated form. What if I do not receive an Application Form or I have lost my Application Form?

If you do not receive an Application Form, this probably means that you are not eligible to participate in the Open Offer. Some non-CREST Shareholders, however, will not receive an Application Form but may still be eligible to participate in the Open Offer, namely:

- Qualifying CREST Shareholders who held their Existing Ordinary Shares in uncertificated form on 13 November 2009 and who have converted them to certificated form;
- Qualifying non-CREST Shareholders who bought Existing Ordinary Shares before 8.00 a.m. on 13 November 2009 but were not registered as the holders of those shares at 5.00 p.m. on 17 November 2009; and
- certain Overseas Shareholders.

If you do not receive an Application Form but think that you should have received one or you have lost your Application Form, please contact the Capita Shareholder Helpline on 0871 664 0321 (from inside the United Kingdom) (calls to this number are charged at 10 pence per minute from a BT landline, other telephone provider costs may vary), or +44 20 8639 3399 (from outside the United Kingdom) between 9.00 a.m. and 5.00 p.m. on any business day. For legal reasons, the Shareholder Helpline will only be

able to provide information contained in this document and information relating to Renold's register of members and will be unable to give advice on the merits of the Open Offer or to provide financial, tax or investment advice. Calls to the Shareholder Helpline may be monitored and/or recorded.

8. I am a Qualifying Shareholder, do I have to apply for all the Open Offer Shares I am entitled to apply for?

You can take up any number of the Open Offer Shares allocated to you under your Open Offer Entitlement. You also have the opportunity, provided you take up your Open Offer Entitlement in full, to apply for Excess Shares through the Excess Application Facility. Your maximum Open Offer Entitlement is shown on your Application Form. Any applications by a Qualifying Shareholder for a number of Open Offer Shares which is equal to or less than that person's Open Offer Entitlement will be satisfied, subject to the Open Offer becoming unconditional. If you decide not to take up all of the Open Offer Shares comprised in your Open Offer Entitlement, then your proportion of the ownership and voting interest in Renold will be reduced. Please refer to answers (a), (b), (c) and (d) of question 5 for further information.

Qualifying Shareholders should be aware that the Open Offer is not a rights issue. As such, Qualifying non-CREST Shareholders should also note that their Application Forms are not negotiable documents and cannot be traded. Qualifying CREST Shareholders should note that, although the Open Offer Entitlements and Excess CREST Open Offer Entitlements will be admitted to CREST they will have limited settlement capabilities (for the purposes of market claims only), the Open Offer Entitlements and Excess CREST Open Offer Entitlements will not be tradeable or listed and applications in respect of the Open Offer may only be made by the Qualifying Shareholders originally entitled or by a person entitled by virtue of a *bona fide* market claim. Open Offer Shares for which application has not been made under the Open Offer will not be sold in the market for the benefit of those who do not apply under the Open Offer and Qualifying Shareholders who do not apply to take up their Open Offer Entitlement will have no rights under the Open Offer or receive any proceeds from it. Any Open Offer Shares for which application has not been made in respect of the Open Offer shall be placed with the Conditional Placees and, to the extent they are not placed, will, subject to the terms of the Placing Agreement, be acquired by Singer Capital Markets, with the proceeds being retained for the benefit of Renold.

9. What if I change my mind?

If you are a Qualifying non-CREST Shareholder, once you have sent your Application Form and payment to the Receiving Agent, you cannot withdraw your application or change the number of Open Offer Shares for which you have applied, except in the very limited circumstances which are set out in Part III of this document.

If you are a Qualifying CREST Shareholder, once your USE instruction has settled, you cannot withdraw your application or change the number of Open Offer Shares for which you have applied, except in the very limited circumstances which are set out in Part III of this document.

Please refer to the paragraph 8 of Part III entitled "Withdrawal rights" for more detail.

10. What if the number of Open Offer Shares to which I am entitled is not a whole number: am I entitled to fractions of Open Offer Shares?

If the number is not a whole number, you will not receive a fraction of an Open Offer Share and your entitlement will be rounded down to the nearest whole number.

11. I hold my Existing Ordinary Shares in certificated form. What should I do if I want to spend more or less than the amount set out in Box 4 of the Application Form?

If you want to spend more than the amount set out in Box 4 you should divide the amount you want to spend by £0.2 (being the price in pounds for each Open Offer Share under the Open Offer). This will give you the number of Open Offer Shares for which you should apply. You can only apply for a whole number of Open Offer Shares. For example, if you want to spend £200 you should divide £200 by £0.2, which comes to 1,000. You should round that down to 1,000 to give you the number of Open Offer Shares for which, in this example, you can apply without exceeding your chosen amount. Write the total number of

Open Offer Shares (in this example 1,000) in Box 9. To then get an accurate amount to put on your cheque or banker's draft, you should multiply the whole number of Open Offer Shares you want to apply for (1,000) by £0.2 and then fill in that amount rounded down to the nearest whole pence (in this example being, rounded down to the nearest whole pence, £200), in Box 10 and on your cheque or banker's draft accordingly.

You should note that the number of available Open Offer Shares under the Excess Application Facility is dependent on the level of take-up of Open Offer Entitlements. If applications are received for more than the available number of Open Offer Shares, applications made under the Excess Application Facility will be scaled back *pro rata* to the number of Excess Shares applied for by Qualifying Shareholders. If every Qualifying Shareholder takes up their Open Offer Entitlements in full there will be no Open Offer Shares available under the Excess Application Facility. Qualifying Non-CREST Shareholders whose applications under the Excess Application Facility are so scaled back, will receive a pounds sterling amount equal to the number of Open Offer Shares applied and paid for but not allocated to them multiplied by the Issue Price. Monies will be returned as soon as reasonably practicable thereafter, without payment of interest and at the applicant's sole risk, save that any sums of less than £5 will be retained for the benefit of the Company.

If you want to spend less than the amount set out in Box 4, you should divide the amount you want to spend by £0.2 (being the price, in pounds, of each Open Offer Share under the Open Offer). This will give you the number of Open Offer Shares you should apply for. You can only apply for a whole number of Open Offer Shares. For example, if you want to spend £100 you should divide £100 by £0.2. You should round that down to the nearest whole number, to give you the number of shares you want to take up. Write that number in Box 7. To then get an accurate amount to put on your cheque or banker's draft, you should multiply the whole number of Open Offer Shares you want to apply for by £0.2 and then fill in that amount rounded down to the nearest whole pence in Box 10 and on your cheque or banker's draft accordingly.

12. What if I hold Options under the Share Option Schemes?

Options granted under the Share Option Schemes do not carry any entitlement to participate in the Placing and Open Offer or the Firm Placing. Under the rules of the Share Option Schemes, the number of shares under Option and the Option exercise price are capable of being adjusted following a variation in the share capital of the Company. The Directors propose to make adjustments to the number of shares under Option and the Option exercise price to reflect the dilutory impact of the Placing and Open Offer. In the case of Options under the Approved Scheme and some of the Options under the 1995 Scheme, such adjustments will be subject to the prior approval of HMRC. Option holders will be notified of the adjustments in due course in accordance with the terms of the Share Option Schemes.

13. I hold my Existing Ordinary Shares in certificated form. What should I do if I have sold some or all of my Existing Ordinary Shares?

If you hold shares in Renold directly and you sell some or all of your Existing Ordinary Shares before 8.00 a.m. on 17 November 2009, you should contact the buyer or the person/company through whom you sell your shares. The buyer may be entitled to apply for Open Offer Shares under the Open Offer. If you sell any of your Existing Ordinary Shares on or after 8.00 a.m. on 17 November 2009, you may still take up and apply for the Open Offer Shares as set out on your Application Form.

14. I hold my Existing Ordinary Shares in certificated form. How do I pay?

Completed Application Forms should be returned with a cheque or banker's draft drawn in the appropriate form. All payments must be in pounds sterling and made by cheque or banker's draft made payable to "Capita Registrars Limited re: Renold plc open offer a/c" and crossed "A/C Payee Only". Cheques or banker's drafts must be drawn on a bank or building society or branch of a bank or building society in the United Kingdom or Channel Islands which is either a settlement member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques and banker's drafts to be cleared through the facilities provided by any of those companies or committees and must bear the appropriate sort code in the top right hand corner. Third party cheques will not be accepted with the exception of building society cheques or banker's drafts where the building

society or bank has confirmed the name of the account holder and the number of an account held in the applicant name at the building society or bank by stamping or endorsing the cheque or draft to such effect. The account name should be the same as that shown on the application. Post-dated cheques will not be accepted.

15. Will the Existing Ordinary Shares that I hold now be affected by the Open Offer?

If you decide not to apply for any of the Open Offer Shares to which you are entitled under the Open Offer, or only apply for some of your entitlement, your proportionate ownership and voting interest in Renold will be reduced.

16. I hold my Existing Ordinary Shares in certificated form. Where do I send my Application Form?

You should send your completed Application Form together with payment in the accompanying pre-paid envelope, by post or by hand (during normal office hours only), together with the monies in the appropriate form to Capita Registrars, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU (who will act as receiving agent in relation to the Open Offer). If you post your Application Form by first-class post, you should allow at least four business days for delivery.

If you do not want to take up or apply for Open Offer Shares then you need take no further action.

17. I hold my Existing Shares in certificated form. When do I have to decide if I want to apply for Open Offer Shares?

The Receiving Agent must receive the Application Form by no later than 11.00 a.m. on 8 December 2009, after which time Application Forms will not be valid. If an Application Form is being sent by first-class post in the UK, Qualifying Shareholders are recommended to allow at least four business days for delivery.

18. I hold my Existing Ordinary Shares in certificated form. When will I receive my new share certificate?

It is expected that Capita Registrars will post all new share certificates by 17 December 2009.

19. How do I transfer my entitlements into the CREST system?

If you are a Qualifying non-CREST Shareholder, but are a CREST member and want your Open Offer Shares to be in uncertificated form, you should complete the CREST deposit form (contained in the Application Form), and ensure it is delivered to CCSS in accordance with the instructions in the Application Form. CREST sponsored members should arrange for their CREST sponsors to do this.

20. If I buy ordinary shares after the Ex-entitlement Date, will I be eligible to participate in the Open Offer?

If you bought your ordinary shares in the capital of the Company after the Ex-entitlement Date, you will not be able to participate in the Open Offer in respect of such ordinary shares.

21. Will the Placing and Open Offer and Firm Placing affect dividends on the Existing Ordinary Shares?

The New Ordinary Shares will, when issued and fully paid, rank equally in all respects with Existing Ordinary Shares, including the right to receive all dividends or other distributions made, paid or declared, if any, by reference to a record date after the date of their issue.

22. Will I be taxed if I take up my entitlements?

Information on taxation with regard to the Open Offer is set out in paragraph 11 of Part VIII of this document. **This information is intended as a general guide only and Shareholders who are in any doubt as to their tax position should consult an appropriate professional adviser immediately.**

23. What should I do if I live outside the United Kingdom?

Your ability to apply to acquire Open Offer Shares may be affected by the laws of the country in which you live and you should take professional advice as to whether you require any governmental or other consents or need to observe any other formalities to enable you to take up your Open Offer Entitlement. Shareholders with registered addresses or who are located in the United States or any Excluded Territory are, subject to certain exceptions, not eligible to participate in the Open Offer. Your attention is drawn to the information in paragraph 7 of Part III of this document.

24. Further assistance

Should you require further assistance please call the Capita Shareholder Helpline on 0871 664 0321 (from inside the United Kingdom) (calls to this number are charged at 10 pence per minute from a BT landline, other telephone provider costs may vary), or +44 20 8639 3399 (from outside the United Kingdom), which is available between the hours of 9.00 a.m. to 5.00 p.m. on any business day. Please note that calls to the Shareholder Helpline may be monitored and/or recorded and that, for legal reasons, the Shareholder Helpline is only able to provide information contained in this document and information relating to Renold's register of members and is unable to give advice on the merits of the Open Offer or to provide legal, business, accounting, tax, investment or other professional advice.

PART III

TERMS AND CONDITIONS OF THE PLACING AND OPEN OFFER AND FIRM PLACING

1. Introduction

As explained in the letter set out in Part I of this document, the Company is proposing to issue up to 142,500,000 New Ordinary Shares to raise approximately £26.9 million, net of expenses, through the Placing and Open Offer and Firm Placing.

Upon completion of the Placing and Open Offer and Firm Placing, the Open Offer Shares and the Firm Placed Shares, in aggregate, will represent approximately 64.9 per cent. of the Company's Enlarged Issued Share Capital and the New Ordinary Shares issued to holders of Existing Ordinary Shares pursuant to the Capital Reorganisation will represent approximately 35.1 per cent. of the Enlarged Issued Ordinary Share Capital. New Ordinary Shares issued through the Placing and Open Offer and New Ordinary Shares issued as part of the Firm Placing will account for approximately 61.4 per cent. and 38.6 per cent. respectively of the total New Ordinary Shares.

The Record Date for entitlements under the Open Offer for Qualifying CREST Shareholders and Qualifying non-CREST Shareholders is 5.00 p.m. on 13 November 2009. Application Forms for Qualifying non-CREST Shareholders accompany this document and Open Offer Entitlements (in respect of Qualifying CREST Shareholders) and Excess CREST Open Offer Entitlements are expected to be credited to stock accounts of Qualifying CREST Shareholders in CREST by 18 November 2009. The latest time and date for receipt of completed Application Forms and payment in full under the Open Offer and settlement of relevant CREST instructions (as appropriate) is expected to be 11.00 a.m. on 8 December 2009 with Admission and commencement of dealings in Open Offer Shares expected to take place at 8.00 a.m. on 10 December 2009.

This document and, for Qualifying non-CREST Shareholders, the Application Form contain the formal terms and conditions of the Open Offer. Your attention is drawn to paragraph 5 of this Part III which gives details of the procedure for application and payment for the Open Offer Shares and for any Excess Shares applied for pursuant to the Excess Application Facility. The attention of Overseas Shareholders is drawn to paragraph 7 of this Part III.

Any Qualifying Shareholder who has sold or transferred all or part of his/her/its registered holding(s) of ordinary shares in the capital of the Company prior to 5.00 p.m. on 13 November 2009 is advised to consult his or her or its stockbroker, bank or other agent through or to whom the sale or transfer was effected as soon as possible since the invitation to apply for Open Offer Shares under the Open Offer may be a benefit which may be claimed from him/her/it by the purchasers under the rules of the London Stock Exchange.

2. The Placing and Open Offer and Firm Placing

The Company has entered into the Placing Agreement pursuant to which Singer Capital Markets has agreed to procure conditional placees for the Firm Placed Shares at the Issue Price, such Firm Placees to comprise institutional and other investors who are not Qualifying Shareholders. Also pursuant to the Placing Agreement, Singer Capital Markets has agreed to procure Conditional Placees for (up to) 87,500,000 New Ordinary Shares at the Issue Price, such Conditional Placees to comprise institutional and other investors (including certain Existing Shareholders), subject to clawback to satisfy valid applications under the Open Offer from Qualifying Shareholders. Singer Capital Markets has agreed to subscribe for (a) any New Ordinary Shares which are not taken up under the Open Offer by Qualifying Shareholders and are not subscribed for by Conditional Placees under the Placing and (b) any Firm Placed Shares that are not subscribed for by Firm Placees under the Firm Placing. Singer Capital Markets has agreed to underwrite in aggregate 142,500,000 New Ordinary Shares. Consequently, the Placing and Open Offer and Firm Placing are fully underwritten.

The obligations of Singer Capital Markets under the Placing Agreement are conditional, *inter alia*, on the passing of the Resolutions at the General Meeting.

A summary of the principal terms of the Placing Agreement is contained in paragraph 9 of Part VIII of this document.

The Open Offer gives Qualifying Shareholders the opportunity to apply for in aggregate:

87,500,000 New Ordinary Shares at the Issue Price of 20 pence,

pro rata to their current holdings and in accordance with the terms of the Open Offer set out in paragraph 3 below.

3. The Open Offer

Subject to the terms and conditions set out below (and where relevant, in the Application Form), Qualifying Shareholders are being given the opportunity to apply for any number of Open Offer Shares at the Issue Price (payable in full on application and free of all expenses) up to a maximum of their *pro rata* entitlement. This shall be calculated on the basis of:

1.13540955 Open Offer Shares for each Existing Ordinary Share

in each case registered in the name of each Qualifying Shareholder at the close of business on the Record Date and so in proportion for any other number of Existing Ordinary Shares then registered. Fractional entitlements will be disregarded for the purposes of calculating Qualifying Shareholders' maximum entitlement under the Open Offer and entitlements will be rounded down to the nearest whole number of Open Offer Shares as appropriate. The resulting fractions of Open Offer Shares will be aggregated and, if possible, sold in the market, nil paid, for the benefit of those entitled thereto, if an amount at least equal to the expenses of sale, including VAT, can be obtained, except that amounts of less than £5.00 per holding (after deducting the expenses of sale and any VAT) will be retained for the benefit of the Company.

Applications by Qualifying Shareholders will be satisfied in full up to the amount of their individual Open Offer Entitlement. Qualifying Shareholders are also being given the opportunity, provided they take up their Open Offer Entitlement in full, to apply for Excess Shares through the Excess Application Facility, up to a maximum number of Excess Shares equal to 0.713686 times the number of Existing Ordinary Shares held in such Qualifying Shareholder's name as at the Record Date.

If applications under the Excess Application Facility are received for more than the total number of Open Offer Shares available following take up of Open Offer Entitlements, such applications will be scaled back *pro rata* to the number of Excess Shares applied for by Qualifying Shareholders under the Excess Application Facility.

The inclusion of a limit on the number of Open Offer Shares that can be applied for under the Excess Application Facility to 0.713686 times the number of Existing Ordinary Shares held in such Qualifying Shareholder's name as at the Record Date is due to technical reasons and to ensure the orderly processing of applications for Excess Shares. Please refer to paragraphs 5.1.4 and 5.2.10 of this Part III for further details of the Excess Application Facility.

The Open Offer is not being made by way of this document in any jurisdiction other than the UK but will be made to Qualifying Shareholders with registered addresses in such jurisdictions in the manner described in paragraph 7 of this Part III.

The attention of Overseas Shareholders or any person (including, without limitation, a custodian, nominee or trustee) who has a contractual or other legal obligation to forward this document into a jurisdiction other than the UK is drawn to paragraph 7 below. The Open Offer will not be made into certain territories. Subject to the provisions of paragraph 7, Qualifying Shareholders with a registered address in the United States or an Excluded Territory are not being sent this document and will not be sent an Application Form.

Holdings of Existing Ordinary Shares in certificated and uncertificated form will be treated as separate holdings for the purpose of calculating entitlements under the Open Offer, as will holdings under different designations and in different accounts.

If you are a Qualifying non-CREST Shareholder the Application Form shows the number of Existing Ordinary Shares registered in your name on the Record Date (in Box 2) and the maximum number of Open Offer Shares, for which you are entitled to apply pursuant to your Open Offer Entitlement (in Box 3) and pursuant to the Excess Application Facility (in Box 5).

Qualifying CREST Shareholders will have Open Offer Entitlements and Excess CREST Open Offer Entitlements credited to their stock accounts in CREST and should refer to paragraph 5.2 of this Part III and also to the CREST Manual for further information on the relevant CREST procedures.

Qualifying Shareholders may apply for any number of Open Offer Shares up to the maximum to which they are entitled under the Open Offer, including pursuant to the Excess Application Facility. No application in excess of a person's Open Offer Entitlement and the maximum number of Open Offer Shares that can be applied for under the Excess Application Facility will be met and any person so applying and whose application is otherwise valid in all respects will be deemed to have applied for the maximum entitlement as specified on the Application Form and the maximum number of Open Offer Shares that can be applied for under the Excess Application Facility (or, in the case of Qualifying CREST Shareholders, for the Open Offer Entitlement and Excess CREST Open Offer Entitlement standing to the credit of their stock account in CREST), or as otherwise notified to him or her, as applicable (and any monies received in excess of the amount due will be returned to any Qualifying Shareholder without interest as soon as practicable by way of cheque (in the case of a Qualifying non-CREST Shareholder) at such person's sole risk and by way of a CREST payment (in the case of a Qualifying CREST Shareholder)).

Following the issue of the New Ordinary Shares to be allotted pursuant to the Placing and Open Offer and Firm Placing, Qualifying Shareholders who do not take up any of their entitlements in respect of the Open Offer will suffer an immediate dilution of up to 64.9 per cent. of their interests in the Company. Qualifying Shareholders who take up their full entitlements in respect of the Open Offer will suffer a dilution of approximately 25.0 per cent. of their interests in the Company.

Qualifying Shareholders should be aware that the Open Offer is not a rights issue. Qualifying non-CREST Shareholders should also note that the Application Form is not a negotiable document and cannot be traded. A Qualifying Shareholder that takes up their Open Offer Entitlement in full (excluding any New Ordinary Shares purchased through the Excess Application Facility) will be diluted by 25.0 per cent. as a result of the Firm Placing. A Qualifying Shareholder that does not take up any Open Offer Shares under the Open Offer will suffer a more substantial dilution of 64.9 per cent. as result of the Open Offer and the Firm Placing. Qualifying CREST Shareholders should note that, although the Open Offer Entitlements and Excess CREST Open Offer Entitlement will be admitted to CREST and be enabled for settlement, applications in respect of entitlements under the Open Offer may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a *bona fide* market claim raised by Euroclear's Claims Processing Unit. Open Offer Shares not applied for under the Open Offer will not be sold in the market for the benefit of those who do not apply under the Open Offer and Qualifying Shareholders who do not apply to take up Open Offer Shares will have no rights under the Open Offer. Any Open Offer Shares which are not applied for in respect of the Open Offer will be issued to Placees subject to the terms and conditions of the Placing Agreement with the proceeds retained for the benefit of the Company.

The Existing Ordinary Shares are already admitted to CREST and application will be made for admission to CREST of the New Ordinary Shares. All such shares, when issued and fully paid, may be held and transferred by means of CREST.

Application has been made for the Open Offer Entitlements and Excess CREST Open Offer Entitlements to be admitted to CREST. The Open Offer Entitlements and Excess CREST Open Offer Entitlements are expected to be admitted to CREST with effect from 18 November 2009.

The Open Offer Shares will be issued credited as fully paid and will rank *pari passu* in all respects with all other New Ordinary Shares as at the date of issue.

The Open Offer Shares are not being made available in whole or in part to the public except under the terms of the Open Offer.

4. Conditions and further terms of the Placing and Open Offer and Firm Placing

The Placing and Open Offer and Firm Placing are conditional, *inter alia*, upon:

- 4.1 the passing of the Resolutions without any amendment;
- 4.2 the Placing Agreement having become unconditional in all respects (save for the condition relating to the Admission) and not having been terminated in accordance with its terms; and
- 4.3 Admission becoming effective by no later than 8.00 a.m. on 10 December 2009 (or such later date as the Company, Singer Capital Markets and Smith & Williamson may agree).

Accordingly, if these conditions are not satisfied, the Placing and Open Offer and Firm Placing will not proceed and any applications made by Qualifying Shareholders pursuant to the Open Offer will be rejected. In such circumstances, application monies will be returned (at the applicant's sole risk), without payment of interest, as soon as practicable thereafter.

No temporary documents of title will be issued in respect of Open Offer Shares held in uncertificated form. Definitive certificates in respect of Open Offer Shares taken up are expected to be posted to those Qualifying Shareholders who have validly elected to hold their Open Offer Shares in certificated form by 17 December 2009. In respect of those Qualifying Shareholders who have validly elected to hold their Open Offer Shares in uncertificated form, the Open Offer Shares are expected to be credited to their stock accounts maintained in CREST by 10 December 2009.

Application will be made for all of the New Ordinary Shares to be listed on the Official List and to be admitted to trading on the London Stock Exchange's main market for listed securities. Admission is expected to occur on 10 December 2009, when dealings in the New Ordinary Shares are expected to begin.

All monies received by the Receiving Agent in respect of Open Offer Shares will be held by the Receiving Agent in a non-interest bearing account.

If for any reason it becomes necessary to adjust the expected timetable as set out in this document, the Company will make an appropriate announcement to a Regulatory Information Service giving details of the revised dates.

5. Procedure for application and payment

The action to be taken by you in respect of the Open Offer depends on whether, at the relevant time, you have an Application Form in respect of your entitlement under the Open Offer, including the Excess Application Facility, or you have Open Offer Entitlements and Excess CREST Open Offer Entitlements credited to your CREST stock account in respect of such entitlement.

Qualifying Shareholders who hold their Existing Ordinary Shares in certificated form will be allotted Open Offer Shares in certificated form. Qualifying Shareholders who hold part of their Existing Ordinary Shares in uncertificated form will be allotted Open Offer Shares in uncertificated form to the extent that their entitlement to Open Offer Shares arises as a result of holding Existing Ordinary Shares in uncertificated form. However, it will be possible for Qualifying Shareholders to deposit Open Offer Entitlements into, and withdraw them from, CREST. Further information on deposit and withdrawal from CREST is set out in paragraph 5.2.6 of this Part III.

CREST sponsored members should refer to their CREST sponsor, as only their CREST sponsor will be able to take the necessary action specified below to apply under the Open Offer in respect of the Open Offer Entitlements and Excess CREST Open Offer Entitlements of such members held in CREST. CREST members who wish to apply under the Open Offer in respect of their Open Offer Entitlements and Excess CREST Open Offer Entitlements in CREST should refer to the CREST Manual for further information on the CREST procedures referred to below.

5.1 *If you have an Application Form in respect of your entitlement under the Open Offer*

5.1.1 *General*

Subject as provided in paragraph 7 of this Part III in relation to Overseas Shareholders, Qualifying non-CREST Shareholders will receive an Application Form. The Application Form shows the number of Existing Ordinary Shares registered in their name on the Record Date in Box 2. It also shows the maximum number of Open Offer Shares (set out in Box 3) for which they are entitled to apply under the Open Offer. Box 4 shows how much they would need to pay if they wish to take up their Open Offer Entitlement in full. Qualifying non-CREST Shareholders may apply for less than their maximum entitlement should they wish to do so. Qualifying non-CREST Shareholders may also hold such an Application Form by virtue of a *bona fide* market claim.

Under the Excess Application Facility, provided they have agreed to take up their Open Offer Entitlement in full, Qualifying Shareholders may apply for more than the amount of their Open Offer Entitlement should they wish to do so. Applications by Qualifying Shareholders for Excess Shares under the Excess Application Facility will be limited to a maximum number of Excess Shares equal to 0.713686 times the number of Existing Ordinary Shares held in such Qualifying Shareholder's name as at the Record Date. If the total number of Open Offer Shares applied for by all Qualifying Shareholders exceeds 87,500,000, applications under the Excess Application Facility will be scaled back pro rata to the number of Excess Shares applied for by Qualifying Shareholders under the Excess Application Facility. The maximum number of Open Offer Shares for which each Qualifying Non-CREST Shareholder is entitled to apply under the Excess Application Facility is set out in Box 5 of their Application Form.

The instructions and other terms set out in the Application Form form part of the terms of the Open Offer to Qualifying non-CREST Shareholders.

5.1.2 *Market claims*

Applications to acquire Open Offer Shares may only be made on the Application Form and may only be made by the Qualifying non-CREST Shareholder named in it or by a person entitled by virtue of a *bona fide* market claim in relation to a purchase of Existing Ordinary Shares through the market prior to the date upon which the Existing Ordinary Shares were marked "ex" the entitlement to participate in the Open Offer. Application Forms may not be assigned, transferred or split, except to satisfy *bona fide* market claims up to 3.00 p.m. on 4 December 2009. The Application Form is not a negotiable document and cannot be separately traded. A Qualifying non-CREST Shareholder who has sold or otherwise transferred all or part of his holding of Existing Ordinary Shares prior to the date upon which the Existing Ordinary Shares were marked "ex" the entitlement to participate in the Open Offer, should consult his broker or other professional advisers as soon as possible, as the invitation to acquire Open Offer Shares under the Open Offer may be a benefit which may be claimed by the transferee. Qualifying non-CREST Shareholders who have sold all or part of their registered holdings should, if the market claim is to be settled outside CREST, complete Box 11 on page 4 of the Application Form and immediately send it to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee. The Application Form should not, however be forwarded to or transmitted in or into the United States or any Excluded Territories. If the market claim is to be settled outside CREST, the beneficiary of the claim should follow the procedures set out in the accompanying Application Form. If the market claim is to be settled in CREST, the beneficiary of the claim should follow the procedures set out in paragraph 5.2 below.

5.1.3 *Application procedures for Qualifying non-CREST Shareholders*

Qualifying non-CREST Shareholders wishing to apply to acquire all or any of the Open Offer Shares (whether in respect of all or part of their Open Offer Entitlement or in addition to their Open Offer Entitlement under the Excess Application Facility) should complete the Application Form in accordance with the instructions printed on it.

Qualifying Non-CREST Shareholders may only apply for Excess Shares under the Excess Application Facility if they have agreed to take up their Open Offer Entitlements in full. Applications by Qualifying Non-CREST Shareholders for Excess Shares under the Excess Application Facility will be limited to a maximum number of Excess Shares equal to 0.713686 times the number of Existing Ordinary Shares held in such Qualifying Shareholder's name as at the Record Date. If the total number of Open Offer Shares applied for by all Qualifying Shareholders exceeds 87,500,000, applications under the Excess Application Facility will be scaled back *pro rata* to the number of Excess Shares applied for by Qualifying Shareholders under the Excess Application Facility. Therefore, applications under the Excess Application Facility may not be satisfied in full. Completed Application Forms should be returned to Capita Registrars, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU (who will be acting as receiving agent in relation to the Open Offer) so as to be received by Capita Registrars by no later than 11.00 a.m. on 8 December 2009, after which time the Application Forms will not be valid. If you post your Application Form by first-class post, you should allow at least four business days for delivery. Application Forms delivered by hand will not be checked upon delivery and no receipt will be provided. Within the United Kingdom, Qualifying Non-CREST Shareholders can use the pre-paid envelope accompanying the Application Form. Qualifying Non-CREST Shareholders should note that applications, once made, will be irrevocable and receipt thereof will not be acknowledged. If an Application Form is being sent by first-class post in the UK or using the reply-paid envelope included with the Application Form in the UK, Qualifying Non-CREST Shareholders are recommended to allow at least four Business Days for delivery.

Completed Application Forms should be posted in the accompanying pre-paid envelope or returned by post or by hand (during normal office hours only) to Capita Registrars, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU so as to be received by Capita Registrars by no later than 11.00 a.m. on 8 December 2009, after which time Application Forms will not be valid. Qualifying non-CREST Shareholders should note that applications, once made, will be irrevocable and receipt thereof will not be acknowledged. If an Application Form is being sent by first-class post in the UK, Qualifying non-CREST Shareholders are recommended to allow at least four working days for delivery.

Completed Application Forms should be returned with a cheque or banker's draft drawn in sterling on a bank or building society in the UK which is either a member of the Cheque and Credit Clearing Company Limited of the CHAPS Clearing Company Limited or a member of either of the committees of the Scottish or Belfast Clearing Houses or which has arranged for its cheques and banker's drafts to be cleared through facilities provided by any of those companies or committees. Such cheques or banker's drafts must bear the appropriate sort code in the top right-hand corner and must be for the full amount payable on application.

Cheques should be drawn on a personal account in respect of which the Qualifying non-CREST Shareholder has sole or joint title to the funds and should be made payable to "Capita Registrars Limited re: Renold plc open offer a/c" and crossed "A/C Payee Only". Payments must be made in sterling and the account name on the cheque must be the same as that shown on the Application Form. If this is not practicable and a Qualifying non-CREST Shareholder wishes to pay by building society cheque or banker's draft, they must:

- (a) write the name, address and date of birth of the person named on the Application Form (or one of such persons) on the back of the building society cheque or banker's draft; and
- (b) ask the building society or bank (as the case may be) to endorse the name and account number of the person whose building society or bank account is being debited on the cheque or banker's draft.

Third party cheques (other than building society cheques or banker's drafts where the building society or bank has confirmed that the relevant Qualifying non-CREST Shareholder has title to the underlying funds) will not be accepted. Payments via CHAPS, BACS or electronic transfer will not be accepted.

Cheques and banker's draft will be presented for payment on receipt and it is a term of the Open Offer that cheques and banker's drafts will be honoured on first presentation. The Company may elect to treat as valid or invalid any applications made by Qualifying non-CREST Shareholders in respect of which cheques or banker's drafts are not so honoured. If cheques or banker's drafts are presented for payment before all of the conditions of the Placing and Open Offer and Firm Placing are fulfilled, the application monies will be kept in a separate non-interest bearing bank account. If the Placing and Open Offer does not become unconditional no Open Offer Shares will be issued and all monies will be returned (at the applicant's sole risk), without payment of interest, to applicants as soon as practicable following the lapse of the Placing and Open Offer.

The Company may in its sole discretion, but shall not be obliged to, treat an Application Form as valid and binding on the person by whom or on whose behalf it is lodged, even if not completed in accordance with the relevant instructions or not accompanied by a valid power of attorney where required, or if it otherwise does not strictly comply with the terms and conditions of the Open Offer. The Company further reserves the right (but shall not be obliged) to accept any application for Open Offer Shares if either:

- (a) the Application Form together with cheques or other remittances for the full amount payable are received through the post after 11.00 a.m. on 8 December 2009 but not later than 11.00 a.m. on the next following business day (the cover bearing a legible postmark not later than 11.00 a.m. on the business day prior to 8 December 2009); or
- (b) the required remittance is received prior to 11.00 a.m. on 8 December 2009 from an authorised person (as defined in FSMA) specifying the number of Open Offer Shares concerned and undertaking to lodge the relevant Application Form as soon as practicable and in any event within two business days following 8 December 2009.

Multiple applications will not be accepted. All documents and remittances sent by post by or to an applicant (or as the applicant may direct) will be sent at the applicant's own risk.

5.1.4 *The Excess Application Facility*

Provided Qualifying Non-CREST Shareholders choose to take up their Open Offer Entitlement in full, the Excess Application Facility enables a Qualifying Non-CREST Shareholder to apply for Excess Shares up to a maximum number of Excess Shares equal to 0.713686 times the number of Existing Ordinary Shares held in such Qualifying Shareholder's name as at the Record Date.

If applications under the Excess Application Facility are received for more than the total number of Open Offer Shares available following take up of Open Offer Entitlements, such applications will be scaled back *pro rata* to the number of Excess Shares applied for by Qualifying Shareholders under the Excess Application Facility.

Qualifying Non-CREST Shareholders who wish to apply for Open Offer Shares in excess of their Open Offer Entitlement must complete the Application Form in accordance with the instructions set out on the Application Form.

Should the Open Offer become unconditional and applications for Open Offer Shares exceed 87,500,000 Open Offer Shares, resulting in a scale back of applications, each Qualifying Non-CREST Shareholder who has made a valid application for Excess Shares under the Excess Application Facility, and from whom payment in full for Excess Shares has been received, will receive a pounds sterling amount equal to the number of Open Offer Shares applied and paid for, but not allocated to, the relevant Qualifying Non-CREST

Shareholder, multiplied by the Issue Price. Monies will be returned as soon as reasonably practicable thereafter, without payment of interest and at the applicant's sole risk, save that any sums of less than £5 will be retained for the benefit of the Company.

5.1.5 *Incorrect sums*

If an Application Form encloses a payment for an incorrect sum, the Company through its Receiving Agent reserves the right:

- 5.1.5.1 to reject the application in full and return the cheque or banker's draft or refund the payment to the Qualifying non-CREST Shareholder in question; or
- 5.1.5.2 in the case that an insufficient sum is paid, to treat the application as a valid application for such lesser whole number of Open Offer Shares as would be able to be applied for with that payment at the Issue Price, refunding any unutilised sum to the Qualifying non-CREST Shareholder in question, save that any sums of less than £5 will be retained for the benefit of the Company; or
- 5.1.5.3 in the case that an excess sum is paid, to treat the application as a valid application for all of the Open Offer Shares referred to in the Application Form, refunding any unutilised sums to the Qualifying non-CREST Shareholder in question, save that any sums of less than £5 will be retained for the benefit of the Company.

5.1.6 *Effect of application*

By completing and delivering an Application Form the applicant:

- 5.1.6.1 represents and warrants to the Company, Singer Capital Markets and Smith & Williamson that he has the right, power and authority and has taken all action necessary to make the application under the Open Offer and to execute, deliver and exercise his rights and perform his obligations under any contracts resulting therefrom and that he is not a person otherwise prevented by legal or regulatory restrictions from applying for such Open Offer Shares as he is or is otherwise treated as applying for or acting on behalf of any such person on a non-discretionary basis;
- 5.1.6.2 agrees with the Company, Singer Capital Markets and Smith & Williamson that all applications under the Open Offer and any contracts or non-contractual obligations resulting therefrom shall be governed by, and construed in accordance with, the laws of England and Wales;
- 5.1.6.3 confirms to the Company, Singer Capital Markets and Smith & Williamson that in making the application he is not relying on any information or representation relating to the Company other than that contained in (or incorporated by reference in) this document, and the applicant accordingly agrees that no person responsible solely or jointly for this document or any part thereof, or involved in the preparation thereof, shall have any liability for any such information or representation not so contained and further agrees that, having had the opportunity to read this document, he will be deemed to have had notice of all information in relation to the Company contained in this document (including information incorporated by reference);
- 5.1.6.4 confirms to the Company, Singer Capital Markets and Smith & Williamson that no person has been authorised to give any information or to make any representation concerning the Company or the New Ordinary Shares (other than as contained in this document) and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Company, Singer Capital Markets or Smith & Williamson;
- 5.1.6.5 represents and warrants to the Company, Singer Capital Markets and Smith & Williamson that he is the Qualifying Shareholder originally entitled to the Open Offer Entitlements or that he received such Open Offer Entitlements by virtue of a *bona fide* market claim;

- 5.1.6.6 represents and warrants to the Company, Singer Capital Markets and Smith & Williamson that if he has received some or all of his Open Offer Entitlements from a person other than the Company he is entitled to apply under the Open Offer in relation to such Open Offer Entitlements by virtue of a *bona fide* market claim;
- 5.1.6.7 requests that the Open Offer Shares to which he will become entitled be issued to him on the terms set out in this document and the Application Form, subject to the memorandum of association of the Company and Articles;
- 5.1.6.8 represents and warrants to the Company, Singer Capital Markets and Smith & Williamson that he is not, nor is he applying on behalf of any person who is, a citizen or resident, or which is a corporation, partnership or other entity created or organised in or under any laws, of any Excluded Territories or any jurisdiction in which the application for Open Offer Shares is prevented by law and he is not applying with a view to re-offering, re-selling, transferring or delivering any of the Open Offer Shares which are the subject of his application to, or for the benefit of, a person who is a citizen or resident or which is a corporation, partnership or other entity created or organised in or under any laws of any Excluded Territories or any jurisdiction in which the application for Open Offer Shares is prevented by law (except where proof satisfactory to the Company has been provided to the Company that he is able to accept the invitation by the Company free of any requirement which it (in its absolute discretion) regards as unduly burdensome), nor acting on behalf of any such person on a non-discretionary basis nor (a) person(s) otherwise prevented by legal or regulatory restrictions from applying for Open Offer Shares under the Open Offer;
- 5.1.6.9 represents and warrants to the Company, Singer Capital Markets and Smith & Williamson that he is not, and nor is he applying as nominee or agent for, a person who is or may be liable to notify and account for tax under the Stamp Duty Reserve tax Regulations 1986 at any of the increased rates referred to in section 93 (depository receipts) or section 96 (clearance services) of the Finance Act 1986; and
- 5.1.6.10 confirms that in making the application, he is not relying and has not relied on Singer Capital Markets or Smith & Williamson or any person affiliated with Singer Capital Markets or Smith & Williamson in connection with any investigation of the accuracy of any information contained in this document or his investment decision.

All enquiries in connection with the procedure for application and completion of the Application Form should be addressed to the Receiving Agent, Capita Registrars on telephone number 0871 664 0321, or if calling from overseas +44 20 8639 3399. Calls to this number are charged at 10 pence per minute from a BT landline, other telephone provider costs may vary. Please note the Receiving Agent cannot provide financial advice on the merits of the Open Offer or as to whether applicants should take up their Open Offer Entitlements or apply for Excess Shares under the Express Application Facility.

Qualifying Shareholders who do not want to apply for the Open Offer Shares under the Open Offer should take no action and should not complete or return the Application Form. However, such Qualifying Shareholders are requested to complete and return the Form of Proxy to the Company's registrars, Capita Registrars, Proxies, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

5.2 *If you have Open Offer Entitlements and Excess CREST Open Offer Entitlements credited to your stock account in CREST in respect of your entitlement under the Open Offer*

5.2.1 *General*

Subject as provided in paragraph 7 of this Part III in relation to certain Overseas Shareholders, each Qualifying CREST Shareholder will receive credits to his stock account in CREST of his Open Offer Entitlements equal to the maximum number of Open Offer Shares for which he is entitled to apply under the Open Offer and also an Excess CREST Open Offer Entitlement

equal to 0.713686 times the number of Existing Ordinary Shares held in such Qualifying Shareholder's name as at the Record Date (see paragraph 5.2.10 below for further details). Entitlements to Open Offer Shares will be rounded down to the nearest whole number and any fractional Open Offer Entitlement and Excess CREST Open Offer Entitlement will therefore also be rounded down. Any fractional Open Offer Entitlements will be aggregated and the resulting Open Offer Shares will be sold for the benefit of the Company.

The CREST stock account to be credited will be an account under the Participant ID and Member Account ID that apply to the Existing Ordinary Shares held on the Record Date by the Qualifying CREST Shareholder in respect of which the Open Offer Entitlements and Excess CREST Open Offer Entitlements have been allocated.

If for any reason the Open Offer Entitlements and/or Excess CREST Open Offer Entitlements cannot be admitted to CREST by, or the stock accounts of Qualifying CREST Shareholders cannot be credited by 5.00 p.m. on 18 November 2009, or such later time and/or date as the Company may decide, an Application Form will be sent to each Qualifying CREST Shareholder in substitution for the Open Offer Entitlements and Excess CREST Open Offer Entitlements which should have been credited to his stock account in CREST. In these circumstances the expected timetable as set out in this document will be adjusted as appropriate and the provisions of this document applied to Qualifying non-CREST Shareholders with Application Forms.

Qualifying CREST Shareholders who wish to apply to acquire some or all of their entitlements to Open Offer Shares and their Excess CREST Open Offer Entitlements should refer to the CREST Manual for further information on the CREST procedures referred to below. Should you need advice with regard to these procedures, please contact the Receiving Agent, Capita Registrars, on telephone number 0871 664 0321, or if calling from overseas +44 20 8639 3399. Calls to this number are charged at 10 pence per minute from a BT landline, other telephone provider costs may vary. Please note the Receiving Agent cannot provide financial advice on the merits of the Open Offer or as to whether applicants should take up their Open Offer Entitlements and Excess CREST Open Offer Entitlements. If you are a CREST sponsored member you should consult your CREST sponsor if you wish to apply for Open Offer Shares as only your CREST sponsor will be able to take the necessary action to make this application in CREST.

5.2.2 Market claims

The Open Offer Entitlements and the Excess CREST Open Offer Entitlements in respect of the Open Offer Shares will constitute separate securities for the purposes of CREST. Although Open Offer Entitlements and the Excess CREST Open Offer Entitlements will be admitted to CREST and be enabled for settlement, applications in respect of Open Offer Entitlements and the Excess CREST Open Offer Entitlements may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a bona fide market claim transaction. Transactions identified by the CREST Claims Processing Unit as "cum" the Open Offer Entitlement and the Excess CREST Open Offer Entitlements will generate an appropriate market claim transaction and the relevant Open Offer Entitlement(s) will thereafter be transferred accordingly.

5.2.3 USE instructions

Qualifying CREST Shareholders who want to apply for Open Offer Shares in respect of all or some of their Open Offer Entitlements and their Excess CREST Open Offer Entitlements in CREST must send (or, if they are CREST sponsored members, procure that their CREST sponsor sends) an Unmatched Stock Event ("USE") instruction to Capita Registrars which, on its settlement, will have the following effect:

- 5.2.3.1 the crediting of a stock account of the Receiving Agent under the Participant ID and Member Account ID specified below, with a number of Open Offer Entitlements or Excess CREST Open Offer Entitlements corresponding to the number of Open Offer Shares applied for; and

5.2.3.2 the creation of a CREST payment, in accordance with the CREST payment arrangements in favour of the payment bank of the Receiving Agent in respect of the amount specified in the USE Instruction which must be the full amount payable on application for the number of Open Offer Shares referred to in (a) above.

5.2.4 Content of USE instruction in respect of Open Offer Entitlements

The USE instruction must be properly authenticated in accordance with Euroclear's specifications and must contain, in addition to the other information that is required for settlement in CREST, the following details:

- 5.2.4.1 the number of Open Offer Shares for which application is being made (and hence the number of the Open Offer Entitlements) being delivered to the Receiving Agent;
- 5.2.4.2 the relevant ISIN of the Open Offer Entitlements. This is GB00B5BCFG03 for Open Offer Entitlements in respect of Open Offer Shares;
- 5.2.4.3 the Participant ID of the accepting Qualifying CREST Shareholder;
- 5.2.4.4 the Member Account ID of the accepting Qualifying CREST Shareholder from which the Open Offer Entitlements are to be debited;
- 5.2.4.5 the Participant ID of the Receiving Agent in its capacity as a CREST receiving agent. This is 7RA33;
- 5.2.4.6 the Member Account ID of the Receiving Agent in its capacity as a CREST receiving agent. This is 26873REN;
- 5.2.4.7 the amount payable by means of a CREST payment on settlement of the USE Instruction. This must be the full amount payable on application for the number of Open Offer Shares referred to in (a) above;
- 5.2.4.8 the intended settlement date. This must be on or before 11.00 a.m. on 8 December 2009; and
- 5.2.4.9 the corporate action number for the Open Offer. This will be available by viewing the relevant corporate action details in CREST.

In order for an application under the Open Offer to be valid, the USE Instruction must comply with the requirements as to authentication and contents set out above and must settle on or before 11.00 a.m. on 8 December 2009.

5.2.5 Contents of USE Instruction in respect of Excess CREST Open Offer Entitlements

The USE Instruction must be properly authenticated in accordance with Euroclear's specifications and must contain, in addition to the other information that is required for settlement in CREST, the following details:

- 5.2.5.1 the number of Open Offer Shares for which application is being made (and hence the number of the Excess CREST Open Offer Entitlement(s) being delivered to the Receiving Agent);
- 5.2.5.2 the ISIN of the Excess CREST Open Offer Entitlement. This is GB00B5BG4D25;
- 5.2.5.3 the Participant ID of the accepting CREST member;
- 5.2.5.4 the Member Account ID of the accepting CREST member from which the Excess CREST Open Offer Entitlements are to be debited;
- 5.2.5.5 the Participant ID of the Receiving Agent in its capacity as a CREST receiving agent. This is 7RA33;
- 5.2.5.6 the Member Account ID of the Receiving Agent in its capacity as a CREST receiving agent. This is 26873REN;

- 5.2.5.7 the amount payable by means of a CREST payment on settlement of the USE Instruction. This must be the full amount payable on application for the number of Open Offer Shares referred to in (i) above;
- 5.2.5.8 the intended settlement date. This must be on or before 11.00 a.m. on 8 December 2009; and
- 5.2.5.9 the Corporate Action Number for the Open Offer. This will be available by viewing the relevant corporate action details in CREST.

In order for an application in respect of an Excess CREST Open Offer Entitlement under the Open Offer to be valid, the USE Instruction must comply with the requirements as to authentication and contents set out above and must settle on or before 11.00 a.m. on 8 December 2009.

In order to assist prompt settlement of the USE Instruction, Qualifying CREST Shareholders (or their sponsors, where applicable) may consider adding the following non-mandatory fields to the USE Instruction:

- (i) a contact name and telephone number (in the free format shared note field); and
- (ii) a priority of at least 80.

Qualifying CREST Shareholders and, in the case of CREST sponsored members, their CREST sponsors; should note that the last time at which a USE Instruction may settle on 8 December 2009 in order to be valid is 11.00 a.m. on that day.

In the event that the Placing and Open Offer and Firm Placing do not become unconditional by 8.00 a.m. on 10 December 2009 or such later time and date as the Company, Singer Capital Markets and Smith & Williamson determine (being no later than 8.00 a.m. on 24 December 2009), the Placing and Open Offer and Firm Placing will lapse, the Open Offer Entitlements admitted to CREST will be disabled and the Receiving Agent will refund the amount paid by a Qualifying CREST Shareholder by way of a CREST payment, without interest, as soon as practicable thereafter.

5.2.6 Deposit of Open Offer Entitlements into, and withdrawal from, CREST

A Qualifying non-CREST Shareholder's entitlement under the Open Offer as shown by the number of Open Offer Entitlements set out in his Application Form may be deposited into CREST (either into the account of the Qualifying Shareholder named in the Application Form or into the name of a person entitled by virtue of a bona fide market claim). Similarly, Open Offer Entitlements and Excess CREST Open Offer Entitlements held in CREST may be withdrawn from CREST so that the entitlement under the Open Offer and entitlement to apply under the Excess Application Facility is reflected in an Application Form. Normal CREST procedures (including timings) apply in relation to any such deposit or withdrawal, subject (in the case of a deposit into CREST) as set out in the Application Form.

A holder of an Application Form who is proposing to deposit the entitlement set out in such form into CREST is recommended to ensure that the deposit procedures are implemented in sufficient time to enable the person holding or acquiring the Open Offer Entitlements and entitlement to apply under the Excess Application Facility following their deposit into CREST to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on 8 December 2009. After depositing their Open Offer Entitlement into their CREST account, CREST holders will shortly thereafter receive a credit for their Excess CREST Open Offer Entitlement, which will be managed by the Registrar.

In particular, having regard to normal processing times in CREST and on the part of the Receiving Agent, the recommended latest time for depositing an Application Form with the CREST Courier and Sorting Service, where the person entitled wishes to hold the entitlement under the Open Offer set out in such Application Form as an Open Offer Entitlement and an Excess CREST Open Offer Entitlement in CREST, is 3.00 p.m. on 3 December 2009 and the recommended latest time for receipt by Euroclear of a

dematerialised instruction requesting withdrawal of an Open Offer Entitlement or an Excess CREST Open Offer Entitlement from CREST is 4.30 p.m. on 2 December 2009 in either case so as to enable the person acquiring or (as appropriate) holding the Open Offer Entitlement and entitlement to apply under the Excess Application Facility following the deposit or withdrawal (whether as shown in an Application Form or held in CREST) to take all necessary steps in connection with applying in respect of the Open Offer Entitlement and entitlement to apply under the Excess Application Facility and an Excess CREST Open Offer Entitlement prior to 11.00 a.m. on 8 December 2009. CREST holders inputting the withdrawal of their Open Offer Entitlement from their CREST account must ensure that they withdraw both their Open Offer Entitlement and their Excess CREST Open Offer Entitlement.

Delivery of an Application Form with the CREST deposit form duly completed whether in respect of a deposit into the account of the Qualifying Shareholder named in the Application Form or into the name of another person, shall constitute a representation and warranty to the Company and the Receiving Agent by the relevant CREST member(s) that it/they is/are not in breach of the provisions of the notes on page 3 of the Application Form, and a declaration to the Company and the Receiving Agent from the relevant CREST member(s) that it/they is/are not citizen(s) or residents of any Excluded Territories or any jurisdiction in which the application for Open Offer Shares is prevented by law and, where such deposit is made by a beneficiary of a market claim, a representation and warranty that the relevant CREST members is/are entitled to apply under the Open Offer by virtue of a bona fide market claim.

5.2.7 Validity of application

A USE instruction complying with the requirements as to authentication and contents set out above which settles by no later than 11.00 a.m. on 8 December 2009 will constitute a valid application under the Open Offer.

5.2.8 CREST procedures and timings

CREST members and (where applicable) their CREST sponsors should note that Euroclear does not make available special procedures in CREST for any particular corporate action. Normal system timings and limitations will therefore apply in relation to the input of a USE instruction and its settlement in connection with the Open Offer. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST sponsored member, to procure that his CREST sponsor takes) such action as shall be necessary to ensure that a valid application is made as stated above by 11.00 a.m. on 8 December 2009. In this connection CREST members and (where applicable) their CREST sponsors are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

5.2.9 Incorrect or incomplete applications

If a USE instruction includes a CREST payment for an incorrect sum, the Company, through the Receiving Agent, reserves the right:

- 5.2.9.1 to reject the application in full and refund the payment to the CREST member in question (with any interest retained for the benefit of the Company);
- 5.2.9.2 in the case that an insufficient sum is paid, to treat the application as a valid application for such lesser whole number of Open Offer Shares as would be able to be applied for with that payment at the Issue Price, refunding any unutilised sum to the CREST member in question, save that sums of less than £5 will be retained for the benefit of the Company; and
- 5.2.9.3 in the case that an excess sum is paid, to treat the application as a valid application for all the Open Offer Shares referred to in the USE instruction, refunding any unutilised sum to the CREST member in question, save that sums of less than £5 will be retained for the benefit of the Company.

5.2.10 *The Excess Application Facility*

Provided Qualifying Non-CREST Shareholders choose to take up their Open Offer Entitlement in full, the Excess Application Facility enables Qualifying CREST Shareholders to apply for New Shares in excess of their Open Offer Entitlements up to a maximum number of Excess Shares to equal 0.713686 times the number of Existing Ordinary Shares held in their name as at the Record Date.

If applications under the Excess Application Facility are received for more than the total number of Open Offer Shares available following take up of Open Offer Entitlements, such applications will be scaled back *pro rata* to the number of Excess Shares applied for by Qualifying Shareholders under the Excess Application Facility.

An Excess CREST Open Offer Entitlement may not be sold or otherwise transferred. Subject as provided in paragraph 7 of this Part III in relation to certain Overseas Shareholders, the CREST accounts of Qualifying CREST Shareholders will be credited with an Excess CREST Open Offer Entitlement in order for any applications for Excess Shares to be settled through CREST. The credit of such Excess CREST Open Offer Entitlement does not in any way give Qualifying CREST Shareholders a right to the Open Offer Shares attributable to the Excess CREST Open Offer Entitlement as an Excess CREST Open Offer Entitlement is subject to scaling back in accordance with the terms of this document.

To apply for Excess Shares pursuant to the Open Offer, Qualifying CREST Shareholders should follow the instructions above and **must not return a paper form and cheque.**

Should a transaction be identified by the CREST Claims Processing Unit as “cum” the Open Offer Entitlement and the relevant Open Offer Entitlement(s) be transferred, the Excess CREST Open Offer Entitlements will not transfer with the Open Offer Entitlement(s) claim, but will be transferred as a separate claim. Should a Qualifying CREST Shareholder cease to hold all of his or her Existing Shares as a result of one or more *bona fide* market claims, the Excess CREST Open Offer Entitlement credited to CREST, and allocated to the relevant Qualifying Shareholder, will be transferred to the purchaser. Please note that an additional USE Instruction must be sent in respect of any application under the Excess CREST Open Offer Entitlement.

Should the Open Offer become unconditional and applications for Open Offer Shares by Qualifying Shareholders under the Open Offer exceed 87,500,000 Open Offer Shares, resulting in a scale back of applications under the Excess Application Facility, each Qualifying CREST Shareholder who has made a valid application for Excess Shares under the Excess Application Facility, and from whom payment in full for the Excess Shares has been received, will receive a pounds sterling amount equal to the number of Open Offer Shares validly applied and paid for but which are not allocated to the relevant Qualifying CREST Shareholder multiplied by the Issue Price. Monies will be returned as soon as reasonably practicable thereafter, without payment of interest, and at the applicant's sole risk, save that any sums of less than £5 will be retained for the benefit of the Company.

Fractions of Open Offer Shares will not be issued under the Excess Application Facility and fractions of Open Offer Shares will be rounded down to the nearest whole number.

5.2.11 *Effect of valid application*

A Qualifying CREST Shareholder who makes or is treated as making a valid application in accordance with the above procedures thereby:

- 5.2.11.1 represents and warrants to the Company, Singer Capital Markets and Smith & Williamson that he has the right, power and authority, and has taken all action necessary, to make the application under the Open Offer and to execute, deliver and exercise his rights and perform his obligations under any contracts resulting therefrom and that he is not a person otherwise prevented by legal or regulatory restrictions from applying for such Open Offer Shares as he is or is otherwise treated as applying for or acting on behalf of any such person on a non-discretionary basis;

- 5.2.11.2 agrees to pay the amount payable on application in accordance with the above procedures by means of a CREST payment in accordance with the CREST payment arrangements (it being acknowledged that the payment to the Receiving Agent payment bank in accordance with the CREST payment arrangements shall, to the extent of the payment, discharge in full the obligation of the CREST member to pay to the Company the amount payable on application);
- 5.2.11.3 agrees with Singer Capital Markets and Smith & Williamson that all applications under the Open Offer and any contracts or non-contractual obligations resulting therefrom shall be governed by, and construed in accordance with, the laws of England and Wales;
- 5.2.11.4 confirms to the Company, Singer Capital Markets and Smith & Williamson that in making the application he is not relying on any information or representation in relation to the Company other than that contained in (or incorporated by reference in) this document, and the applicant accordingly agrees that no person responsible solely or jointly for this document or any part thereof, or involved in the preparation thereof, shall have any liability for any such information or representation not so contained and further have had notice of all the information in relation to the Company contained in this document (including information incorporated by reference);
- 5.2.11.5 confirms to the Company, Singer Capital Markets and Smith & Williamson that no person has been authorised to give any information or to make any representation concerning the Company or the Open Offer Shares (other than as contained in this document) and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Company, Singer Capital Markets or Smith & Williamson;
- 5.2.11.6 represents and warrants to the Company, Singer Capital Markets and Smith & Williamson that he is the Qualifying Shareholder originally entitled to the Open Offer Entitlements and Excess CREST Open Offer Entitlements or that he has received such Open Offer Entitlements by virtue of a *bona fide* market claim;
- 5.2.11.7 represents and warrants to the Company, Singer Capital Markets and Smith & Williamson that if he has received some or all of his Open Offer Entitlements and Excess CREST Open Offer Entitlements from a person other than the Company, he is entitled to apply under the Open Offer in relation to such Open Offer Entitlement by virtue of a *bona fide* market claim;
- 5.2.11.8 requests that the Open Offer Shares to which he will become entitled be issued to him on the terms set out in this document, subject to the memorandum of association of the Company and Articles;
- 5.2.11.9 represents and warrants to the Company, Singer Capital Markets and Smith & Williamson that he is not, nor is he applying on behalf of a person who is, a citizen or resident, or which is a corporation, partnership or other entity created or organised in or under any laws, of any Excluded Territories or any jurisdiction in which the application for Open Offer Shares is prevented by law and he is not applying with a view to re-offering, re-selling, transferring or delivering any of the Open Offer Shares which are the subject of his application to, or for the benefit of, a person who is a citizen or resident or which is a corporation, partnership or other entity created or organised in or under any laws, of any Excluded Territories or any jurisdiction in which the application for Open Offer Shares is prevented by law (except where proof satisfactory to the Company has been provided to the Company that he is able to accept the invitation by the Company free of any requirement which it (in its absolute discretion) regards as unduly burdensome), nor acting on behalf of any such person on a non-discretionary basis nor (a) person(s) otherwise prevented by legal or regulatory restrictions from applying for Open Offer Shares under the Open Offer;

5.2.11.10 represents and warrants to the Company, Singer Capital Markets and Smith & Williamson that he is not, and nor is he applying as nominee or agent for, a person who is or may be liable to notify and account for tax under the Stamp Duty Reserve Tax Regulations 1986 at any of the increased rates referred to in section 93 (depository receipts) or section 96 (clearance services) of the Finance Act 1986; and

5.2.11.11 confirms to the Company, Singer Capital Markets and Smith & Williamson that in making the application he is not relying and has not relied on Singer Capital Markets or any person affiliated with Singer Capital Markets or Smith & Williamson in connection with any investigation of the accuracy of any information contained in this document or his investment decision.

5.2.12 *Company's discretion as to the rejection and validity of applications*

Each of the Company, Singer Capital Markets and Smith & Williamson may in its sole discretion:

5.2.12.1 treat as valid (and binding on the CREST member concerned) an application which does not comply in all respects with the requirements as to validity set out or referred to in this Part III;

5.2.12.2 accept an alternative properly authenticated dematerialised instruction from a CREST member or (where applicable) a CREST sponsor as constituting a valid application in substitution for or in addition to a USE instruction and subject to such further terms and conditions as the Company may determine;

5.2.12.3 treat a properly authenticated dematerialised instruction (in this sub-paragraph the "first instruction") as not constituting a valid application if, at the time at which the Registrar receives a properly authenticated dematerialised instruction giving details of the first instruction or thereafter, either the Company or the Receiving Agent has received actual notice from Euroclear of any of the matters specified in Regulation 35(5)(a) of the CREST Regulations in relation to the first instruction. These matters include notice that any information contained in the first instruction was incorrect or notice of lack of authority to send the first instruction; and

5.2.12.4 accept an alternative instruction or notification from a CREST member or CREST sponsored member or (where applicable) a CREST sponsor, or extend the time for settlement of a USE instruction or any alternative instruction or notification, in the event that, for reasons or due to circumstances outside the control of any CREST member or CREST sponsored member or (where applicable) CREST sponsor, the CREST member or CREST sponsored member is unable validly to apply for Open Offer Shares by means of the above procedures. In normal circumstances, this discretion is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or any part of CREST) or on the part of the facilities and/or systems operated by the Registrar in connection with CREST.

5.2.13 *Lapse of the Open Offer*

In the event that the Placing and Open Offer and Firm Placing do not become unconditional by 8.00 a.m. on 10 December 2009 or such later time and date as the Company, Singer Capital Markets and Smith & Williamson may agree, the Placing and Open Offer and Firm Placing will lapse, the Open Offer Entitlements and Excess CREST Open Offer Entitlements admitted to CREST will be disabled and the Registrar will refund the amount paid by a Qualifying CREST Shareholder by way of a CREST payment, without interest, as soon as practicable thereafter.

6. Money laundering regulations

6.1 *Holders of Application Forms*

To ensure compliance with the Money Laundering Regulations, the Receiving Agents may require, at its absolute discretion, verification of the identity of the person by whom or on whose behalf the Application Form is lodged with payment (which requirements are referred to below as the “verification of identity requirements”). If the Application Form is submitted by a UK regulated broker or intermediary acting as agent and which is itself subject to the Money Laundering Regulations, any verification of identity requirements are the responsibility of such broker or intermediary and not of the Receiving Agent. In such case, the lodging agent’s stamp should be inserted on the Application Form.

The person lodging the Application Form with payment and in accordance with the other terms as described above (the “acceptor”), including any person who appears to the Receiving Agent to be acting on behalf of some other person, accepts the Open Offer in respect of such number of Open Offer Shares referred to therein (for the purposes of this paragraph 6.1 the “relevant Open Offer Shares”) and shall thereby be deemed to agree to provide the Receiving Agents with such information and other evidence as the Receiving Agent may require to satisfy the verification of identity requirements.

If the Receiving Agent determines that the verification of identity requirements apply to any acceptor or application, the relevant Open Offer Shares (notwithstanding any other term of the Open Offer) will not be issued to the relevant acceptor unless and until the verification of identity requirements have been satisfied in respect of that acceptor or application. The Receiving Agent is entitled, in its absolute discretion, to determine whether the verification of identity requirements apply to any acceptor or application and whether such requirements have been satisfied, and neither the Receiving Agent nor the Company will be liable to any person for any loss or damage suffered or incurred (or alleged), directly or indirectly, as a result of the exercise of such discretion.

If the verification of identity requirements apply, failure to provide the necessary evidence of identity within a reasonable time may result in delays in the despatch of share certificates or in crediting CREST accounts. If, within a reasonable time following a request for verification of identity, the Receiving Agent has not received evidence satisfactory to it as aforesaid, the Company may, in its absolute discretion, treat the relevant application as invalid, in which event the monies payable on acceptance of the Open Offer will be returned (at the acceptor’s risk) without interest to the account of the bank or building society on which the relevant cheque or banker’s draft was drawn. This is without prejudice to the right of the Company to take proceedings to recover any loss suffered by it as a result of failure to provide satisfactory evidence.

Submission of an Application Form with the appropriate remittance will constitute a warranty to each of the Company, Singer Capital Markets and Smith & Williamson from the applicant that the Money Laundering Regulations will not be breached by application of such remittance.

The verification of identity requirements will not usually apply:

- 6.1.1 if the applicant is an organisation required to comply with the Money Laundering Directive (2005/60/EC of the European Parliament and of the EC Council of 26 October 2005 on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing); or
- 6.1.2 if the acceptor is a regulated United Kingdom broker or intermediary acting as agent and is itself subject to the Money Laundering Regulations; or
- 6.1.3 if the applicant (not being an applicant who delivers his application in person) makes payment by way of a cheque drawn on an account in the applicant’s name; or
- 6.1.4 if the aggregate subscription price for the Open Offer Shares is less than €15,000 (or its pounds sterling equivalent).

In other cases the verification of identity requirements may apply. Satisfaction of these requirements may be facilitated in the following ways:

- (i) if payment is made by cheque or banker's draft in sterling drawn on a branch in the United Kingdom of a bank or building society which bears a UK bank sort code number in the top right hand corner the following applies. Cheques, should be made payable to "Capita Registrars Limited re: Renold plc open offer a/c" in respect of an application by a Qualifying Shareholder, and crossed "A/C Payee Only". Third party cheques will not be accepted with the exception of building society cheques or banker's drafts where the building society or bank has confirmed the name of the account holder by stamping or endorsing the cheque/banker's draft to such effect. The account name should be the same as that shown on the Application Form; or
- (ii) if the Application Form is lodged with payment by an agent which is an organisation of the kind referred to in (i) above or which is subject to antimoney laundering regulation in a country which is a member of the Financial Action Task Force (the non-European Union members of which are Argentina, Australia, Brazil, Canada, China, Gibraltar, Hong Kong, Iceland, Japan, Mexico, New Zealand, Norway, Russian Federation, Singapore, South Africa, Switzerland, Turkey, UK Crown Dependencies and the US and, by virtue of their membership of the Gulf Cooperation Council, Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates), the agent should provide with the Application Form written confirmation that it has obtained and recorded evidence of the identity of the person for whom it acts and that it will on demand make such evidence available to the Registrar. If the agent is not such an organisation, it should contact the Registrar at the address set out on page 15 of this document.

To confirm the acceptability of any written assurance referred to in (ii) above, or in any other case, the acceptor should contact the Receiving Agent. The telephone number of the Receiving Agent is 0871 664 0321 from within the UK or +44 20 8639 3399 if calling from outside the UK between 9.00 a.m. and 5.00 p.m. (London time) Monday to Friday (except UK public holidays). Calls to the 0871 664 0321 number cost 10 pence per minute (including VAT) plus your service provider's network extras. Calls to the helpline from outside the UK will be charged at applicable international rates. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Open Offer nor give any financial, legal or tax advice.

If the Application Form has in respect of Open Offer Shares an aggregate subscription price of €15,000 (or its pounds sterling equivalent) or more and is lodged by hand by the acceptor in person, or if the Application Form is lodged by hand by the acceptor and the accompanying payment is not the acceptor's own cheque, he should ensure that he has with him evidence of identity bearing his photograph (for example, his passport) and separate evidence of his address.

If, within a reasonable period of time following a request for verification of identity, and in any case by no later than 11.00 a.m. on 8 December 2009, the Receiving Agent has not received evidence satisfactory to it as aforesaid, the Receiving Agent may, at its discretion, as agent of the Company, reject the relevant application, in which event the monies submitted in respect of that application will be returned without interest to the account at the drawee bank from which such monies were originally debited (without prejudice to the rights of the Company to undertake proceedings to recover monies in respect of the loss suffered by it as a result of the failure to produce satisfactory evidence as aforesaid).

6.2 *Open Offer Entitlements in CREST*

If you hold your Open Offer Entitlements and Excess CREST Open Offer Entitlements in CREST and apply for Open Offer Shares in respect of all or some of your Open Offer Entitlements and Excess CREST Open Offer Entitlements as agent for one or more persons and you are not a UK or EU regulated person or institution (eg a UK financial institution), then, irrespective of the value of the application, the Registrar is obliged to take reasonable measures to establish the identity of

the person or persons on whose behalf you are making the application. You must therefore contact the Registrar before sending any USE instruction or other instruction so that appropriate measures may be taken.

Submission of a USE instruction which on its settlement constitutes a valid application as described above constitutes a warranty and undertaking by the applicant to provide promptly to the Receiving Agent such information as may be specified by the Receiving Agent as being required for the purposes of the Money Laundering Regulations. Pending the provision of evidence satisfactory to the Receiving Agent as to identity, the Receiving Agent may in its absolute discretion take, or omit to take, such action as it may determine to prevent or delay issue of the Open Offer Shares concerned. If satisfactory evidence of identity has not been provided within a reasonable time, then the application for the Open Offer Shares represented by the USE instruction will not be valid. This is without prejudice to the right of the Company to take proceedings to recover any loss suffered by it as a result of failure to provide satisfactory evidence.

7. Overseas Shareholders

This document has been approved by the FSA, being the competent authority in the United Kingdom.

The making of the Open Offer to persons who are resident in, or citizens of, or which are corporations, partnerships or other entities created or organised under the laws of countries other than the United Kingdom or to persons who are nominees of or custodian trustees or guardians for citizens, residents in or nationals of, countries other than the United Kingdom may be restricted by the laws or regulatory requirements of the relevant jurisdictions. Such Overseas Shareholders should consult their professional advisers as to whether they require any governmental or other consents or need to observe any applicable legal requirement to enable them to take up the Open Offer Shares under the Open Offer.

Receipt of this document and/or the Application Form and/or a credit of Open Offer Entitlements or Excess CREST Open Offer Entitlements to a stock account in CREST will not constitute an invitation to subscribe for Open Offer Shares in those jurisdictions in which it would be illegal to make such an invitation or any related offer and/or acceptance and, in those circumstances, this document and/or the Application Form will be sent for information only and should not be copied or redistributed. No person receiving a copy of this document and/or the Application Form and/or a credit of Open Offer Entitlements or Excess CREST Open Offer Entitlements to a stock account in CREST in any territory other than the United Kingdom may treat the same as constituting an invitation or offer to him, or use the Application Form and/or a credit of Open Offer Entitlements or Excess CREST Open Offer Entitlements to a stock account in CREST unless, in the relevant territory, such an invitation or offer could lawfully be made to him and such Application Form and/or a credit of Open Offer Entitlements or Excess CREST Open Offer Entitlements to a stock account in CREST could lawfully be used, and any transaction resulting from such use could be effected, without contravention of any registration or other legal or regulatory requirements.

Accordingly, persons receiving a copy of this document and/or the Application Form or a credit of Open Offer Entitlements to a stock account in CREST, in connection with the Open Offer or otherwise, should not distribute or send either of those documents nor transfer Open Offer Entitlements or Excess CREST Open Offer Entitlements in or into any jurisdiction where to do so would or might contravene local securities laws or regulations. If a copy of this document and/or the Application Form and/or a credit of Open Offer Entitlements or Excess CREST Open Offer Entitlements to a stock account in CREST is received by any person in any such territory, or by their agent or nominee in any such territory, that person must not seek to apply for Open Offer Shares. Any person who does forward this document and/or the Application Form and/or transfers Open Offer Entitlements or Excess CREST Open Offer Entitlements into any such territories (whether under a contractual or legal obligation or otherwise) should draw the recipient's attention to the contents of this paragraph.

Any person (including, without limitation, custodians, nominees and trustees) outside the United Kingdom wishing to apply for Open Offer Shares must satisfy himself/herself as to full observance of the applicable laws of any relevant territory, including obtaining any requisite governmental or other consents, observing any other requisite formalities and paying any issue, transfer

or other taxes due in such territories. The comments set out in this paragraph are intended as a general guide only and any Shareholder who is in any doubt as to his position should consult his appropriately authorised professional adviser without delay.

Due to restrictions under the securities laws of the Excluded Territories, subject to certain exceptions, no copies of this document or the Application Forms in relation to the Open Offer Shares will be sent to, and no Open Offer Entitlements nor Excess CREST Open Offer Entitlements will be credited to a stock account in CREST of, Overseas Shareholders with registered addresses in, and the Open Offer Shares may not be transferred or sold to or into or delivered in, any of the Excluded Territories. Accordingly, no offer of Open Offer Shares is being made by virtue of this document into any of the Excluded Territories.

The Company reserves the right to treat as invalid any application or purported application for Open Offer Shares which appears to the Company or its agents to have been executed, effected or dispatched in a manner which may involve a breach of the laws or regulations of any jurisdiction or if the Company believes or its agents believe that the same may violate applicable legal or regulatory requirements or if it provides an address for delivery of share certificates for Open Offer Shares, or in the case of a credit of an Open Offer Entitlement or an Excess CREST Open Offer Entitlement to a stock account in CREST, to a CREST member whose registered address would be, in a Excluded Territories or any other jurisdiction outside the United Kingdom in which it would be unlawful to deliver such share certificates or shares.

Shareholders in jurisdictions outside the United Kingdom other than the Excluded Territories may, subject to the laws of their relevant jurisdiction, take up Open Offer Shares in accordance with the instructions set out in this document and the Application Form. Such Qualifying Shareholders who have registered addresses in, or who are resident in, or who are citizens of, countries other than the United Kingdom should, however, consult their appropriate professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to take up their Open Offer Shares.

Notwithstanding any other provision of this document or the Application Form, the Company reserves the right to permit any Shareholder to apply for Open Offer Shares if the Company, in its sole and absolute discretion, is satisfied at any time prior to 11.00 a.m. on 8 December 2009 that the transaction in question is exempt from, or not subject to, the legislation or regulations giving rise to the restrictions in question.

If you are in any doubt as to your eligibility to take up Open Offer Shares, you should contact an appropriate professional adviser immediately.

7.1 *United States*

The Open Offer Entitlements, the Open Offer Shares, the Application Form and the New Ordinary Shares have not been and will not be registered under the Securities Act or under any securities laws of any state or other jurisdiction of the United States and may not be offered, sold, resold, transferred or delivered, directly or indirectly, within the United States except in reliance on an exemption from the registration requirements of the Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States.

Accordingly, the Company is not extending the Open Offer into the United States unless an exemption from the registration requirements of the Securities Act is available and, subject to certain exceptions, none of this document, the Application Form nor the crediting of Open Offer Entitlements nor Excess CREST Open Offer Entitlements to a stock account in CREST will constitute an offer or an invitation to apply for or an offer or an invitation to acquire any Open Offer Shares in the United States. Subject to certain exceptions, neither this document nor the Application Form will be sent to, and no Open Offer Entitlements nor Excess CREST Open Offer Entitlements will be credited to, a stock account in CREST with a bank or financial institution of any person with a registered address in the United States. Subject to certain exceptions, an Application Form sent from, or post-marked in, the United States will be deemed

to be invalid and all persons acquiring Open Offer Shares and wishing to hold such Open Offer Shares in registered form must provide an address for registration of the Open Offer Shares issued outside the United States.

Subject to certain exceptions, any person who acquires Open Offer Shares will be deemed to have declared, warranted and agreed, by accepting delivery of this document or the Application Form or by applying for Open Offer Shares in respect of Open Offer Entitlements or Excess CREST Open Offer Entitlements credited to a stock account in CREST or of Euroclear, or by accepting delivery of the Open Offer Shares, that they are not, and that at the time of acquiring the Open Offer Shares, they will not be, in the United States or applying for Open Offer Shares on behalf of, or for the account or benefit of, persons in the United States on a non-discretionary basis.

The Company reserves the right to treat as invalid any Application Form that appears to the Company or its agents to have been executed in or despatched from the United States, or that provides an address in the United States for the registration of the Open Offer Shares, or where the Company believes acceptance of such Application Form may infringe applicable legal or regulatory requirements. The Company will not be bound to issue any Open Offer Shares to any person or to any person who is acting on behalf of, or for the account or benefit of, any person on a non-discretionary basis with an address in, or who is otherwise located in, the United States. In addition, the Company reserves the right to reject any USE instruction sent by or on behalf of any CREST member that does not make the above warranty or is applying for the Open Offer Shares on behalf of, or for the account or benefit of, a person in the United States.

Notwithstanding the foregoing, New Ordinary Shares may be made available under the Placing and Open Offer and Firm Placing to Qualifying Shareholders that are, or who are acting on behalf of, or for the account or benefit of, qualified institutional buyers in reliance on an applicable exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Such Shareholders will be required to execute an investor representation letter confirming, among other things, their status as a qualified institutional buyer, and their ability to rely on an exemption from the registration requirements of the Securities Act in connection with their participation in the Placing and Open Offer and Firm Placing. New Ordinary Shares may also be made available, in the sole discretion of the Company, to other Qualifying Shareholders who may be offered the New Ordinary Shares pursuant to an available exemption from registration.

7.2 *Excluded Territories*

Due to restrictions under the securities laws of the Excluded Territories and subject to certain exemptions, Shareholders who have registered addresses in, or who are resident or ordinarily resident in, or citizens of, any Excluded Territories will not qualify to participate in the Open Offer and will not be sent an Application Form nor will their stock accounts in CREST be credited with Open Offer Entitlements nor Excess CREST Open Offer Entitlements.

The Open Offer Shares have not been and will not be registered under the relevant laws of any Excluded Territory or any state, province or territory thereof and may not be offered, sold, resold, delivered or distributed, directly or indirectly, in or into any Excluded Territory or to, or for the account or benefit of, any person with a registered address in, or who is resident or ordinarily resident in, or a citizen of, any Excluded Territory except pursuant to an applicable exemption.

No offer of Open Offer Shares is being made by virtue of this document or the Application Forms into any Excluded Territory.

7.3 *Other overseas territories*

Application Forms will be sent to Qualifying non-CREST Shareholders and Open Offer Entitlements and Excess CREST Open Offer Entitlements will be credited to the stock account in CREST of Qualifying CREST Shareholders. Qualifying Shareholders in jurisdictions other than the United States or the Excluded Territories may, subject to the laws of their relevant jurisdiction, take up Open Offer Shares under the Open Offer in accordance with the instructions set out in this document and the Application Form. Such Qualifying Shareholders who have registered addresses in, or who are resident or ordinarily resident in, or citizens of, countries other than the

UK should, however, consult appropriate professional advisers as to whether they require any governmental or other consents or need to observe any further formalities to enable them to apply for any Open Offer Shares.

7.4 *Representations and warranties relating to Overseas Shareholders*

7.4.1 *Qualifying non-CREST Shareholders*

Any person completing and returning an Application Form requesting registration of the Open Offer Shares comprised therein represents and warrants to the Company and/or the Receiving Agent that, except where proof has been provided to the Company's satisfaction that such person's use of the Application Form will not result in the contravention of any applicable legal requirements in any jurisdiction:

- 7.4.1.1 such person is not requesting registration of the Open Offer Shares from within any Excluded Territories;
- 7.4.1.2 such person is not in any territory in which it is unlawful to make or accept an offer to acquire Open Offer Shares in respect of the Open Offer or to use the Application Form in any manner in which such person has used or will use it;
- 7.4.1.3 such person is not acting on a non-discretionary basis for a person located within any Excluded Territories or any territory referred to in 7.4.1.2 above at the time the instruction to accept was given; and
- 7.4.1.4 such person is not acquiring Open Offer Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such Open Offer Shares into any of the above territories.

The Company and/or the Receiving Agent may treat as invalid any acceptance or purported acceptance of the allotment of Open Offer Shares comprised in an Application Form if it:

- (i) appears to the Company or its agents to have been executed, effected or dispatched from any Excluded Territories or in a manner that may involve a breach of the laws or regulations of any jurisdiction or if the Company or its agents believe that the same may violate applicable legal or regulatory requirements; or
- (ii) provides an address in any Excluded Territories for delivery of the share certificates of Open Offer Shares (or any other jurisdiction outside the United Kingdom in which it would be unlawful to deliver such share certificates); or
- (iii) purports to exclude the representation and warranty required by this sub-paragraph 7.4.1.

7.4.2 *Qualifying CREST Shareholders*

A CREST member or CREST sponsored member who makes a valid acceptance in accordance with the procedures set out in this Part III represents and warrants to the Company that, except where proof has been provided to the Company's satisfaction that such person's acceptance will not result in the contravention of any applicable legal requirement in any jurisdiction: (i) neither it nor its client is within any Excluded Territories; (ii) neither it nor its client is in any territory in which it is unlawful to make or accept an offer to acquire Open Offer Shares; (iii) it is not accepting on a non-discretionary basis for a person located within any Excluded Territories or any territory referred to in (ii) above at the time the instruction to accept was given; and (iv) neither it nor its client is acquiring any Open Offer Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such Open Offer Shares into any of the above territories.

7.5 *Waiver*

The provisions of this paragraph 7 and of any other terms of the Open Offer relating to Overseas Shareholders may be waived, varied or modified as regards specific Shareholders or on a general basis by the Company, in its absolute discretion. Subject to this, the provisions of this paragraph 7

supersede any terms of the Open Offer inconsistent herewith. References in this paragraph 7 to Shareholders shall include references to the person or persons executing an Application Form and, in the event of more than one person executing an Application Form, the provisions of this paragraph 7 shall apply to them jointly and to each of them.

8. Withdrawal rights

Qualifying Shareholders wishing to exercise or direct the exercise of statutory withdrawal rights pursuant to section 87Q(4) of FSMA after the issue by the Company of a prospectus supplementing this document must do so by lodging a written notice of withdrawal (which shall include a notice sent by any form of electronic communication) with the Receiving Agent, by post to Capita Registrars, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU so as to be sent, not later than two Business Days after the date on which the supplementary prospectus is published. The withdrawal notice must include the full name and address of the person wishing to exercise statutory withdrawal rights and, if such person is a CREST member, the Participant ID and the Member Account ID of such CREST member. Notice of withdrawal which is deposited with the Receiving Agent after expiry of such period will not constitute a valid withdrawal.

Following the valid exercise of statutory withdrawal rights, application monies will be returned by post to relevant Qualifying non-CREST Shareholders at their own risk and without interest and/or Capita will refund the amount paid by a Qualifying CREST Shareholder by way of a CREST payment, without interest, as applicable within 14 days of such exercise of statutory withdrawal rights. Interest earned on such monies will be retained for the benefit of the Company. The provisions of this paragraph 8 of this Part III are without prejudice to the statutory rights of Qualifying Shareholders. In such event Qualifying Shareholders are advised to seek independent legal advice.

9. Admission, settlement and dealings

The result of the Open Offer is expected to be announced on 10 December 2009. Applications will be made to the UKLA for all of the New Ordinary Shares to be admitted to listing on the Official List and to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on the London Stock Exchange's main market for listed securities. It is expected that Admission will become effective and that dealings in the New Ordinary Shares, fully paid, will commence at 8.00 a.m. on 10 December 2009.

The Existing Ordinary Shares are already admitted to CREST and application will be made for admission to CREST of the New Ordinary Shares. All such shares, when issued and fully paid, may be held and transferred by means of CREST.

Open Offer Entitlements and Excess CREST Open Offer Entitlements held in CREST are expected to be disabled in all respects after 11.00 a.m. on 8 December 2009 (the latest date for applications under the Open Offer). If the condition(s) to the Open Offer described above are satisfied, Open Offer Shares will be issued in uncertificated form to those persons who submitted a valid application for Open Offer Shares by utilising the CREST application procedures and whose applications have been accepted by the Company. On 9 December 2009, the Receiving Agent will instruct Euroclear to credit the appropriate stock accounts of such persons with such persons' entitlements to Open Offer Shares with effect from Admission (expected to be 10 December 2009). The stock accounts to be credited will be accounts under the same Participant IDs and member account IDs in respect of which the USE Instruction was given.

Notwithstanding any other provision of this document, the Company reserves the right to send Qualifying CREST Shareholders an Application Form instead of crediting the relevant stock account with Open Offer Entitlements and Excess CREST Open Offer Entitlements, and to allot and/or issue any Open Offer Shares in certificated form. In normal circumstances, this right is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or of any part of CREST) or on the part of the facilities and/or systems operated by the Receiving Agent in connection with CREST.

For Qualifying non-CREST Shareholders who have applied by using an Application Form, share certificates in respect of the Open Offer Shares validly applied for, and any Excess Shares successfully applied for, under the Excess Application Facility, are expected to be dispatched by post by 17 December 2009.

No temporary documents of title will be issued and, pending the issue of definitive certificates, transfers will be certified against the UK share register of the Company. All documents or remittances sent by or to applicants, or as they may direct, will be sent through the post at their own risk. For more information as to the procedure for application, Qualifying non-CREST Shareholders are referred to paragraph 5.1 above, and their Application Form.

10. Times and dates

The Company shall, in its discretion and after consultation with its financial and legal advisers and with the prior written consent of Singer Capital Markets and Smith & Williamson, be entitled to amend the dates that Application Forms are dispatched or amend or extend the latest date for acceptance under the Open Offer and all related dates set out in this document and in such circumstances shall notify the UKLA, and make an announcement on a Regulatory Information Service approved by the UKLA and, if appropriate, by Shareholders **but Qualifying Shareholders may not receive any further written communication.**

If a supplementary prospectus is issued by the Company two or fewer business days prior to the latest time and date for acceptance and payment in full under the Open Offer specified in this document, the latest date for acceptance under the Open Offer shall be extended to the date that is three business days after the date of issue of the supplementary prospectus (and the dates and times of principal events due to take place following such date shall be extended accordingly).

11. Taxation

Certain statements regarding United Kingdom taxation in respect of the Open Offer Shares and the Open Offer are set out in paragraph 11 Part VIII of this document. Shareholders who are in any doubt as to their tax position in relation to taking up their entitlements under the Open Offer, or who are subject to tax in any jurisdiction other than the United Kingdom, should immediately consult a suitable professional adviser.

12. Share Option Schemes

In accordance with the rules of the Share Option Schemes, the Directors propose to make adjustments to the number of shares under outstanding Options and the exercise price payable to take account of the Placing and Open Offer (but not the Firm Placing). In the case of Options under the Approved Scheme and some of the Options under the 1995 Scheme, such adjustments will be subject to the prior approval of HMRC. The Company will notify Option holders of any such adjustment in due course.

13. Further information

Your attention is drawn to the further information set out in this document and also, in the case of Qualifying non-CREST Shareholders, to the terms, conditions and other information printed on the accompanying Application Form.

14. Governing law and jurisdiction

The terms and conditions of the Open Offer as set out in this document, the Application Form and any non-contractual obligation related thereto shall be governed by, and construed in accordance with, the laws of England and Wales. The courts of England and Wales are to have exclusive jurisdiction to settle any dispute which may arise out of or in connection with the Open Offer, this document or the Application Form including, without limitation, disputes relating to any non-contractual obligations arising out of or in connection with the Open Offer, this document or the Application Form. By taking up Open Offer Shares whether by way of their Open Offer Entitlement or through the Excess Application Facility (as applicable) in accordance with the instructions set out in this document and, where applicable, the Application Form, Qualifying Shareholders irrevocably submit to the jurisdiction of the courts of England and Wales and waive any objection to proceedings in any such court on the ground of venue or on the ground that proceedings have been brought in an inconvenient forum.

PART IV

INFORMATION ON RENOLD

1. Business description

Renold is an international engineering group producing a wide range of high quality engineering products and application solutions, operating in 20 countries worldwide. The principal activities of the Group are the manufacture and sale of industrial steel chains and related power transmission products, including gears and couplings.

The key focus of the Group in recent years has been to access low cost manufacturing capabilities, manifested by the acquisitions of majority interests of such businesses in China and India.

History and development

The Renold name dates back to 1879 when Hans Renold established Salford & Hans Renold Co. The Directors believe that this makes Renold one of the oldest established transmission chain companies in the world.

On 2 June 1946, Renold and Coventry Chain Company Limited was admitted to trading on the London Stock Exchange. This company was later to become Renold plc. Since being admitted to the London Stock Exchange, the Group has made several significant acquisitions and disposals of businesses, the most recent of which was the acquisition of the assets of a 75 per cent. interest in the industrial chain business of LGB in 2008, providing the Group with a further low cost manufacturing capability and significant presence in the Indian market.

Activities

The Group serves a diverse range of sectors including basic industries (mining, oil, cement and steel), construction (off road vehicles and lumber), infrastructure providers (waste water plants, escalators, underground systems and power generation), food industries (palm oil, confectionary and beverages), manufacturing, transport (shipping, freight handling and aerospace), and leisure (theme parks).

2. Structure of the Group

Group structure

In the year to 31 March 2009, the Group had revenues from continuing operations of £194.7 million and as at 31 March 2009, had 2,630 employees, including 700 in the UK. The Group's principal operations are in the following countries:

<i>Country</i>	<i>Company</i>
United Kingdom	Renold Power Transmission Limited
<i>Europe (other than the United Kingdom)</i>	
Austria	Renold GmbH
Belgium	Renold Continental Limited
Denmark	Renold A/S
France	Brampton Renold SA
Germany	Renold GmbH
Holland	Renold Continental Limited
Russia	Renold Russia (Obshchestvo s Ogranichennoj Otvetstvennost'yu)
Sweden	Renold Transmission AB
Switzerland	Renold (Switzerland) GmbH

<i>Country</i>	<i>Company</i>
<i>North America</i>	
Canada	Renold Canada Limited
USA	Renold Inc Jeffrey Chain LP
<i>Other countries</i>	
Australia	Renold Australia Proprietary Limited
China	Renold Transmission (Shanghai) Company Limited Renold Technologies (Shanghai) Company Limited Renold (Hangzhou) Co Ltd
India	Renold Chain India Private Limited
Malaysia	Renold (Malaysia) Sdn Bhd
New Zealand	Renold New Zealand Limited
Singapore	Renold Transmission Limited
South Africa	Renold Crofts (Pty) Limited

All of the Renold Group companies other than Renold (Hangzhou) Co Ltd and Renold Chain India Private Limited (in which the Company holds majority stakes) are direct or indirect subsidiaries of Renold, a company incorporated in England and Wales, which ultimately holds a 100 per cent. interest in the equity shares and voting rights. Renold Power Transmission Limited and Renold Continental Limited are registered in England and Wales. The Group's overseas companies are incorporated in the countries in which they operate except where otherwise stated.

Segmental analysis of results

The Group's continuing activities are in one class of business, Industrial Power Transmission. The consolidated income statement for continuing operations therefore relates wholly to the Industrial Power Transmission business.

Shown below is a summary of the assets and liabilities of Industrial Power Transmission:

	<i>2008</i> <i>£ million</i>	<i>2009</i> <i>£ million</i>
<i>Assets</i>		
Industrial Power Transmission	133.6	160.6
Unallocated assets (see below)	27.4	28.4
Total assets	<u>161.0</u>	<u>189.0</u>
<i>Liabilities</i>		
Industrial Power Transmission	(78.1)	(96.6)
Borrowings	(39.4)	(48.5)
Derivative financial instruments	(0.9)	(2.9)
Current and deferred tax	(1.6)	(0.9)
Total Liabilities	<u>(120.0)</u>	<u>(148.9)</u>

The operations of the Group are based in four main geographical areas. The UK is the home country of the parent, Renold. The main operations in the principal territories are as follows:

- United Kingdom
- Rest of Europe
- United States and Canada
- Other countries

The sales analysis in the table below is based on the location of the customer. The analysis of assets and capital expenditure is based on the location of the assets:

	<i>Revenue (Continuing)</i>		<i>Assets</i>		<i>Capital expenditure</i>	
	<i>2008 £ million</i>	<i>2009 £ million</i>	<i>2008 £ million</i>	<i>2009 £ million</i>	<i>2008 £ million</i>	<i>2009 £ million</i>
United Kingdom	20.0	19.9	30.7	29.1	2.4	1.7
Rest of Europe	56.1	63.9	38.8	37.0	2.6	0.7
North America	57.6	67.8	40.1	53.6	0.8	1.2
Other countries	38.9	43.1	24.0	40.9	2.4	2.2
	<u>172.6</u>	<u>194.7</u>	<u>133.6</u>	<u>160.6</u>	<u>8.2</u>	<u>5.8</u>
Unallocated assets	—	—	27.4	28.4	—	—
	<u>172.6</u>	<u>194.7</u>	<u>161.0</u>	<u>189.0</u>	<u>8.2</u>	<u>5.8</u>
Unallocated assets comprise:						
Current and deferred tax assets			10.0	14.9		
Cash and cash equivalents			15.5	11.3		
Investment property			1.9	2.2		
			<u>27.4</u>	<u>28.4</u>		

All revenue relates to the sale of goods.

<i>Revenue from continuing operations</i>	<i>£ million</i>				
<i>Segment</i>	<i>2005</i>	<i>2006</i>	<i>2007</i>	<i>2008</i>	<i>2009</i>
Industrial Power Transmission	143.2	155.0	159.3	172.6	194.7

3. Group divisions

The Group produces a wide range of high quality engineering products and application solutions. The principal activities of the Group are the manufacture and sale of industrial chains and related power transmission products. The Group's continuing activities are in one class of business, Industrial Power Transmission.

4. Strategy

Despite the current challenging economic conditions, the Group's core strategy remains unchanged and embraces four principal objectives:

- further increase in geographic footprint to secure additional market share;
- continued reduction in average manufacturing costs via expansion of low-cost manufacturing capabilities;
- enhanced long-term profitability through product and process innovation; and
- exploitation of the core skills and brand values owned by the Group.

In response to the current period of reduced industrial activity and consequent reduction in demand for Group products, Renold achieved a rapid realignment of its cost base to minimise the impact on cash and profit. Key actions included:

- circa 25 per cent. reduction in employee head count, carefully targeted to ensure that the core competencies of the business are protected;
- a temporary 10 per cent. cut in most employee, management and Directors' remuneration;
- closing of defined benefit pension schemes to future accrual in the UK to cap liabilities and reduce future risk;

- deferment of non-essential capital expenditure and tightly regulated controls on all discretionary spending;
- focused actions to reduce working capital, including tighter inventory controls and improved credit terms with suppliers and customers; and
- renegotiation of a wide range of existing contracts, including materials, professional services, and property leases.

Renold's long term strategy sets out to enhance the current strengths of the Group, and to transplant them into geographic territories where the Group is under-represented or not currently market leader. Key initiatives driving the strategy include:

- reduction in average manufacturing costs – the Group's traditional manufacturing base in high cost economies in the United States and Europe has been supplemented by the acquisition of substantial manufacturing plants in China and India; and
- continued expansion into new geographic markets – the Group's recent Indian acquisition has considerably strengthened its position in the Sub-Continent and the Middle East.

5. Directors

Matthew Peacock (Chairman)

Matthew Peacock was appointed to the Board and became Chairman in September 2006. He is the founding partner of Hanover Investors, a specialist turnaround investment firm based in London. Matthew has led investments for over eighteen years in, amongst other sectors, manufacturing, outsourced business services, chemicals, financial services, textiles and logistics. Prior to this, he ran the International M&A team in London at Barclays De Zoete Wedd, having started his career at Credit Suisse First Boston, in New York. He holds a Masters degree in Law from Cambridge University. Matthew is also chairman of Fairpoint Group plc and Singer Capital Markets, a London stock broking and corporate advisory firm, and a non-executive director of STV Group plc.

Robert Davies (Chief Executive)

Robert Davies joined the Group in March 2004 and was appointed Chief Executive in April 2004. A member of the Institute of Electronic Engineers and a non-executive director of Economic Solutions Limited, he was previously Chief Executive of GE Druck Holdings Limited. Prior to that, he held a number of senior management positions in the Lucas Group and at General Electric, in both the UK and United States.

Peter Bream (Finance Director)

Peter Bream joined the Group in July 2006 and was appointed Finance Director in September 2006. He was formerly finance director of Provalis plc, a UK listed company, for three years until March 2006. Prior to joining Provalis, Peter was a divisional finance director for API Group plc. Peter is a chartered accountant and has an engineering degree from Cambridge University.

David Shearer (Senior Independent Non-Executive Director)

A corporate financier and a former senior partner in Deloitte LLP where he was a UK executive board member, David Shearer, was appointed to the Board in May 2007 as the Senior Independent Non-Executive Director. He recently stood down as chairman of Crest Nicholson plc having led the successful debt reconstruction of that business. He is deputy chairman of Aberdeen New Dawn Investment Trust plc, senior independent director of STV Group plc and Superglass Holdings plc, a non-executive director of Mithras Investment Trust plc, Martin Currie Holdings Limited and Scottish Financial Enterprise and a governor of The Glasgow School of Art. He was, until early 2007, a non-executive director of HBOS plc.

John Allkins (Non-Executive Director)

John Allkins was appointed to the Board and to the chair of the Audit Committee in April 2008. He is also a non-executive director of Intec Telecom Systems plc, Fairpoint Group plc, Molins plc, Albemarle & Bond Holdings plc and Linpac Group Limited. His last executive role was as finance director of

MyTravel Group plc which he led through a debt for equity restructuring and successful merger with Thomas Cook Group plc. Prior to that he was the founding chief financial officer and managing director of Equant NV (now Orange Business Services) which he joined from BT where he held a number of divisional finance director roles.

6. Employees

As at 31 October 2009 (being the latest practicable date prior to publication of this document to which the Company can account for the exact number of employees), the Group employed 2,275 people. The tables below show the average number of employees employed by the Group for the three years ended 31 March 2007, 2008 and 2009 by both activity and geographic region:

By activity

<i>Activity</i>	<i>2007</i>	<i>2008</i>	<i>2009</i>
Industrial Power Transmission	2,056	2,477	2,630

By region

<i>Region</i>	<i>2007</i>	<i>2008</i>	<i>2009</i>
UK and Ireland	743	729	700
Mainland Europe	633	612	604
Rest of world	680	1,136	1,326

7. Properties, plant and equipment

The Group has 28 principal trading sites. These are shown below:

<i>Trading site</i>	<i>Leased/Freehold</i>	<i>Approximate size of site in sq m</i>
<i>UK</i>		
Renold House (Head Office)	Leasehold	1,776
Bredbury	Leasehold	33,994
Burton	Leasehold	321
Cardiff	Leasehold	12,950
Halifax	Freehold	5,261
Milnrow	Freehold	20,608
<i>Australia</i>		
Mulgrave	Freehold	41,130
<i>Austria</i>		
Vienna	Leasehold	172
<i>Belgium</i>		
Ghent	Leasehold	250
<i>Canada</i>		
Montreal	Leasehold	836
<i>China</i>		
Shanghai (Sales)	Leasehold	148
Beicei	Leasehold	3,132
Hangzhou	Leasehold	22,963
<i>Denmark</i>		
Hvidore	Leasehold	287
<i>France</i>		
Seclin	Freehold	35,190
<i>Germany</i>		
Einbeck	Freehold	72,933
<i>Holland</i>		
Amsterdam	Leasehold	176
<i>India</i>		
Gudalore	Freehold	37,474
Coimbatore	Leasehold	198

<i>Trading site</i>	<i>Leased/Freehold</i>	<i>Approximate size of site in sq m</i>
<i>Malaysia</i>		
Selangor	Leasehold	1,613
<i>New Zealand</i>		
Auckland	Freehold	5,041
Christchurch	Freehold	1,500
<i>Poland</i>		
Goleniów ¹	Leasehold	6,891
<i>Singapore</i>		
Singapore	Leasehold	2 sites: 291 / 245
<i>South Africa</i>		
Benoni, Guateng	Freehold	13,054
<i>Switzerland</i>		
Dübendorf	Leasehold	2,200
<i>US</i>		
Morristown (Chain)	Freehold	121,406
Westfield (Couplings)	Freehold	90,245

1 This site has now been closed, but was a principal trading site for the year ended 31 March 2009.

The size of properties from which the Group trades depends upon the nature of the business unit that operates from the property.

The Group's largest countries of operation are the UK, the US and Germany.

The Group's central banking facilities are with two banks. Included in Group borrowings are secured borrowings of £40.1 million. Security is provided by fixed and floating charges over UK assets (including certain property, plant and equipment) and the assets of certain overseas subsidiaries.

The Group has finance leases for various items of plant and machinery. These leases have terms of renewal, but no purchase options or escalation clauses. Where assets are held under finance leases or hire purchase arrangements, the amounts due to the finance providers are secured against the assets leased.

As at 31 March 2009, the Group had liabilities under finance leases or hire purchase arrangements amounting to £0.2 million.

8. Research and development

Innovation is key to the future success of our Group and to the delivery of long term value for our shareholders. Our research and development activities continue to be principally directed towards the development of new products and manufacturing methods, together with the improvement of performance and cost effectiveness of our existing products.

9. Intellectual property

Wherever possible and necessary, Renold will seek protection for its intellectual property. The Group relies primarily on a combination of patents, confidentiality procedures and agreements, and copyright and trade mark laws to protect any material proprietary rights.

PART V

FINANCIAL INFORMATION ON RENOLD

1. Historical financial information

The consolidated financial statements of Renold and its subsidiaries included in the Annual Report and Accounts of Renold for each of the financial years ended 31 March 2009, 2008 and 2007 together with the audit reports thereon are incorporated by reference into this document. Ernst & Young LLP has issued unqualified audit opinions on the consolidated financial statements of Renold and its subsidiaries included in the Annual Report and Accounts of Renold for each of the financial years ended 31 March 2009, 2008 and 2007. The Auditor's Report for the financial year end 31 March 2009 is set out on page 29 of the Annual Report and Accounts 2009. The Auditor's Report for the financial year end 31 March 2008 is set out on page 31 of the Annual Report and Accounts 2008. The Auditor's Report for the year ended 31 March 2007 is set out on page 25 of the Annual Report and Accounts 2007.

The financial information for the financial years ended 31 March 2009, 2008 and 2007 as set out below has been extracted without material adjustment from, and should be read in conjunction with Renold's audited consolidated financial statements included in its Annual Report and Accounts for each of the years ended 31 March 2009, 2008 and 2007, which are incorporated by reference into this document.

See Part IX of this document for further details about information that has been incorporated by reference into this document.

2. Key historical data

	2007 £ million	2008 £ million	2009 £ million
Continuing operations:			
Revenue	159.3	172.6	194.7
Operating profit	3.9	12.2	7.6
Operating profit before exceptional items	9.8	12.0	10.0
Exceptional items	(5.9)	0.2	(2.4)
Operating profit	3.9	12.2	7.6
Profit before tax	1.4	9.3	2.9
Profit for the financial year from continuing operations	0.8	6.2	2.1
Discontinued operations:			
(Loss)/profit for the financial year from discontinued operations	(13.5)	1.5	—
(Loss)/profit for the financial year	(12.7)	7.7	2.1
Attributable to:			
Equity holders of the parent	(12.7)	7.7	2.1
	(12.7)	7.7	2.1
(Loss)/earnings per share (pence)			
Basic (loss)/earnings per share	(18.3)p	11.0p	2.8p
Diluted (loss)/earnings per share	(18.1)p	10.8p	2.8p
Basic earnings per share from continuing operations	1.2p	8.9p	2.8p
Diluted earnings per share from continuing operations	1.2p	8.7p	2.8p
Adjusted earnings per share from continuing operations*	8.4p	8.5p	7.3p
Diluted adjusted earnings per share from continuing operations*	8.3p	8.3p	7.3p

* Adjusted for the after tax effects of exceptional items

	2007 £ million	2008 £ million	2009 £ million
Total assets	156.1	161.0	189.0
Total liabilities	(132.2)	(120.0)	(148.9)
Net assets	<u>23.9</u>	<u>41.0</u>	<u>40.1</u>

3. Pro-forma statement of net assets

Basis of preparation

The unaudited pro-forma statement of net assets of the Group set out below has been prepared to illustrate the effect of the Placing and Open Offer and Firm Placing on the Group's net assets as if these events had taken place on 30 September 2009. The unaudited pro-forma statement of net assets has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and therefore does not represent the Group's actual financial position or results. The unaudited pro-forma statement of net assets is compiled on the basis set out in the notes below.

Unaudited pro-forma statement of net assets

	2009 £ million Note 1	Adjustments to net assets for Placing and Open Offer and Firm Placing £ million Note 2	Proforma for the Group £ million Note 3
Assets			
Non-current assets			
Goodwill	22.1	—	22.1
Other intangible assets	0.9	—	0.9
Property, plant and equipment	48.6	—	48.6
Investment property	2.2	—	2.2
Other non-current assets	0.5	—	0.5
Deferred tax assets	20.5	—	20.5
	<u>94.8</u>	<u>—</u>	<u>94.8</u>
Current assets			
Inventories	43.7	—	43.7
Trade and other receivables	27.4	—	27.4
Current tax asset	0.2	—	0.2
Cash and cash equivalents	9.0	26.9	35.9
	<u>80.3</u>	<u>26.9</u>	<u>107.2</u>
Total assets	<u>175.1</u>	<u>26.9</u>	<u>202.0</u>

	2009 £ million Note 1	Adjustments to net assets for Placing and Open Offer and Firm Placing £ million Note 2	Proforma for the Group £ million Note 3
Liabilities			
Current liabilities			
Borrowings	(12.6)	—	(12.6)
Trade and other payables	(30.2)	—	(30.2)
Derivative financial instruments	(0.3)	—	(0.3)
Provisions	(2.3)	—	(2.3)
	(45.4)	—	(45.4)
Net current assets	34.9	26.9	61.8
Non-current liabilities			
Borrowings	(35.5)	—	(35.5)
Provisions	(0.5)	—	(0.5)
Preference shares	(0.5)	—	(0.5)
Trade and other payables	(0.1)	—	(0.1)
Deferred tax liabilities	(0.9)	—	(0.9)
Retirement benefit obligations	(73.8)	—	(73.8)
	(111.3)	—	(111.3)
Total liabilities	(156.7)	—	(156.7)
Net assets	18.4	26.9	45.3

Notes:

- 1 The financial information in respect of the Group has been extracted without material adjustment from the unaudited interim financial statements of the Group for the six months ended 30 September 2009, which are incorporated by reference in this document.
- 2 The net proceeds of the Placing and Open Offer and Firm Placing are calculated on the basis that the Company issues 142,500,000 New Ordinary Shares of five pence each at a price of 20 pence per share, net of estimated expenses in connection with the Placing and Open Offer and Firm Placing of approximately £1.6 million. The net proceeds of the Placing and Open Offer and Firm Placing will be used to reduce net financial indebtedness. Accordingly, within the pro-forma statement of net assets, the estimated net proceeds of £26.9 million have been applied to cash and cash equivalents.
- 3 Save for the adjustment for the net proceeds of the Placing and Open Offer and Firm Placing as described in Note 2 above, no adjustment has been made to reflect any trading or other transactions undertaken by the Group since 30 September 2009.

Pro-forma impact on Renold plc's unaudited net profit for the six months ended 30 September 2009

The estimated net proceeds of the Placing and Open Offer and Firm Placing of £26.9 million will be used to reduce net financial indebtedness.

The following sets out the impact on the unaudited net profit of the Company for the six months ended 30 September 2009 if this had been prepared as if the Placing and Open Offer and Firm Placing had taken effect on 1 April 2009:

- net finance costs would decrease to the extent of interest on the reduction of debt arising from the pay down of debt using the net proceeds of the Placing and Open Offer and Firm Placing; and
- the taxation charge would be adjusted in order to reflect the tax effect of the reduction in finance costs.

It would be expected that the overall impact of the Placing and Open Offer and Firm Placing would be to enhance earnings before tax.

This statement, which is for illustrative purposes only, does not constitute a profit forecast and should not be interpreted to mean that the earnings before tax in any financial period will necessarily match or be lesser or greater than those for the relevant preceding periods.

4. Accountants letter in connection with the unaudited pro-forma statement of net assets

The following is a copy letter from Ernst & Young LLP in connection with the unaudited pro-forma statement of net assets:



The Directors Renold plc Renold House Styal Road Wythenshawe Manchester M22 5WL	17 November 2009
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Dear Sirs

We report on the pro-forma financial information (the “Pro-Forma Financial Information”) set out in paragraph 3 of Part V of the prospectus dated 17 November 2009, which has been prepared on the basis described for illustrative purposes only, to provide information about how the Placing and Open Offer and Firm Placing might have affected the financial information presented on the basis of the accounting policies adopted by Renold plc in preparing the unaudited interim financial statements for the six months ended 30 September 2009. This report is required by item 20.2 of Annex I of the PD Regulation and is given for the purpose of complying with that item and for no other purpose.

Save for any responsibility arising under Prospectus Rule 5.5.3R (2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 23.1 of Annex I to the PD Regulation, consenting to its inclusion in the prospectus.

Responsibilities

It is the responsibility of the Directors of Renold plc to prepare the Pro-Forma Financial Information in accordance with item 20.2 of Annex I of the PD Regulation.

It is our responsibility to form an opinion, as required by item 7 of Annex II of the PD Regulation, as to the proper compilation of the Pro-Forma Financial Information and to report that opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro-Forma Financial Information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.



Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro-Forma Financial Information with the Directors of Renold plc.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro-Forma Financial Information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of Renold plc.

Opinion

In our opinion:

- a. the Pro-Forma Financial Information has been properly compiled on the basis stated; and
- b. such basis is consistent with the accounting policies of Renold plc.

Declaration

For the purposes of Prospectus Rule 5.5.3R (2)(f) we are responsible for this report as part of the prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the prospectus in compliance with item 1.2 of Annex I of the PD Regulation.

Yours faithfully

Ernst & Young LLP

PART VI

INFORMATION ON BANK FACILITIES

The information in this Part VI contains a summary only of the Facilities Agreement, the Warrant Instruments and the proposed amendments or variations to such documents. The documents referred to in this Part VI are material contracts available for inspection as set out in paragraph 18 of Part VIII of this document.

1. Definitions

The following definitions apply in this Part VI only:

“Amendment Agreement”	an agreement dated 17 November 2009 with The Royal Bank of Scotland plc and Fortis Bank, UK Branch, to amend the Facilities Agreement
“Cashflow”	EBITDA for that Testing Period after adding certain items and deducting certain items such as capital expenditure in the Testing Period and Pension Items
“Cashflow Cover”	the ratio of Cashflow to Debt Service in respect of any Testing Period
“Debt Service”	in respect of any Testing Period, the aggregate of: <ul style="list-style-type: none">(a) Finance Charges for that Testing Period;(b) the aggregate of all scheduled repayments of borrowings of the Group falling due during that Testing Period; and(c) the amount of the capital element of any payments in respect of that Testing Period payable under any finance lease
“EBIT”	in respect of any Testing Period, the consolidated operating profit of the Group before taxation
“EBITDA”	in respect of any Testing Period, EBIT for that Testing Period after adding back any amount attributable to the amortisation, depreciation or impairment of assets of members of the Group
“EURIBOR”	the Euro Interbank Offered Rate
“Excess Cashflow”	for any period for which it is being calculated, Cashflow of the relevant members of the Group less, <i>inter alia</i> , Debt Service of the relevant members of the Group for that period and the amount of any voluntary prepayments made under the finance documents during that period
“Facilities Agreement”	a multicurrency term and revolving facilities agreement dated 6 February 2007 (amended and restated on 13 August 2009) between the Company, The Royal Bank of Scotland plc and Fortis Bank, UK Branch, as mandated lead arrangers, The Royal Bank of Scotland plc and Fortis Bank S.A./N.V. UK Branch as original lenders, and The Royal Bank of Scotland plc as agent, security trustee, and original hedge counterparty, comprising (i) Facility A and (ii) Facility B

“Facility A”	a sterling revolving loan facility of £986,387.03, a US dollar revolving loan facility of \$13,000,000 and a Euro revolving loan facility of €13,000,000
“Facility A Leverage”	in respect of any Testing Period, the ratio of Facility A loans on the last day of that Testing Period to the relevant members of the Group’s EBITDA in respect of that Testing Period
“Facility B”	a sterling term facility of £11,000,000
“Finance Charges”	for any Testing Period, the aggregate amount of the accrued interest, commission, fees, discounts, prepayment fees, premiums or charges and other finance payments in respect of financial indebtedness by any member of the Group (calculated on a consolidated basis)
“Financial Year”	the annual accounting period of the Group ending on or about 31 March in each year
“Net Finance Charges”	for any Testing Period, the Finance Charges for that Testing Period after deducting any interest payable in that Testing Period to any member of the Group on any cash or cash equivalent investment
“Net Interest Cover”	the ratio of the relevant members of the Group’s EBITDA to such members’ Net Finance Charges in respect of any Testing Period
“Pension Items”	any income or charge attributable to a post-employment benefit scheme other than the current service costs and any past service costs and curtailments and settlements attributable to the scheme
“Quarter Date”	31 March, 30 June, 30 September and 31 December in each Financial Year
“Testing Period”	each period of 12 months ending on each Quarter Date
“Total Leverage”	in respect of any Testing Period, the ratio of Total Net Debt on the last day of that Testing Period to EBITDA in respect of that Testing Period
“Total Net Debt”	at any time, the aggregate amount of all obligations of members of the Group for or in respect of borrowings at that time after deducting the aggregate amount of cash and cash equivalent investments held by any member of the Group at that time
“Warrants”	the right to subscribe for the Warrant Shares pursuant to the terms of the Warrant Instruments
“Warrantholders”	Fortis Bank, UK Branch, and West Register (Investments) Limited
“Warrant Instruments”	the Series A and Series B warrant instruments entered into by the Company on 13 August 2009 by way of deed poll
“Warrant Shares”	the 3,500,000 unissued Existing Ordinary Shares which are subject to the Warrant Instruments

2. Facilities Agreement

2.1 Current position

Advances under the Facilities Agreement bear interest at rates per annum equal to the aggregate of LIBOR (or, in relation to any loan in euro, EURIBOR) plus, where appropriate, any applicable mandatory costs (which are the adjustments required if the Bank of England mandates a change to the reserve requirements for lending banks), plus the applicable margin. The applicable margin relating to Facility A ratchets up and down and is determined by reference to the ratio of the Company's borrowings to EBITDA applicable to certain members of the Group. The initial margin and highest applicable margin is 4.5 per cent., and the lowest applicable margin is 2.5 per cent.

In relation to Facility B, the cash margin is 6 per cent. and in addition, a further amount of interest (the payment-in-kind interest) which accrues on each Facility B loan at a rate per annum of over 7.5 per cent. Any such interest accrued on a Facility B loan will be capitalised at the end of each interest period and will subsequently be treated as part of the principal amount of the Facility B loan.

The facilities are guaranteed by the Company and certain of its subsidiaries, supported by security granted by each guarantor over its assets and undertaking. Each wholly-owned subsidiary of the Group which has EBITDA representing 5 per cent. or more of consolidated EBITDA or has gross assets or turnover (excluding intra-group items) representing 5 per cent. or more of the gross assets or turnover in each case is required to be a guarantor.

The Facilities Agreement contains financial covenants, which test Cashflow Cover, Net Interest Cover, Facility A Leverage, Total Leverage, and restrictions on capital expenditure. These financial covenants are more particularly described below in paragraph 2.2.

The Facilities Agreement also contains certain other covenants which, amongst other things, cover restrictions on: (i) the creation of security (with permitted exceptions), (ii) disposal of assets (with permitted exceptions), (iii) incurring of any financial indebtedness (with permitted exceptions), (iv) change of business, (v) mergers, (vi) acquisitions (with permitted acquisitions) and (vii) the granting of new loans and guarantees (with permitted exceptions).

Further, the Facilities Agreement contains customary events of default upon the occurrence of which the agent has the right to (a) cancel the facilities, (b) declare the loans immediately due and payable and (c) declare the loans repayable on demand.

2.2 Financial covenants

The Facilities Agreement contains financial covenants, which test Cashflow Cover, Net Interest Cover, Facility A Leverage, Total Leverage, and restrictions on capital expenditure.

Cashflow Cover

The cashflow cover covenant requires that in respect of any Testing Period Cashflow Cover shall be greater than a testing ratio of 1.0:1.0 save for the periods ending 30 September 2009 and 31 December 2009 when the cashflow, in each case, since 1 July 2009 shall not be a greater negative figure than £(300,000) for the period ending 30 September 2009 and £(900,000) for the period ending 31 December 2009.

Net Interest Cover

The net interest cover covenant requires that in respect of any Testing Period, Net Interest Cover shall be greater than a testing ratio which increases from a ratio of 4.5:1.0 for the period ending 30 September 2009 to 5.9:1.0 for the period ending 31 March 2012.

Facility A Leverage

The facility A leverage covenant requires that in respect of any Testing Period, Facility A Leverage shall be less than a testing ratio which reduces from a ratio of 2.9:1.0 for the period ending 30 September 2009 to a ratio of 1.5:1.0 for the period ending 31 March 2012.

Total Leverage

The total leverage covenant requires that in respect of any Testing Period, Total Leverage shall be less than a testing ratio which reduces from a ratio of 6.8:1.0 for the period ending 30 September 2009 to a ratio of 2.6:1.0 for the period ending 31 March 2012.

Capital Expenditure

The aggregate capital expenditure of the Group in respect of any Financial Year shall not exceed by more than 10 per cent. the amount set out in the budget for that Financial Year.

2.3 *Proposed adjustments to the Facilities Agreement*

Conditional upon the Placing and Open Offer and Firm Placing taking place, Admission, and repaying the outstanding amount under Facility B, the Company has entered into the Amendment Agreement. Primarily the Amendment Agreement deals with (i) changes to allow the proceeds of the Placing and Open Offer and Firm Placing to be utilised to repay Facility B and thereafter to be applied as the Company sees fit without being applied in compulsory reduction of any part of Facility A and (ii) replacing the Cashflow Cover Covenant with EBITDA targets and relaxation of the Total Leverage financial covenants.

The other key changes include the following:

- relaxation of the restriction on the transfer of funds to China (so enabling the Company's investment in China to continue);
- relaxation of the restriction on dividend payments so that dividends can be paid 18 months after the proposed Placing and Open Offer and Firm Placing has been completed, subject to the Company meeting certain financial covenant restrictions at that time;
- reduction in the cash sweep so that only 50 per cent. of the Company's excess cashflow above £500,000 is paid to the banks each year;
- a relaxation of a disposal sweep whereby only two thirds of the proceeds of any disposal by the Company in each financial year is to be required to be used to cancel borrowings under the Facilities Agreement; and
- the removal of the requirement for security to be provided by members of the Group incorporated in China and Australia.

3. Warrants

3.1 *Current position*

Pursuant to the Warrant Instruments, the following Warrants were issued by the Company utilising part of the shareholder authorities required under the relevant Companies Act in place at the date of grant:

- the right to subscribe for 1,499,750 Warrant Shares to Fortis Bank, UK Branch; and
- the right to subscribe for 2,000,250 Warrant Shares to West Register (Investments) Limited (part of The Royal Bank of Scotland plc group).

The key terms of the Warrant Instruments provide that the holders of the Warrants are able to subscribe for the Warrant Shares at 25p per Warrant Share, such subscription to be exercised by 13 August 2016, and such rights will continue to exist after the relevant bank facilities have been repaid.

The Warrant Instruments further provide that in the event of:

- (i) the Company allotting any additional shares in the capital of the Company fully paid by way of capitalisation of profits or reserves or upon any consolidation or sub-division of the Existing Ordinary Shares; or

- (ii) the Company making any offer to the holders of Existing Ordinary Shares to subscribe for ordinary shares in the capital of the Company,

then the number of ordinary shares to be subscribed under warrant and/or the relevant subscription price shall be adjusted as is considered by the Company's auditors as fair and reasonable.

A further material term of the Facilities Agreement but limited to the Warrants, provides that if upon exercise of the full entitlement of shares under Warrant, the Warrantholders do not in aggregate hold at least 4.1 per cent. of the issued ordinary share capital of the Company at such time of exercise, then a further aggregate fee of £250,000 will become payable to the banks.

3.2 *Proposed adjustments to the Warrant Instruments*

Conditional upon the Placing and Open Offer and Firm Placing taking place, the Company being in receipt of the proceeds from such equity issuance and upon the Company repaying the outstanding amount due and payable under Facility B, the Warrantholders have agreed:

- to provide written resolutions of the Warrantholders consenting to the Capital Reorganisation, including the creation of the Deferred Shares, and the variation of the Warrant Instruments; and
- to vary the terms of the Warrant Instrument such that:
 - the definition of Warrant Shares shall relate to ordinary shares of 5p each in the capital of the Company;
 - save for the amendment to the subscription price (described below), all other amendments to the number of Warrant Shares or price as a result of the Placing and Open Offer and Firm Placing to be waived;
 - any future consolidation, sub-division or capitalisation out of profits by the Company to only adjust the subscription price of the Warrants (and not the number of Warrant Shares) as the Company and the Warrantholders agree;
 - the obligation for the Company to have its auditors opine on the fairness and reasonableness of any future adjustment for consolidation, sub-division or capitalisation out of profits to be deleted;
 - the obligation to adjust the Warrants in respect of any future offer of ordinary shares to the holders of ordinary shares in the capital of the Company to be deleted;
 - the subscription price be amended from 25p per Warrant Share, to a formula based on a market standard variation of

$$\frac{\text{TERP}}{\text{PIAP}} \times 25\text{p}$$

where "TERP" means the post fundraising theoretical share price of an ordinary share in the capital of the Company calculated only to reflect the pre-emptive part of the proposed fundraising, and "PIAP" means the average closing price of an Existing Ordinary Share for the five dealing days immediately prior to the announcement of the proposed fund raising; and

- to delete the requirement of a fee of £250,000 in the future in the event that the Warrant Shares, when the Warrants are all exercised, do not equal at least 4.1 per cent. of the issued share capital of the Company, in return for a one-off payment of £250,000 to the banks out of the proceeds of the proposed fund raising.

PART VII

OPERATING AND FINANCIAL REVIEW RELATING TO RENOLD

1. Business Performance and Operating and Financial Review

The key information that comprises the discussion of the Company's current trading and prospects can be found in the Letter from the Chairman of the Company contained in Part I of this document.

The key information that comprises the operating and financial review of the Company for the year ended 31 March 2009 can be found in the Finance Directors' review (Business Review) section on pages 11 to 13 of its Annual Report and Accounts for 2009 and is incorporated by reference herein.

The key information that comprises the operating and financial review of the Company for the year ended 31 March 2008 can be found in the 'Financial Review' section on pages 11 to 14 of its Annual Report and Accounts for 2008 and is incorporated by reference herein.

The key information that comprises the operating and financial review of the Company for the year ended 31 March 2007 can be found in the 'Financial Review' section on pages 11 and 12 of its Annual Report and Accounts for 2007 and is incorporated by reference herein.

See Part IX of this document for further details about information that has been incorporated by reference into this document.

2. Capitalisation and indebtedness

2.1 Capitalisation

The table below sets forth the Group's total capitalisation as at 30 September 2009, extracted from the Company's interim results for the six months ended 30 September 2009 (which are incorporated by reference into this document) to which there have been no material adjustments. This table should be read together with the financial statements and the notes to those financial statements and the notes incorporated by reference in this document.

	<i>£ million</i>
Called up share capital	19.3
Share premium account	9.6
Total capitalisation as at 30 September 2009	<u>28.9</u>

Total capitalisation excludes the currency translation reserve, other reserves and retained earnings, which together amounted to £(12.1) million as at 30 September 2009.

There has been no material change to the capitalisation of the Group since 30 September 2009.

2.2 Indebtedness

The table below sets out the total indebtedness of the Group as at 30 September 2009.

	<i>£ million</i>	<i>£ million</i>
Total current debt		
Guaranteed	6.7	
Secured	4.7	
Unguaranteed/unsecured	1.2	<u>12.6</u>
Total non-current debt		
Guaranteed	0.1	
Secured	35.4	<u>35.5</u>
Total indebtedness		<u>48.1</u>

The following table sets out the net financial indebtedness of the Group as at 30 September 2009.

	£ million	£ million
Cash and cash equivalents	9.0	
		<hr/> 9.0
Liquidity		
Bank overdraft	4.0	
Current bank debt	8.5	
Current portion of finance leases	0.1	
Current financial indebtedness		<hr/> 12.6
Net current financial indebtedness		3.6
Non current bank debt	35.4	
Non current portion of finance leases	0.1	
Non current financial indebtedness		<hr/> 35.5
Net financial indebtedness as at 30 September 2009		<hr/> <hr/> 39.1

In addition to this drawn debt, the Group had £5.7 million of undrawn committed bank facilities as at 30 September 2009.

3. Capital resources and liquidity management

Historically, the Group's liquidity requirements have arisen primarily from the need to fund its working capital and capital expenditure, as well as make principal repayments and interest payments on its outstanding indebtedness. The Group's principal source of liquidity has been its cash flow from operating activities, equity financing and borrowings from banks.

Borrowings are arranged locally for the respective business with the aim of providing an appropriate maturity profile and to maintain short-term liquidity. Acquisitions may be financed initially using bank facilities before being refinanced for the longer term when market conditions are appropriate. Bank facilities include term and revolving credit facilities from a range of UK and overseas banks with whom the Group maintains ongoing working relationships. Leasing has been used for some medium term funding of plant and machinery.

3.1 Treasury

Relationships with the key external debt providers are maintained centrally and are in addition to local facilities for some of the overseas businesses. Treasury policies are approved by the Board and cover the nature of the item to be hedged, the types of financial instruments that may be employed and the criteria for investing and borrowing funds.

The Group's finance and treasury policies set out the approach to managing treasury risk as approved by the Board. The treasury risks that the Group faces are liquidity, interest rate and foreign currency risk arising from its international operations. The Group also faces a translation risk in respect of its overseas earnings and its assets which are matched where possible with suitably denominated local borrowings in its local operations. The Group enters into derivative financial instruments (principally foreign currency and interest rate swaps) to hedge certain currency risks arising from the Group's operations and to hedge interest expenses arising from external sources of finance. To minimise the credit risk associated with derivative financial instruments, the Group only enters into derivative financial instruments with its principal bankers.

3.2 Description of borrowings

At 30 September 2009, the Group had main multi-currency committed credit facilities available for use in the UK, Germany and France of £11,986,387.03, US\$13,000,000 and €13,000,000 (of which £1 million was undrawn) comprising a term loan and revolving credit facility, both due to mature on 30 June 2012. These borrowings are subject to a cross guarantee arrangement whereby debt providers have recourse to the Group's parent company, and a number of subsidiaries in the UK, Germany, France and the USA.

The Group has a variety of additional term loans and short term working capital facilities in its other non-UK subsidiaries in total of £24.0 million of which amounts drawn against these facilities at 30 September 2009 in total were £13.3 million and in the UK, the Group has additional uncommitted overdraft facilities of £7 million available of which £2.1 million was used at 30 September 2009.

At 30 September 2009 the Group's financial liabilities (excluding derivative financial instruments and preference shares) amounted to £48.0 million where:

- 20 per cent. was denominated in sterling, 29 per cent. in Euros, 27 per cent. in US\$ and 24 per cent. in other currencies;
- 2 per cent. was at fixed rates of interest, with an average remaining fixed life of one year;
- £35.4 million of borrowings were secured on assets of the Group; and
- the weighted average maturity of the Group's UK committed facilities was less 2.75 years.

In addition, the Group had cash and cash equivalents of £9.0 million available worldwide at 30 September 2009.

3.3 *Financial covenants*

The Group's main multi-currency debt facilities contain a number of covenants relating to the committed debt facilities. The key financial covenants are leverage, cashflow and interest cover which are tested and reported quarterly, on a rolling 12 month basis on 31 March, 30 June, 30 September and 31 December in each financial year.

The Group's main bank facility contains financial covenants which test cashflow cover, net interest cover, leverage and restrictions on capital expenditure, as described more fully in paragraph 2 of Part VI.

All of the Group's debt covenants are calculated in accordance with IFRS.

As at the date of this document, the Group is in compliance with the above financial covenants/ratios.

3.4 *Equity*

The Company has one class of ordinary shares. During the three years to 31 March 2009, the Company issued 7,635,483 ordinary shares. In August 2008, Renold placed 7,000,000 new ordinary shares with institutional and other investors to raise gross proceeds of £5.3 million (the "Cash Box Placing"). The shares were placed at 76 pence each, raising £5.1 million after commissions and expenses. The Cash Box Placing proceeds were used to fund the acquisition of the industrial chain business of LGB.

As part of the Placing and Open Offer and Firm Placing, the Company plans to issue 87,500,000 New Ordinary Shares through the Placing and Open Offer and Firm Placing of 55,000,000 New Ordinary Shares at a price of 20 pence per New Ordinary Share. Shareholders will be asked to vote on this proposal at the General Meeting.

3.5 *Cash flow analysis*

The following table sets forth the Company's consolidated cash flow for the financial years ended 31 March 2007, 2008 and 2009:

<i>For the financial year ended 31 March</i>	<i>2007 £ million</i>	<i>2008 £ million</i>	<i>2009 £ million</i>
Net cash inflow/(outflow) from operating activities	4.2	2.2	(0.6)
Net cash outflow from investing activities	(0.8)	(3.2)	(9.6)
Net cash inflow/(outflow) from financing activities	2.8	(1.3)	2.7
Net increase/(decrease) in cash and cash equivalents	6.2	(2.3)	(7.5)
Cash and cash equivalents at the beginning of the year	9.6	15.4	14.2
Effects of foreign exchange rates	(0.4)	1.1	1.9
Cash and cash equivalents at the end of the year	15.4	14.2	8.6

For financial years ended 31 March 2007, 2008 and 2009

(i) *Net cash inflow/(outflow) from operating activities*

The Company's net cash outflow from operating activities for the year ended 31 March 2009 was £0.6 million (2008: inflow £2.2 million; 2007: inflow £4.2 million). The outflow was primarily due to trading cash flows and net movements in working capital.

(ii) *Net cash inflow/(outflow) from investing activities*

The Company had a £9.6 million net cash outflow from investing activities for the year ended 31 March 2009. This net outflow was primarily due to the Company's acquisition in the period of £5.6 million and the purchase of property, plant and equipment of £5.5 million.

The Company had a £3.2 million net cash outflow from investing activities for the year ended 31 March 2008. This net outflow was primarily due to the Company's acquisition in the period of £2.4 million, purchases of property, plant and equipment of £7.5 million partially offset by the proceeds from the disposal of an asset held for sale of £6.0 million.

The Company had a £0.8 million net cash outflow from investing activities for the year ended 31 March 2007. This net outflow was primarily due to the Company's purchase of property, plant and equipment of £6.0 million in excess of the proceeds from the disposal of business of £5.4 million.

(iii) *Net cash inflow/(outflow) from financing activities*

The Company's net cash inflow from financing activities for the year ended 31 March 2009 was £2.7 million. The net cash inflow for the 2009 year resulted primarily from the issuance of £5.1 million of new equity offset by financing costs.

The net cash outflow for 2008 of £1.3 million resulted primarily from financing costs net of proceeds from the drawdown of new loans.

The net cash inflow for 2007 of £2.8 million resulted primarily in the proceeds from the drawdown of new loans being offset by the repayment of the existing loans and financing costs.

Subject to the need to maintain cash for working capital requirements, there are no restrictions on the ability for Subsidiary companies to transfer cash funds to the parent company.

3.6 *Contractual obligations and commercial commitments*

The following table summarises the Group's contractual obligations and commercial commitments as at 31 March 2009:

(£ million)	Total	Less than one year	Between one and less than five years	Greater than five years
Group debt facilities	47.8	44.3	2.8	0.7
Finance leases	0.2	0.1	0.1	—
Operating lease commitments	24.3	2.6	7.8	13.9
Total obligations and Commitments	72.3	47.0	10.7	14.6

The Group expects to cover its obligations and commitments in the table above with cash inflows from operating activities and with replacement banking facilities and from proceeds of the Placing and Open Offer and Firm Placing.

3.7 *Off-Balance sheet arrangements*

Other than the operating lease commitments relating to properties and other assets disclosed in paragraph 3.6 above, the Group has not entered into and is not a party to any material off-balance sheet arrangements.

3.8 *Historical investments and capital expenditure*

The following table provides an overview of the Company's acquisitions and capital expenditures:

<i>For the financial year ended 31 March</i>	<i>2007</i> <i>£ million</i>	<i>2008</i> <i>£ million</i>	<i>2009</i> <i>£ million</i>
Total consideration for acquisitions*	—	2.4	5.6
Purchases of property, plant and equipment and other intangible fixed assets	6.6	8.2	5.8
Total	6.6	10.6	11.4

* including assumed debt

PART VIII

ADDITIONAL INFORMATION

1. Responsibility

- 1.1 The Company and the Directors, whose names and functions are set out on page 15 of this document, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.
- 1.2 Ernst & Young LLP whose address is at 100 Barbirolli Square, Manchester M2 3EY accepts responsibility for its letter set out in Part V of this document. To the best of the knowledge and belief of Ernst & Young LLP (who have taken all reasonable care to ensure that such is the case), the information contained in their report is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. The Company and the Group

- 2.1 The Company was incorporated in England and Wales on 23 July 1930 with registered number 249688 under the Companies Act 1929 as a private company limited by shares with the name The Renold and Coventry Chain Company Limited.
- 2.2 The Company changed its name to Renold Chains Limited on 23 August 1954 and to Renold Limited on 3 April 1967.
- 2.3 The Company re-registered as a public company on 20 August 1981 under the name of Renold plc.
- 2.4 The Company's registered office is at Renold House, Styal Road, Wythenshawe, Manchester M22 5WL (telephone number: +44 (0) 161 498 4500) and it is domiciled in the United Kingdom.
- 2.5 The principal legislation under which the Company operates is the Companies Acts.
- 2.6 The Company is the ultimate holding company of the Group, and has the following significant subsidiary undertakings, being those considered by the Company to be likely to have a significant effect on the assessment of the assets and liabilities, financial position and/or profits and losses of the Group:

<i>Name</i>	<i>Percentage, ownership, interest and voting power</i>	<i>Place of Incorporation</i>	<i>Registered Office</i>
Renold Power Transmission Limited	100%	England and Wales	Renold House Styal Road Wythenshawe Manchester M22 5WL
Renold GmbH	100%	Austria	Rudolf Hausner Gasse 6 1220 Wien Austria
Renold Continental Limited	100%	England and Wales	Renold House Styal Road Wythenshawe Manchester M22 5WL
Renold A/S	100%	Denmark	Skelmarksvej 6, DK-2605, Brøndby, Denmark

<i>Name</i>	<i>Percentage, ownership, interest and voting power</i>	<i>Place of Incorporation</i>	<i>Registered Office</i>
Brampton Renold SA	100%	France	ZI A Rue de la pointe 59113 Seclin France
Renold GmbH	100%	Germany	Juliusmühle 37574 Einbeck Germany
Renold Polska sp. z o.o.	100%	Poland	Metalowa 1 72-100 Goleniów Poland
Renold Russia (Obshchestvo s Ogranichennoj Otvetstvennostu)	100%	Russia	1st Rizhskij per., No 2 bld.9 107996 Moscow Russia
Renold Transmission AB	100%	Sweden	Stamholmen 193 D 2650 Hvidovre Denmark
Renold (Switzerland) GmbH	100%	Switzerland	Renold (Schwiez) GmbH Ringstrasse 16 8600 Dübendorf
Renold Canada Limited	100%	Canada	121 Roy Boulevard Brantford Ontario N3T 5N4 Canada
Renold Inc	100%	United States	100 Bourne Street Suite 2 Westfield NY 14787 US
Jeffrey Chain LP	100%	United States	2307 Maden Drive Morristown TN 37813 US
Renold Australia Proprietary Limited	100%	Australia	508-520 Wellington Road Mulgrave Victoria 3170 Australia
Renold Transmission (Shanghai) Company Limited	100%	China	Part A of 3rd floor No.18, Fu Te North Road Wai Gao Qiao Free Zone Shanghai
Renold Technologies (Shanghai) Company Limited	100%	China	385 Zheng Zhong Xin Road Beicai, Pudong Shanghai China

<i>Name</i>	<i>Percentage, ownership, interest and voting power</i>	<i>Place of Incorporation</i>	<i>Registered Office</i>
Renold (Hangzhou) Co Limited	90%	China	No 82 Dongfang Road Yiqiao Town Xiaoshan District Hangzhou Municipality Zhejiang Province China
Renold Chain India Private Limited	75%	India	302 Anna Salai Chennai 600006 India
Renold (Malaysia) Sdn Bhd	100%	Malaysia	Ng Eng Cheow Ng Ah Chai (MIA 1931) 4-2, Jalan30/70A, Desa Sri Hartamas 50480 Kuala Lumpur Malaysia
Renold New Zealand Limited	100%	New Zealand	594 Rosebank Road Avondale Auckland New Zealand
Renold Transmission Limited	100%	England and Wales	Renold House Styal Road Wythenshawe Manchester M22 5WL
Renold Crofts (Pty) Limited	100%	South Africa	Cnr Liverpool Road and Bolton Street Nestadt Industrial Sites Benoni, 2007 Gauteng Republic of South Africa

- 2.7 The principal activities of the Group are the manufacture and sale of industrial chain and related power transmission products including gears and couplings.

3. Share capital

- 3.1 The issued and fully paid share capital of the Company as at the date of publication of this document is as follows:

<i>Class of Share</i>	<i>Number</i>	<i>Issued Amount</i>
<i>ordinary shares of 25p each</i>	77,064,703	£19,266,175.75
<i>6% cumulative preference stock of £1.00 each</i>	580,482	£580,482

- 3.2 The issued and fully paid up share capital of the Company immediately following Admission (assuming the Capital Reorganisation has occurred and there has been no exercise of Options under the Share Option Schemes) will be as follows:

<i>Class of Share</i>	<i>Number</i>	<i>Issued Amount</i>
<i>ordinary shares of 5p each</i>	219,564,703	£10,978,235.15
<i>6% cumulative preference stock of £1.00 each</i>	580,482	£580,482
<i>deferred shares of 20p each</i>	77,064,703	£15,412,940.60

- 3.3 As at 1 April 2006, the first day covered by the historical financial information incorporated by reference into this document, the authorised share capital of the Company was £23,715,373.75 divided into 92,539,567 ordinary shares of 25 pence each in nominal value and 580,482 units of 6 per cent. Cumulative Preference Stock of £1 each in nominal value. There were no changes to the authorised share capital of the Company from 1 April 2006 until 1 October 2009, when the Company abolished the need to have an authorised share capital.
- 3.4 As at 1 April 2006, the first day covered by the historical financial information incorporated by reference into this document, 69,429,220 ordinary shares of 25 pence each in nominal value in the capital of the Company were in issue fully paid or credited as fully paid. Since 1 April 2006, there have been the following changes to the issued ordinary share capital of the Company:

<i>Shares Issued/Scheme</i>	<i>2006/07</i>	<i>Year 2007/08</i>	<i>2008/09</i>
<i>Existing Ordinary Shares issued pursuant to the SAYE Scheme</i>	33,766	99,035	30,414
<i>Existing Ordinary Shares issued pursuant to the SAYE Scheme</i>	51,821	22,852	12,095
<i>Existing Ordinary Shares issued pursuant to the Executive Schemes</i>	145,000	240,500	—
<i>Placing of Existing Ordinary Shares</i>	—	—	7,000,000

- 3.5 As at the date of this document, the following Options to subscribe for Existing Unissued Ordinary Shares have been granted to employees and Directors under the Share Option Scheme Schemes for nil consideration and remain outstanding:

<i>Scheme</i>	<i>Number of Existing Unissued Ordinary Shares Under Option</i>	<i>Date of Grant</i>	<i>Exercisable From</i>	<i>Exercisable Until</i>	<i>Exercise Price</i>
<i>1995 Scheme (Approved)</i>	25,000	28.11.01	28.11.04	27.11.11	67.34
	11,000	27.11.02	27.11.05	26.11.12	58.50
	20,000	27.11.03	27.11.06	26.11.13	83.50
	39,215	11.03.04	11.03.07	10.03.14	76.50
<i>1995 Scheme (Unapproved)</i>	45,000	19.07.00	19.07.03	18.07.10	118.50
	97,000	28.11.01	28.11.04	27.11.11	67.34
	95,000	27.11.02	27.11.05	26.11.12	58.50
	80,000	27.11.03	27.11.06	26.11.13	83.50
	85,785	11.03.04	11.03.07	10.03.14	76.60
<i>Approved Scheme</i>	10,000	22.11.04	22.11.07	21.11.14	74.30
	147,481	26.07.06	26.07.09	25.07.16	61.60
	29,970	30.11.06	30.11.09	29.11.16	100.1
	20,831	02.01.07	02.01.10	01.01.17	114.20
	32,414	27.11.07	27.11.10	26.11.17	92.55
	47,783	25.11.08	25.11.11	24.11.18	37.00
<i>Unapproved Scheme</i>	475,000	02.09.04	02.09.07	01.09.14	88.00
	95,000	22.11.04	22.11.07	21.11.14	74.30
	367,519	26.07.06	26.07.09	25.07.16	61.60
	90,030	30.11.06	30.11.09	29.11.16	100.10
	339,169	02.01.07	02.01.10	01.01.17	114.20
	627,586	27.11.07	27.11.10	26.11.17	92.55
	1,576,690	31.03.08	31.03.11	30.03.18	75.90
	180,292	01.04.08	01.04.11	31.03.18	77.00
	6,271	25.11.08	25.11.11	24.11.18	37.00

- 3.6 Save as disclosed in paragraph 3.5 above, no share or loan capital of the Company or any of its subsidiaries is under option or agreed conditionally or unconditionally to be put under option.
- 3.7 If Shareholders vote in favour of the Resolutions set out in the Notice of General Meeting and if the Resolutions become unconditional:
- 3.7.1 pursuant to Resolution 1, each issued Existing Ordinary Share of 25 pence in nominal value will be subdivided into one New Ordinary Share of 5 pence and one Deferred Share of 20 pence;
- 3.7.2 pursuant to Resolution 2, the Directors will be unconditionally authorised, in accordance with section 551 of the CA 2006, to exercise all the powers of the Company to allot shares in the Company, and grant rights to subscribe for or to convert any security into shares of the Company for the purposes of the Placing and Open Offer and Firm Placing and otherwise up to an aggregate nominal amount of £10,784,411.70 such authority to expire on the conclusion of the next annual general meeting of the Company save that the Company may, before the authority expires make an offer or agreement which would or might require relevant securities to be allotted after it expires;
- 3.7.3 pursuant to Resolution 3, the Directors will be given power to allot for cash equity securities (as defined for the purposes of section 560(1) of the CA 2006) pursuant to the authority under section 551 of the CA 2006 conferred on them by Resolution 2 as if section 561(1) of the CA 2006 did not apply to the allotment, provided that the power shall be limited to the allotment of equity securities for cash up to a maximum nominal amount not exceeding in aggregate £7,673,911.75 such power to expire at the conclusion of the next annual general meeting of the Company save that the Company may, before the power expires, make an offer or agreement which would or might require equity securities to be allotted after it expires;
- 3.7.4 pursuant to Resolution 4, the New Ordinary Shares will be issued at a subscription price of 20 pence per share which is a discount of 27.9 per cent. to the closing middle market (as derived from the Daily Official List of the London Stock Exchange) of an Existing Ordinary Share on 16 November 2009 (the last trading day prior to announcement of the Placing and Open Offer and Firm Placing); and
- 3.7.5 pursuant to Resolution 5, the Shareholders will approve the issue and allotment of New Ordinary Shares to M&G Investment Management, who is a related party for the purposes of Chapter 11 of the Listing Rules.
- 3.8 Save for the allotments referred to in paragraph 3.4 above, since 1 April 2006 no capital of the Company has been allotted for cash or for a consideration other than cash.
- 3.9 Save as disclosed in paragraph 3.5 above and save for the issue of the New Ordinary Shares pursuant to the Placing and Open Offer and Firm Placing and the grant of options under the Share Option Schemes or the Warrants under the Warrant Instruments as conditionally amended, no capital of the Company is proposed to be issued or is under option or is agreed conditionally or unconditionally to be put under option.
- 3.10 The New Ordinary Shares to be issued pursuant to the Placing and Open Offer and Firm Placing will be credited as fully paid and will rank in all respects with the New Ordinary Shares created by the sub-division of the Existing Ordinary Shares, including the right to receive any dividends or distributions made, paid or declared after Admission.
- 3.11 The Existing Ordinary Shares and the New Ordinary Shares are in registered form and capable of being held in uncertificated form. None of the New Ordinary Shares are being marketed or made available in whole or in part to the public in conjunction with the applications for Admission other than pursuant to the Placing and Open Offer and Firm Placing. The New Ordinary Shares to be issued pursuant to the Placing and Open Offer and Firm Placing are being issued at a price of 20 pence per share, representing a premium of 15 pence over the nominal value of five pence each following the Capital Reorganisation. The expected issue date is 10 December 2009.
- 3.12 The currency of the issue is pounds sterling.

4. Memorandum and Articles

The Company passed a special resolution at its annual general meeting on 21 September 2009, but effective from 1 October 2009, to remove all of the provisions of the Company's memorandum of association which by virtue of section 28 of the CA 2006 were deemed to be treated as provisions of the Articles. The Company's objects have therefore been unrestricted since 1 October 2009. The memorandum of association of the Company is available for inspection in accordance with paragraph 18 below.

The Articles contain, *inter alia*, provisions to the following effect:

4.1 Borrowing powers

The Directors shall restrict the borrowings of the Company and exercise all powers exercisable by the Company in relation to its subsidiary undertakings so as to secure that the aggregate amount for the time being remaining undischarged of all moneys borrowed by the Group shall not without the previous sanction of an ordinary resolution of the Company exceed an amount equal to one and a half times the adjusted capital and reserves. The certificate of the auditors for the time being as to the amount of the adjusted capital and reserves at any time shall be conclusive and binding upon all concerned.

4.2 Voting rights

Subject to any restrictions imposed by the Articles and to any special rights, restrictions or prohibitions attached to any special class of shares in the capital of the Company, on a show of hands every member who is present in person or by proxy or being a corporation by a duly appointed representative or proxy shall have one vote only and on a poll every member present in person or by proxy or, being a corporation by a duly appointed representative shall have one vote for every ordinary share in the capital of the Company held by him. Members entitled to more than one vote on a poll either personally by proxy or, being a corporation, by a duly appointed representative, need not cast all his votes in the same way.

4.3 Variation of rights

All or any of the rights or privileges attached to any class (unless otherwise provided by the terms of issue) of shares in the Company may whether or not the Company is being wound up, be varied, abrogated, extended or surrendered either as provided by such rights or privileges or with the consent in writing of the holders of three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. At every such separate general meeting the provisions of the Articles relating to general meetings shall (*mutantis mutandis*) apply, except that:

4.3.1 only members holding shares of the class in question are entitled to receive notice of such a meeting and no votes shall be given except in respect of that class;

4.3.2 the quorum shall be two persons at least present in person and holding or representing by proxy at least one-third in nominal amount of the issued shares of the class in question;

4.3.3 any holder of shares in the class in question who is present in person or by proxy and entitled to vote may demand a poll; and

4.3.4 on a poll, every holder of shares of the class in question who is present in person or by proxy shall have one vote for every share of that class held by him.

4.4 Alteration of capital

The Company may by ordinary resolution consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares, sub-divide all or any of its shares into shares of a smaller amount than is fixed by its memorandum of association or was fixed by the resolution creating such shares.

In any subdivision, the proportion between the amount paid and any amount unpaid on the shares of small amount shall be the same as the share(s) from which they were derived.

The resolution to effect any sub-division may determine one or more of such shares be given preference, advantage, restriction or disadvantage over the others or any other such shares as the resolution shall prescribe.

Whenever as a result of any consolidation or sub-division of shares, members become entitled to fractions of a share, the Directors may deal with such fractions as they determine and may sell the shares representing the fractions for the best price reasonably obtainable and pay and distribute to the members entitled the net proceeds of the sale.

The Company may, subject to the Companies Acts, by special resolution reduce or cancel its share capital or any capital redemption reserve or share premium account.

Subject to and in accordance with the provisions of the Companies Acts, the Company may purchase its own shares (including any redeemable shares), provided that the Company shall not purchase any of its shares unless such purchase has been sanctioned by a resolution passed at a separate meeting of the holders of any class of securities issued by the Company which are listed and convertible into special shares in the capital of the Company which are of the same class as those proposed to be purchased.

4.5 *Transfer of shares*

Subject to the conditions and restrictions contained in the Articles, any member may transfer all or any of his shares (i) in the case of certificated shares by instrument in writing in any usual or common form or in such other form as may be approved by the Directors and (ii) in the case of uncertificated shares, in accordance with the rules and regulations of the relevant system concerned. The instrument of transfer of a certificated share shall be executed by or on behalf of the transferor and, if the share is not fully paid, by or behalf of the transferee.

Subject to the relevant uncertificated securities regulations, the registration of transfers may be suspended by the Directors as they see fit. The register of members of the Company shall not be closed except in accordance with the relevant uncertificated securities regulations.

The Directors may in their absolute discretion refuse to register a transfer of any share which is not fully paid, provided that dealings in the shares are not prevented from taking place on an open and proper basis or where:

- 4.5.1 a notice has been duly served in respect of the shares pursuant to section 793 of the CA 2006 (or any other applicable statutory provision);
- 4.5.2 the share(s) which were the subject of the notice represented in aggregate at least 0.25 per cent. of that class of share;
- 4.5.3 the person(s) on whom the notice was served failed to comply with the notice requirements within the permitted time (being not less than 14 days from the date of service thereof) and remains in default in complying with such notice (unless the transfer in question is to a *bona fide* unconnected third party); and
- 4.5.4 if the transfer is of a share or shares (whether fully paid or not) in favour of more than four persons jointly.

If the Directors refuse to register a transfer which is effected by a written instrument they shall have two months from the date the instrument was lodged to send the transfer notice of the refusals.

4.6 *Dividends*

- 4.6.1 The Company may by ordinary resolution declare dividends provided that no dividend shall be paid otherwise than out of profits of the Company available for distribution and no dividend shall exceed the amount recommended by the Directors. The Directors may from time to time pay such interim dividends as appear to the Directors to be justified by the profits of the Company.

4.6.2 Subject to any rights or privileges of persons, if any, holding shares with preferential or special dividend rights the profits of the Company shall be applied in payment of dividends in proportion to the amounts paid up respectively on the shares otherwise than in advance of calls, all dividends shall be apportioned and paid *pro rata* according to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid.

4.6.3 Dividends may be paid or declared in any currency.

4.6.4 The Directors may deduct from any dividend or other money payable to any member on or in respect of a share all sums of money (if any) personally payable by him to the Company on account of calls or otherwise in relation to shares in the Company.

4.6.5 All dividends unclaimed for a period of 12 years after the payment date for such dividend shall if the Directors so resolve be forfeited and shall revert to the Company.

4.6.6 The Board may, if authorised by an ordinary resolution of the Company, pay and satisfy dividends, either wholly or in part, by the distribution of specific assets, and in particular of paid up shares or debentures of any other company.

4.7 ***Untraced Shareholders***

The Company shall be entitled to sell at the best price reasonably obtainable any share if the shares have been in issue for twelve years and at least three dividend warrants have been sent to the member or the person entitled by transmission to the share at his address on the register. The Company during that period, must not have received any communication from the member or person entitled by the transmission and at the expiration of the said twelve year period, the Company must advertise in both a national daily newspaper and in a newspaper circulating in the area of the address within the United Kingdom at which notice may be served on the holder of or person entitled to the shares. The Company must also have given written notice to the London Stock Exchange of its intention to make the sale.

4.8 ***Suspension of rights***

If a member or any other person appearing to be interested in shares held by such shareholder has been duly served with notice under section 793 of the 2006 Act and is in default in supplying to the Company within 14 days the information thereby required, then (if the Directors so resolve) such member shall not be entitled to vote or to exercise any right conferred by membership in relation to meetings of the Company in respect of the shares which are the subject of such notice. Where the holding represents more than 0.25 per cent. of the issued shares of that class, the payment of dividends may be withheld, and such member shall not be entitled to transfer such shares otherwise than by an arms length sale.

4.9 ***Return of capital***

Subject to any special rights, conditions or restrictions attached to any class of shares, on a winding-up or other return of capital, any surplus assets of the Company remaining after payment of its liabilities shall be distributed *pro rata* to the amount paid up or deemed to be paid up on the shares. A liquidator may, with the sanction of a special resolution of the Company and any other sanction required by the Companies Acts, divide amongst the members in specie or in kind the whole or any part of the assets of the Company, those assets to be set at such value as he deems fair and may determine how such division shall be carried out as between the members or different classes of members. A liquidator may also vest the whole or any part of the assets of the Company in trustees on trusts for the benefit of the members.

4.10 ***Shareholder Meetings***

The CA 2006 applies in relation to the period of notice which is required in relation to the convening of an annual general meeting or any other general meeting.

No business shall be transacted at any general meeting unless a quorum is present. Subject to the Articles, five members present in person or by proxy or, being a corporation, present by a duly appointed representative, and entitled to value upon the business to be transacted shall be a quorum.

Notice of every general meeting shall be given to all members entitled under the Articles or the terms of the issue of the shares they hold to receive notice and the auditors.

Every notice calling a general meeting or a meeting of any class of members of the Company shall specify the place and the day and hour of the meeting. In the case of an annual general meeting, the notice shall also specify the meeting as such. In the case of any general meeting at which business other than ordinary business is to be transacted, the notice shall specify the general nature of such business, and if any resolution is to be proposed as a special resolution, the notice shall contain a statement to that effect.

4.11 Directors

4.11.1 Appointment

The number of Directors shall not be less than five nor more than fifteen in number.

The Board or any committee appointed by the Board may appoint one or more of their number to any executive office or employment under the Company (including, but without limitation, that of chief executive or managing director) for such period and on such terms as they or any committee appointed by the Directors think fit. No service contract or contract except for services shall be granted by the Company to any Director or proposed Director in accordance with the CA 1985, the CA 2006 or every other statute, order, regulation, instrument or other subordinate legislation for the time being in force relating to companies and affecting the Company.

4.11.2 Shareholding Qualification

A Director shall not be required to hold any shares in the Company by way of qualification but a Director who is not a member of the Company shall be entitled to receive notice of and to attend and speak at all general meetings of the Company and any class of members of the Company.

4.11.3 Remuneration

The remuneration and other terms and conditions of appointment of a Director appointed to any executive office or employment under the Company shall be determined by the Remuneration Committee on behalf of the Directors and approved by the Company in general meeting and may (without limitation) be by way of fixed salary, lump sum, commission on the dividends or profits of the Company (or of any other company in which the Company is interested) or other participation in any such profits or otherwise or by any or all partly by one and partly by another or others of those modes.

Fees may be paid out of the funds of the Company to Directors who are not managing or executive Directors at such rates as the Directors may from time to time determine.

The Directors (including alternate Directors) shall also be entitled to be paid out of the funds of the Company all their travelling, hotel, and other expenses (including additional remuneration in special circumstances) properly incurred by them respectively in and about the business of the Company including their expenses of travelling to and from meetings of the Directors, committee meetings or general meetings.

A Director may hold any other office or place of profit with the Company (other than the office of auditor) in conjunction with his office of Director for such period and on such terms (as to remuneration or otherwise) as the Directors may determine.

4.11.4 Restrictions on Voting

A Director or alternate Director shall declare his interest at Board meetings in accordance with sections 177 and 182 of the CA 2006.

Save as provided in the Articles, a Director shall not vote as a Director in respect of any contract, transaction or arrangement or any other proposal whatsoever in which he has any interest which (together with any interest of any person connected with him) is, to his

knowledge, a material interest (otherwise than by virtue of an interest in shares or debentures or other securities of or otherwise in or through the Company), and, if he shall do so, his vote shall not be counted nor shall be counted in the quorum present at the meeting.

A Director shall (in the absence of some other material interest than is indicated below) be entitled to vote (and be counted in the quorum) in respect of any resolution relating to any of the following matters namely:

- 4.11.4.1 the giving of any security, guarantee or indemnity in respect of money lent or obligations incurred by him or by any other person at the request of or for the benefit of the Company or any of its subsidiary undertaking; or
- 4.11.4.2 the giving of any security, guarantee or indemnity in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which the Director himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security; or
- 4.11.4.3 an offer of shares or debentures or other securities of or by the Company or any of its subsidiary undertakings for subscription or purchase in which offer he is or is to be or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which he is to participate; or
- 4.11.4.4 any other company in which he or any person connected with him is interested, Director or indirectly, and whether as an officer or shareholder or otherwise howsoever, provided that he and any persons connected with him are not to his knowledge the holder (otherwise than as a nominee for the Company or any of its subsidiary undertakings) of or beneficially interested in one per cent. or more of any class of the equity share capital of such company (or of any third company through which his interest is derived) or of the voting rights available to members of the relevant company (any such interest being deemed to be a material interest in all circumstances); or
- 4.11.4.5 an arrangement for the benefit of the employees of the Company or any of its subsidiary undertakings which does not award him any privilege or benefit not generally awarded to the employees to whom such arrangement relates, or
- 4.11.4.6 the purchase and/or maintenance of any insurance policy for the benefit of Directors or for the benefit of persons including Directors.

4.12 *Permitted Interests*

The Directors may authorise any situation or matter relating to a particular Director to which section 175 of the CA 2006 applies, subject to that section, on such terms (if any) as they think fit and the Company will not treat anything done, or omitted to be done, by the Director concerned in accordance with the authorisation terms as a breach of duty under any of sections 171 to 177 inclusive of the CA 2006. The terms of that authorisation shall be recorded in writing, but shall be effective whether or not its terms are so recorded. The Directors may terminate or withdraw the authorisation at any time by giving notice to the Director concerned, but this will not affect anything done by him prior to such termination or withdrawal in accordance with that authorisation.

Any such authorisation will be effective only if any requirement as to the quorum at the meeting of the Directors at which the conflict matter is concerned is met without counting the Director in question or any other Director interested in the conflict matter and the conflict matter was agreed to without their voting or would have been agreed to if their votes had not been counted.

4.13 *Vacation of Office*

The office of Director shall be vacated if:

- he is prohibited by law from being or acting as a Director;
- he resigns by writing;

- he becomes bankrupt or makes an arrangement with his creditors;
- he becomes of unsound mind;
- he is absent from meetings of the Directors for six successive months without leave and his alternate Director (if any) shall not during such period have attended instead and the Directors resolve that his office be vacated;
- he is removed from office pursuant to the Articles;
- he is convicted of an indictable offence and the Directors shall resolve that it is undesirable in the interests of the Company that he remains a Director;
- he is the subject of investigation by the Secretary of State or by the Serious Fraud Office and the Directors shall resolve that it is undesirable in the interests of the Company that he remains a Director;
- he holds any executive office or employment under the Company and that office or employment with the Company is terminated for any reason; or
- by notice in writing, his resignation is requested by all of the other Directors and all of the other Directors are not less than three in number.

4.14 ***Retirement by Rotation***

At each annual general meeting there shall retire from office and be eligible for re-election:

- any Director who is required to retire at the meeting pursuant to the Articles;
- any Director who was not elected or re-elected at either of the two preceding annual general meetings; and
- such number of other Directors as would, when added to the number of other Directors otherwise retiring at that annual general meeting, represent one third of the Directors.

The Chief Executive for the time being of the Company (whether designated as chief executive, managing director or otherwise) shall be subject to the same provisions as to retirement by rotation, resignation and removal as the other Directors.

5. **Share Option Schemes**

The Company operates six Share Option Schemes and set out below is a brief summary of the principal terms of the Share Option Schemes. No options have been granted nor awards made under the Renold plc 2004 Performance Share Plan nor the Renold plc 2004 Deferred Annual Bonus Scheme.

5.1 ***Renold (1995) Executive Share Option Scheme (“1995 Scheme”)***

Whilst no further options may be granted under the 1995 Scheme, certain options remain outstanding. The principal terms that relate to the outstanding options are as follows:

5.1.1 *Status of the 1995 Scheme*

The 1995 Scheme is designed to permit the Company to grant options over ordinary shares in the capital of the Company which may qualify as HMRC approved options under Schedule 4 of the Income Tax (Earnings and Pensions) Act 2003. Unapproved options may also be granted pursuant to the 1995 Scheme.

5.1.2 *Administration*

The 1995 Scheme is HMRC approved, governed by its rules and operated and administered by the Board.

5.1.3 *Exercise of Options*

An option will normally be exercisable between three and ten years following its grant to the extent that any additional terms imposed by the Remuneration Committee at the time of grant have been satisfied.

Options normally lapse on the cessation of employment and cannot be exercised early. An option holder may exercise his option if the option holder ceases to be employed by reason of death, injury, ill-health, disability, retirement, redundancy, sale of the business in which the individual is employed, or any other reason at the discretion of the Board during a prescribed period post-cessation.

Special provisions apply on a takeover, reconstruction or winding-up of the Company whereupon options may be exercised during a set period of time following such event.

5.1.4 Issue and Listing of Ordinary Shares

All ordinary shares in the capital of the Company allotted under the 1995 Scheme will rank *pari passu* with all other ordinary shares in the capital of the Company for the time being in issue.

5.1.5 Adjustments in Share Capital

On any variation of the ordinary share capital of the Company, the Board may make such adjustments as they consider appropriate to the number of ordinary shares in the capital of the Company comprised in each option and the price payable on exercise of each option.

5.1.6 Amendments

The Board may from time to time alter the 1995 Scheme provided that the prior approval of the Company in general meeting is obtained for alterations to the advantage of option holders. Such approval is not required if the alteration is necessary or desirable to take advantage of the provisions of any existing or proposed legislation, or to benefit the administration of the 1995 Scheme. No amendment shall take effect until approved by HMRC.

5.2 *Renold plc 2004 HM Revenue & Customs Approved Company Share Option Plan (“Approved Scheme”)*

5.2.1 Status of the Approved Scheme

The Approved Scheme is designed to permit the Company to grant options over ordinary shares in the capital of the Company which may qualify as HMRC approved options under Schedule 4 of the Income Tax (Earnings and Pensions) Act 2003.

5.2.2 Eligibility

Generally, all UK resident and ordinarily resident employees and executive Directors (who are contracted to work at least 25 hours per week) of a participating company are eligible to participate.

5.2.3 Administration

The Approved Scheme is HMRC approved, governed by its rules and operated and administered by the Board.

5.2.4 Grant of Options

Options to acquire ordinary shares in the capital of the Company may normally only be granted within the period of 42 days following the announcement of the Company’s interim or final results, or, at other times if the Remuneration Committee considers there are exceptional circumstances.

An option will be personal to the participant and not transferable (other than on death when it can be exercised by the participant’s personal representatives).

No options can be granted more than ten years after the adoption of the Approved Scheme.

5.2.5 Performance Conditions

At the time of grant of an option, the Remuneration Committee will set performance targets which must be satisfied before the option can be exercised.

Performance targets once set will not be amended unless an event occurs which causes the Remuneration Committee to consider that an amended target would be a fairer measure of performance and is not materially less difficult to satisfy.

5.2.6 *Exercise Price*

The option exercise price shall be determined by the Remuneration Committee, provided that it may not be less than the market value of an ordinary share in the capital of the Company at the date of grant or, the nominal value of an ordinary share in the capital of the Company, if higher.

5.2.7 *Approved Scheme Limits*

The rules of the Approved Scheme provide that no more than ten per cent. of the issued ordinary share capital of the Company, from time to time, should be issued under all share incentive schemes operated by the Company in any rolling ten year period.

5.2.8 *Individual Limits*

The maximum annual value of shares that may be awarded to a participant under the Approved Scheme cannot normally exceed 200 per cent. of the participant's basic salary from the Group expressed as an annual rate at the date of grant.

The aggregate market value of shares (measured at the date of grant) which may be acquired at any given time in pursuance of options granted under the Approved Scheme, and any other HMRC approved executive share option plan adopted by the Company or any associated company of the Company, may not exceed £30,000 (or such limit as may be permitted by the legislation from time to time).

5.2.9 *Exercise of Options*

An option will normally be exercisable between three and ten years following its grant to the extent that performance condition (and any further conditions) imposed by the Remuneration Committee at the time of grant have been satisfied.

Options normally lapse on the cessation of employment and cannot be exercised early. An option holder may exercise his option if the option holder ceases to be employed by reason of death, injury, ill-health, disability, retirement, redundancy or sale of the business in which the individual is employed during a prescribed period post-cessation. An option may also be exercised in other circumstances at the discretion of the Board. In each of the above circumstances, the proportion of the option that may be exercised will be determined by the Remuneration Committee taking into account the time the option has been held and the applicable performance conditions.

Special provisions apply on a takeover, reconstruction or winding-up of the Company whereupon options may be exercised during a set period of time following such event.

5.2.10 *Issue and Listing of Ordinary Shares*

All ordinary shares in the capital of the Company allotted under the Approved Scheme will rank *pari passu* with all other ordinary shares in the capital of the Company for the time being in issue.

5.2.11 *Adjustments to Ordinary Share Capital*

Upon any variation of the share capital of the Company, whether by way of a capitalisation issue (other than a capitalisation issue in substitution for or as an alternative to a cash dividend), a rights issue or any sub-division, consolidation, reduction or other variation of the Company's share capital, the option price and/or the number of shares comprised in an option may be adjusted in such manner as the Remuneration Committee deems appropriate subject to prior approval of HMRC.

5.2.12 *Amendments*

The Remuneration Committee may from time to time amend the rules of the Approved Scheme provided that the prior approval of the Company in general meeting is obtained for alterations to the advantage of option holders, save for minor amendments in order to benefit the administration of the Approved Scheme. Any amendment to a key feature of the Approved Scheme requires the prior approval of HMRC.

5.3 ***Renold plc 2004 Unapproved Company Share Option Plan (“Unapproved Scheme”)***

5.3.1 *Status of the Scheme*

The Unapproved Scheme is designed to permit the Company to grant options over ordinary shares in the capital of the Company.

5.3.2 *Eligibility*

Any Directors or any other employee within the Group may participate in the Unapproved Scheme.

5.3.3 *Administration*

The Unapproved Scheme is governed by its rules and operated and administered by the Board.

5.3.4 *Grant of Options*

Options to acquire ordinary shares in the capital of the Company may normally only be granted within the period of 42 days following the announcement of the Company’s interim or final results, or, at other times if the Remuneration Committee considers there are exceptional circumstances.

An option will be personal to the participant and not transferable (other than on death when it can be exercised by the participant’s personal representatives).

No options can be granted more than ten years after the adoption of the Unapproved Plan.

5.3.5 *Performance Conditions*

At the time of grant of an option the Remuneration Committee will set performance targets which must be satisfied before the option can be exercised.

Performance targets once set will not be amended unless an event occurs which causes the Remuneration Committee to consider that an amended target would be a fairer measure of performance and is not materially less difficult to satisfy.

5.3.6 *Exercise Price*

The option exercise price shall be determined by the Remuneration Committee, provided that it may not be less than the market value of an ordinary share in the capital of the Company at the date of grant or, the nominal value of an ordinary share, if higher.

5.3.7 *Unapproved Scheme Limits*

The rules of the Unapproved Scheme provide that no more than ten per cent. of the issued ordinary share capital of the Company, from time to time, should be issued under all share incentive schemes operated by the Company in any rolling ten year period.

5.3.8 *Individual Limits*

The maximum annual value of shares that may be awarded to a participant under the Unapproved Scheme cannot normally exceed 200 per cent. of the participant’s basic salary from the Group expressed as an annual rate at the date of grant.

5.3.9 *Exercise of Options*

An option will normally be exercisable between three and ten years following its grant to the extent that performance conditions (and any further conditions) imposed by the Remuneration Committee at the time of grant have been satisfied.

Options normally lapse on the cessation of employment and cannot be exercised early. An option holder may exercise his option if the option holder ceases to be employed by reason of death, injury, ill-health, disability, retirement, redundancy or sale of the business in which the individual is employed during a prescribed period post-cessation. An option may also be exercised in other circumstances at the discretion of the Board. In each of the above circumstances, the proportion of the option that may be exercised will be determined by the Remuneration Committee taking into account the time the option has been held and the applicable performance conditions.

Special provisions apply on a takeover, reconstruction or winding-up of the Company whereupon options may be exercised during a set period of time following such event.

5.3.10 *Issue and Listing of Ordinary Shares*

All ordinary shares in the capital of the Company allotted under the Unapproved Scheme will rank *pari passu* with all other ordinary shares of the company for the time being in issue.

5.3.11 *Adjustments to Ordinary Share Capital*

Upon any variation of the share capital of the Company, whether by way of a capitalisation issue (other than a capitalisation issue in substitution for or as an alternative to a cash dividend), a rights issue or any sub-division, consolidation, reduction or other variation of the Company's share capital, the option price and/or the number of shares comprised in an option may be adjusted in such manner as the Remuneration Committee deems appropriate.

5.3.12 *Amendments*

The Remuneration Committee may from time to time amend the rules of the Unapproved Scheme provided that the prior approval of the Company in general meeting is obtained for alterations to the advantage of option holders, save for minor amendments in order to benefit the administration of the Unapproved Scheme.

5.4 ***Renold plc 2004 HM Revenue & Customs Approved Save As You Earn Share Option Scheme ("SAYE Scheme")***

5.4.1 *Status of the Scheme*

The SAYE Scheme is designed to permit the Company to grant options over ordinary shares in the capital of the Company which may qualify under Schedule 3 of the Income Tax (Earnings and Pensions) Act 2003. There are no current outstanding options under the SAYE Scheme.

5.4.2 *Eligibility*

Generally, all UK resident and ordinarily resident employees and executive Directors of a participating company (who are contracted to work at least 25 hours per week) are eligible to participate. The Company has the discretion to set a minimum service requirement of up to one year in order for an employee or executive Director to be eligible to participate in a particular offer.

5.4.3 *Administration*

The SAYE Scheme is governed by its rules and operated and administered by the Board.

5.4.4 *Grant of Options*

Invitations for the grant of options may only be issued within the period of 42 days following the announcement of the Company's interim or final results, or, at other times if the Directors consider there are exceptional circumstances.

SAYE options may only be granted during the period of 30 days following the earliest of the dealing days used to calculate the option exercise price.

SAYE options are personal to the participant and not transferable (other than on death when options can be exercised by the participant's personal representatives).

5.4.5 *Exercise Price*

The option exercise price shall be determined by the Directors and will not be less than 80 per cent. of the market value of a share at the date of invitation (or, in the case of an option where the Company has determined that the option exercise will be satisfied by the issue of shares directly to the participant where the amount payable per share shall not be less than the nominal value of an ordinary share, if higher).

5.4.6 *SAYE Scheme Limits*

The SAYE Scheme contains a limit on the number of new shares to be issued as a result of the SAYE Scheme of ten per cent. of the issued share capital of the Company in any rolling ten year period. This limit applies to options granted under the SAYE Scheme and awards and options made under all other employee share schemes operated by the Group. Awards and options which have lapsed are disregarded.

5.4.7 *Savings Contract*

When an employee accepts an invitation to participate in an issue of SAYE Scheme options he will be required to enter into a savings contract for a period of three or five years under which he must make a monthly savings contribution of between £5 and £250 (or such other minimum or maximum amount determined by the Directors and permitted by legislation), the £250 limit being calculated when taken together with any other savings and contract linked to this or any other savings related share option scheme. These contributions will be deducted from the employee's salary.

If the participant ceases to make contributions before the third or fifth anniversary of the commencement of the savings contract, the option will lapse, except in the case of a deferral of contributions for a period of up to six months or as provided below.

5.4.8 *Exercise of Options*

During the period of six months following the end of the savings contract, the participant may exercise his option to acquire ordinary shares in the capital of the Company up to the total value of his monthly savings contribution plus any bonus or interest paid thereon. Alternatively, the participant may withdraw his contributions and any bonus or interest.

If a participant ceases to be employed within the Group during the savings period, his option will lapse except where the cessation is due to death, injury, disability, redundancy or retirement or because the undertaking within which the participant works ceases to be part of the Group in which case the participant will be able to exercise his option within six months (twelve months in the case of his personal representatives after death) from the date of cessation of employment, but only to the extent of his total savings plus any interest or bonus accrued.

In the event of a takeover, reconstruction, amalgamation, or voluntary winding up of the Company, participants may exercise options early and within a specified period to the extent of their total savings plus any interest or bonus accrued to the date of exercise.

5.4.9 *Issue and Listing of Ordinary Shares*

All ordinary shares in the capital of the Company allotted under the SAYE Scheme will rank *pari passu* with all other ordinary shares of the Company for the time being in issue.

5.4.10 *Adjustments to Ordinary Share Capital*

Upon any variation of the share capital of the Company, whether by way of a capitalisation issue (other than a capitalisation issue in substitution for or as an alternative to a cash dividend), a rights issue or any sub-division, consolidation, reduction or other variation of the Company's share capital, the option price and/or the number of shares comprised in a SAYE Scheme option may be adjusted in such manner as the Remuneration Committee determines to be fair and reasonable subject to prior approval HMRC. The Remuneration Committee may seek the advice of the auditors.

5.4.11 *Amendments*

The Directors may from time to time amend the rules of the SAYE Scheme provided that the prior approval of the Company in general meeting is obtained for alterations to the advantage of option holders, save for minor amendments in order to benefit the administration of the SAYE Scheme or to take account of or maintain favourable tax treatment. Any amendment to a key feature of the SAYE Scheme will require prior HMRC approval.

5.5 *Renold plc 2004 Performance Share Plan (“PSP”)*

Whilst no awards have been made to date under the PSP, awards are capable of being made in the future. The principal terms that relate to the PSP are as follows:

5.5.1 *Status of the PSP*

The PSP allows the award of both share options and contingent share awards (together referred to as “PSP Awards”).

5.5.2 *Administration*

The PSP is governed by its rules and administered by the Board.

5.5.3 *Eligibility*

Any executive Director or employee of the Group is eligible to participate in the PSP.

5.5.4 *Making of PSP Awards*

PSP Awards can only be granted in the period of 42 days following the announcement of the Company’s interim or final results, or at other times if the Remuneration Committee considers there are exceptional circumstances.

A PSP Award will be personal to the participant and not transferable (other than on death when it can be exercised by the participant’s personal representatives).

No PSP Award can be granted more than ten years after the adoption of the PSP and no PSP award can be granted to an employee less than six months before his normal retirement date.

5.5.5 *Performance Targets*

At the time of grant of a PSP Award, the Remuneration Committee will set performance targets which must be satisfied before the award can vest.

Performance targets once set will not be amended unless an event occurs which causes the Remuneration Committee to consider that an amended target would be a fairer measure of performance and is not materially less difficult to satisfy.

In addition to the use of performance targets, the Remuneration Committee has the right to determine that a PSP Award cannot vest if it feels that such vesting would not be supported by the underlying financial performance of the Company.

5.5.6 *Award Price*

The award price shall be determined by the Remuneration Committee. It is anticipated to be nil except in the case of an award where the Company has determined that the award exercise will be satisfied by the issue on vesting of shares directly to the PSP Award holder where the amount payable per share shall not be less than the nominal value of an ordinary share in the capital of the Company. Flexibility has been retained in the PSP rules to set the award price at any other value (for example at the market value of a share) as this may be more tax efficient for employees in overseas territories in which the Group operates.

5.5.7 *Individual Limits*

The maximum annual value of shares that may be awarded to a participant under the PSP may not exceed 60 per cent. of the participant’s basic salary.

5.5.8 *PSP Limits*

The PSP provides that no more than ten per cent. of the issued ordinary share capital of the Company, from time to time, should be issued under all share incentive schemes in any rolling ten year period. In addition, no more than five per cent. of the issued ordinary share capital of the Company should be issued under any discretionary share incentive scheme in any rolling ten year period.

5.5.9 *Vesting of Awards*

Generally, and subject to the attainment of performance targets, a PSP Award will vest (and in the case of an option, become exercisable) after the third anniversary of its date of award.

If a participant ceases to be an employee of the Group, then his award shall lapse immediately save that where such cessation is due to death, whereupon an award (or a proportion thereof) may vest.

The Remuneration Committee may also determine that a PSP Award shall not automatically lapse on cessation of employment (for reasons other than death) and that it (or a proportion thereof) shall vest.

In the event of a takeover, reconstruction, amalgamation or winding up of the Company, the PSP Awards vest immediately subject to the achievement of the performance targets.

5.5.10 *Adjustments to Ordinary Share Capital*

Upon any variation of the share capital of the Company, whether of a capitalisation issue (other than a capitalisation issue in substitution for or as an alternative to a cash dividend), a rights issue or any sub-division, consolidation, reduction or other variation of the Company's share capital, the award price and/or the number of shares comprised in a PSP Award may be adjusted in such manner as the Remuneration Committee determines. The Remuneration Committee may seek the advice of auditors in making such adjustments.

5.5.11 *Amendments to the PSP*

The Remuneration Committee may from time to time amend the rules of the PSP provided that the prior approval of the Company in general meeting is obtained for alterations to the advantage of participants, save for minor amendments in order to benefit the administration of the PSP or to take account of or maintain favourable tax treatment.

5.6 ***Renold plc 2004 Deferred Annual Bonus Scheme ("DABS")***

Whilst no awards have to this date been made under the DABS, awards are capable of being made in the future. The principal terms that relate to the DABS are as follows:

5.6.1 *Status of the DABS*

The DABS is operated in conjunction with the Group's discretionary performance related annual bonus scheme. The Remuneration Committee may invite employees to acquire shares in the Company from a proportion of their annual bonus and lodge such shares for the purposes of the DABS.

Participants who accept invitations to lodge such shares ("the Lodged Shares") will receive an award ("DABS Award") enabling them to acquire additional matching shares at the end of a performance period subject to the satisfaction of performance conditions, continued employment and based on the number of Lodged Shares which have been retained in the deferral mechanism.

The DABS Awards will be made as either share options or contingent share awards.

5.6.2 *Administration*

The DABS is governed by its rules and administered by the Board.

5.6.3 *Eligibility*

Any executive Director or employee of the Group is eligible to participate in the DABS.

5.6.4 *Making of DABS Awards*

DABS Awards may only be granted in the period of 42 days following the announcement of the Company's interim or final results, or at other times if the Remuneration Committee considers there are exceptional circumstances.

A DABS Award will be personal to the participant and not transferable (other than on death when it can be exercised by the participant's personal representatives).

No DABS Award can be granted more than ten years after adoption of the DABS and no DABS award can be granted to an employee less than six months before his normal retirement date.

5.6.5 *Performance Targets*

At the time of grant of a DABS Award, the Remuneration Committee will set performance targets which must be satisfied before the DABS Award can vest.

Performance targets once set will not be amended unless an event occurs which causes the Remuneration Committee to consider that an amended target would be a fairer measure of performance and is not materially less difficult to satisfy.

In addition to the use of performance targets, the Remuneration Committee has the right to determine that an award cannot vest if it feels that such vesting would not be supported by the underlying financial performance of the Company.

5.6.6 *The Lodged Shares*

The Lodged Shares cannot be forfeited by participants regardless of performance. Any increases/decreases in the value of the Lodged Shares will therefore be received/borne by the participants.

The Lodged Shares will continue to be beneficially held by the participants who shall be entitled to exercise the voting power attaching to those shares and shall be entitled to receive dividends.

5.6.7 *Award Price*

The award price shall be determined by the Remuneration Committee.

5.6.8 *Participation Limits*

The maximum annual bonus derived from the Company's annual bonus plan that can be eligible for the DABS is 60 per cent. of the participant's net (post tax) basic salary.

The value of Lodged Shares which may be invested is limited to a percentage of the participant's net (post tax) eligible annual bonus. There will be an overriding maximum permitted 100 per cent. of the net (post tax) eligible annual bonus. If a participant decides to invest in Lodged Shares, the Remuneration Committee may, from time to time, set a minimum value of Lodged Shares which may be invested.

The number of matching shares which may be awarded to a participant will be limited to 150 per cent. (by number) of the shares lodged by the participant. This means that the initial value of Matching Shares will not exceed 150 per cent. of the net (post tax) eligible annual bonus. The maximum number of Matching Shares which may be awarded to a participant who is not an executive Director will be 100 per cent. (by number) of the shares lodged by that participant.

5.6.9 *DABS Limits*

The DABS provides that no more than ten per cent. of the issued ordinary share capital of the Company, from time to time, should be issued under all share incentive schemes in any rolling ten year period. In addition, no more than five per cent. of the issued ordinary share capital of the Company should be issued under any discretionary share incentive scheme in any rolling ten year period.

5.6.10 *Vesting of DABS Awards*

Generally, and subject to the attainment of performance targets, a DABS Award will vest (and in the case of an option, become exercisable) after the third anniversary of its date of award.

If a participant ceases to be an employee of the Group, then his award shall lapse immediately save that where such cessation is due to death, whereupon an award (or a proportion thereof) may vest.

The Remuneration Committee may also determine that an award shall not automatically lapse on cessation of employment (for reasons other than death) and that it (or a proportion thereof) shall vest.

In the event of a takeover, reconstruction, amalgamation or winding up of the Company, the DABS Awards vest immediately subject to the achievement of the performance targets.

5.6.11 *Adjustments to Ordinary Share Capital*

Upon any variation of the share capital of the Company, whether by way of a capitalisation issue (other than a capitalisation issue in substitution for or as an alternative to a cash dividend), a rights issue or any sub-division, consolidation, reduction or other variation of the Company's share capital, the award price and/or the number of shares comprised in a DABS Award may be adjusted in such manner as the Remuneration Committee determines. The Remuneration Committee may seek the advice of auditors in making such adjustments.

5.6.12 *Amendments*

The Remuneration Committee may from time to time amend the rules of the DABS provided that the prior approval of the Company in general meeting is obtained for alterations to the advantage of participants, save for minor amendments in order to benefit the administration of the DABS or to take account of or maintain favourable tax treatment.

6. **Directors' and other interests**

6.1 The Directors of Renold and their respective functions are as follows:

<i>Director</i>	<i>Position</i>
Matthew Peacock	<i>Non-executive Chairman</i>
Robert Davies	<i>Chief Executive Officer</i>
Peter Bream	<i>Finance Director</i>
David Shearer	<i>Senior Non-executive Director</i>
John Allkins	<i>Non-executive Director</i>

6.2 The business address of each of the Directors is Renold House, Styal Road, Wythenshawe, Manchester M22 5WL.

6.3 The brief biographical details of the Directors are set out in Part IV of this document.

6.4 The interests of each Director, all of which are beneficial (except as noted below), in the existing share capital of the Company are as follows:

<i>Director</i>	<i>Existing Ordinary Shares</i>	<i>%</i>
Matthew Peacock ⁽¹⁾	12,937,500	16.79
Robert Davies	254,000	0.33
Peter Bream	27,500	0.04
David Shearer	30,000	0.04
John Allkins	—	—

Note:

(1) Matthew Peacock is indirectly interested in 12,937,500 Existing Ordinary Shares through Hanover I Master Fund LP.

- 6.5 The Directors are also interested in Existing Unissued Ordinary Shares under Options held by them pursuant to the Share Option Schemes, all of which were granted for nil consideration, as follows:

<i>Director</i>	<i>Existing Unissued Ordinary Shares</i>	<i>Exercise Price</i>	<i>Exercise Period</i>		<i>Scheme</i>
			<i>From</i>	<i>To</i>	
Robert Davies	125,000	76.50	11.03.07	10.03.14	1995 Scheme
	475,000	88.00	02.09.07	01.09.14	Unapproved Scheme
	100,000	61.60	26.07.09	25.07.16	Unapproved Scheme
	100,000	114.20	02.01.10	01.01.17	Unapproved Scheme
	150,000	92.55	27.11.10	26.11.17	Unapproved Scheme
	568,083	75.90	31.03.11	30.03.18	Unapproved Scheme
	180,292	77.00	01.04.11	31.03.18	Unapproved Scheme
Peter Bream	48,701	61.60	26.07.09	25.07.16	Approved Scheme
	101,299	61.60	26.07.09	25.07.16	Unapproved Scheme
	60,000	114.20	02.01.10	01.01.17	Unapproved Scheme
	100,000	92.55	27.11.10	26.11.17	Unapproved Scheme
	237,154	75.90	31.03.11	30.03.18	Unapproved Scheme

- 6.6 The Directors are also interested in the share capital of the following Subsidiaries which they hold on behalf of the Company:

<i>Director</i>	<i>Name of Subsidiary</i>	<i>Number of shares held</i>
Robert Davies	Brampton Renold SA	1
Peter Bream	Perry Belge SA	3

- 6.7 Save as disclosed above, no Director has any interest in the share capital or loan capital of the Company or any of its Subsidiaries nor does any person connected with the Directors (within the meaning of section 252 of the CA 2006) have any such interests, whether beneficial or non-beneficial.

- 6.8 The following table lists all companies and partnerships outside the Group of which any Director is or has been a director or partner in the previous five years:

<i>Director</i>	<i>Current directorships and partnerships</i>	<i>Previous directorships and partnerships</i>
Matthew Peacock	STV Group PLC	Dataforce Group Limited
	Fairpoint Group PLC	Dataforce Holdings Limited
	Singer Capital Markets Limited	4Imprint Group Plc
	Hanover Investors Limited	TDX Group Limited
	Hanover Investors Management LLP	Elementis Plc
	Hanover General Partner I Limited	Cosalt Public Limited Company
	Hanover Investors Management (Cayman) Limited	Plasmon PLC
	Umbriacorp SRL	Iforce Europe Limited
	Dauphin Capital General Partner Limited	Iforce Group Limited
	Hanover (Cayman) General Partner II LP	Hanover Investors Partners IV LLC
	Hanover Investors Partners VIII LLC	Hanover Investors Partners V LLC
Robert Davies	Economic Solutions Limited	None
Peter Bream	None	Provalis Plc
		Provalis UK Limited
		Provalis Diagnostics Limited
		Provalis Healthcare Limited
		Provalis Diagnostics (USA) Limited
		Cortecs Pharmaceutical Investments Limited
		Cortecs Securities Limited
		Thames Laboratories Limited
		Whybrand Limited

<i>Director</i>	<i>Current directorships and partnerships</i>	<i>Previous directorships and partnerships</i>
David Shearer	The Glasgow School of Art Scottish Financial Enterprise Aberdeen New Dawn Investment Trust Plc STV Group plc Martin Currie Limited Mithras Investment Trust plc Superglass Holdings plc Martin Currie (Holdings) Limited	Halifax Limited (formerly Halifax plc) HBOS plc HBOS Treasury Services Limited (formerly HBOS Treasury Services plc) Smart Digs 2005 Limited Castle Topco Limited Castle Midco Limited Castle Bidco Limited Crest Nicholson plc Deloitte & Touche LLP Deloitte & Touche Bank of Scotland plc (formerly The Governor and Company of the Bank of Scotland)
John Allkins	Intec Telecom Systems plc Molins Public Limited Company Fairpoint Group plc Albemarle & Bond Holdings plc Linpac Group Limited	Mytravel Group plc Mytravel Aviation 757 Leasing Limited Mytravel UK Limited Parkway 2005 plc Thomas Cook Airlines Limited Thomas Cook Treasury Limited Thomas Cook Group plc Parkway Northern Europe Holdings A/S

- 6.9 Matthew Peacock was until 23 May 2008 a director of Plasmon plc. Plasmon plc went into administration on 6 October 2008. Peter Bream was previously a director of Provalis plc until 31 March 2006. Provalis plc went into solvent liquidation through a members voluntary liquidation procedure on 15 September 2006.
- 6.10 Save as disclosed in paragraph 6.9 above, no Director for at least the previous five years:
- 6.10.1 has any convictions in relation to fraudulent offences; or
- 6.10.2 has been bankrupt or the subject of an individual voluntary arrangement, or has had a receiver appointed to any asset of such Director; or
- 6.10.3 has been a director of any company which, while he was a director had a receiver appointed or went into compulsory liquidation, creditors voluntary liquidation, administration or company voluntary arrangement, or made any composition or arrangement with its creditors generally or with any class of its creditors; or
- 6.10.4 has been a partner of any partnership which, while he was a partner, went into compulsory liquidation, administration or partnership voluntary arrangement, or had a receiver appointed to any partnership asset; or
- 6.10.5 has had any public criticism and/or sanction by statutory or regulatory authorities (including designated professional bodies); or
- 6.10.6 has been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.
- 6.11 So far as the Directors are aware, no person, directly or indirectly, jointly or severally, exercises or could exercise control over the Company.
- 6.12 So far as the Directors are aware, there are no arrangements the operation of which may at a later date result in a change of control of the Company.
- 6.13 Save as disclosed below, the Company is not aware of any person who is directly or indirectly interested in five per cent. or more of the issued share capital or voting rights of the Company:

	<i>Existing Ordinary Shares</i>	<i>%</i>
Hanover I Master Fund LP ⁽¹⁾	12,937,500	16.79
M&G Investment Management	11,345,240	14.72
Henderson Global Investors	11,196,585	14.53
SVG Advisers	5,848,186	7.59

Note:

- (1) Matthew Peacock is indirectly interested in 12,937,500 Existing Ordinary Shares through Hanover I Master Fund LP.

- 6.14 None of the Company's major holders of shares listed above has voting rights which are different from other holders of ordinary shares.
- 6.15 There are no loans made or guarantees granted or provided by any member of the Group to or for the benefit of any Director.
- 6.16 No Director is or has been interested in any transaction which is or was unusual in its nature or conditions or is or was significant to the business of the Group and which was effected by the Company or any of its subsidiaries during the current or immediately preceding financial year or which was effected by the Company or any of its subsidiaries during any earlier financial year and remains in any respect outstanding or unperformed.
- 6.17 In respect of the Directors, there are no conflicts of interest between any duties they have to the Company and their private interests and/or other duties they may have save as set out in paragraphs 6.18 to 6.19 below.
- 6.18 Matthew Peacock is a principal of Hanover I Master Fund LP, which holds 16.79 per cent. of the share capital of the Company.
- 6.19 Matthew Peacock is the chairman of the Company's broker and financial adviser, Singer Capital Markets.
- 6.20 The aggregate amount of remuneration (including any contingent or deferred compensation) payable and benefits in kind granted to Directors was £668,000 for the financial year ended 31 March 2009.

The remuneration of each Director for the year ended 31 March 2009 was as follows:

	2009				2008	
			Benefits			
<i>Executive Directors</i>	<i>Salary/fees</i> £'000	<i>Bonus</i> £'000	<i>Cash</i> £'000	<i>Non-cash</i> £'000	<i>Total</i> £'000	<i>Total</i> £'000
Robert Davies	285	—	—	33	318	504
Peter Bream	180	—	11	1	192	224
	<u>465</u>	<u>—</u>	<u>11</u>	<u>34</u>	<u>510</u>	<u>728</u>
	2009				2008	
			Benefits			
<i>Non-executive Directors</i>	<i>Salary/fees</i> £'000	<i>Bonus</i> £'000	<i>Cash</i> £'000	<i>Non-cash</i> £'000	<i>Total</i> £'000	<i>Total</i> £'000
Matthew Peacock	50	—	—	—	50	25
Barbara Beckett ⁽¹⁾	10	—	—	—	10	30
David Shearer	35	—	—	—	35	32
John Allkins ⁽²⁾	33	—	—	—	33	—
Roderick Powell ⁽³⁾	30	—	—	—	30	55
	<u>623</u>	<u>—</u>	<u>11</u>	<u>34</u>	<u>668</u>	<u>870</u>

Notes:

- (1) Barbara Beckett resigned from the Board on 30 July 2008
- (2) John Allkins was appointed to the Board on 17 April 2008
- (3) Roderick Powell resigned from the Board on 21 September 2009

7. Directors service contracts

- 7.1 Robert Davies is employed by the Company as Chief Executive, pursuant to a service agreement dated 2 March 2004 (supplemented by side letters dated 2 March 2004 and 7 May 2004). The agreement provides for an annual base salary of £285,000 (plus bonus agreed from time to time with the Company and Robert Davies), the use of a company car, membership of a private medical scheme, permanent health insurance, life assurance cover and pension contributions equal to 15 per cent. of basic salary. The agreement is not for a fixed term and it shall be terminable no later than the date on which Robert Davies shall retire unless the Company and

Robert Davies agree an alternative date in writing. The agreement may be terminated by the Company giving 12 months' written notice and Robert Davies giving 12 months' written notice. If the Company terminates the agreement by exercising its rights to pay in lieu of notice, the Company is required to make a payment equal to the aggregate of basic salary, bonus and the value of other benefits for the unexpired notice period.

- 7.2 Peter Bream is employed by the Company as Group Finance Director, pursuant to a service agreement dated 29 June 2006. The agreement provides for an annual base salary of £180,000 (plus bonus agreed from time to time with the Company and Peter Bream), the use of a company car, membership of a private medical scheme, permanent health insurance, life assurance cover and pension contributions equal to 15 per cent. of basic salary. The agreement is not for a fixed term and it shall terminate no later than the date on which Peter Bream shall retire unless the Company and Peter Bream agree an alternative date in writing. The agreement may be terminated by the Company giving 12 months' written notice and Peter Bream giving 12 months' written notice. If the Company terminates the agreement by exercising its rights to pay in lieu of notice, the Company is required to make a payment equal to the aggregate of basic salary, bonus and the value of other benefits for the unexpired notice period.
- 7.3 The services of Matthew Peacock as non-executive Director and Chairman are provided under the terms of a letter of appointment dated 1 December 2006 and supplemented by a letter of appointment dated 12 November 2009. The appointment is for a period for 3 years commencing from 21 September 2009 subject to earlier termination by either party giving written notice (no notice period is specified), at a current fee of £50,000.
- 7.4 The services of David Shearer as senior independent non-executive Director are provided under the terms of a letter of appointment dated 13 June 2007 for a period of 3 years commencing from 1 May 2007, subject to earlier termination by either party giving written notice (no notice period is specified), at a current fee of £37,500.
- 7.5 The services of John Allkins as non-executive Director are provided under the terms of a letter of appointment dated 12 May 2008 for a period of 3 years commencing from 17 April 2008, subject to earlier termination by either party giving written notice (no notice period is specified), at a current fee of £35,000.
- 7.6 With effect from 1 April 2009, the Directors have agreed to temporarily reduce their salaries by 10 per cent. in recognition of the current difficult economic trading environment.
- 7.7 There are no service agreements in existence between any of the Directors and the Company or any of its subsidiaries which cannot be determined by the employing company without payment of compensation (other than statutory compensation) within one year.

8. The Board and corporate governance

Directors details

Details of appointment periods are as follows:

<i>Director</i>	<i>Date of contract</i>	<i>Expiry date of current term/ Notice period</i>
Robert Davies	2 March 2004	Terminable on 12 months notice
Peter Bream	29 June 2006	Terminable on 12 months notice
<i>Non-executive Director</i>	<i>Date of current appointment or reappointment</i>	<i>Date of election/last re-election</i>
Matthew Peacock	21 September 2006	21 September 2009
David Shearer	1 May 2007	21 September 2009
John Allkins	17 April 2008	30 July 2008

Corporate Governance

The Board is committed to the highest standards of corporate governance and has addressed the provisions of the Combined Code on Corporate Governance (“the Code”) issued by the Financial Reporting Council in June 2006 and as amended. The following summary shows how, in the year ended 31 March 2009, the Board applied the 14 principles of good governance set out in Section one of the Code. As at the date of this document, the Company is and has been compliant throughout the year with the Code save as set out below.

Directors have been made aware of the Code recommendation that, where they have concerns that cannot be resolved about the running of the Company or a proposed action, they should ensure that their concerns are recorded in the Board minutes. Non-executive Directors have also been made aware of the recommendation that, on resignation, they should provide a written statement to the Chairman, for circulation to the Board, if they have any such concerns.

The Code attaches importance to Boards having processes for individual and collective performance evaluation. The Board has accordingly reviewed and updated existing processes for evaluating its operation and performance, including committees.

For the individual performance evaluation, executive Directors are assessed by the Remuneration Committee against annual performance targets. The Chairman talks to each non-executive at least annually about a review of their performance, and the senior independent Director leads an evaluation process of the performance of the Chairman in discussion with the other non-executives and taking account of the views of the executives.

Where a non-executive Director stands for re-election, the Chairman will confirm to Shareholders whether he is satisfied from formal performance evaluation that the person’s performance continues to be effective and to demonstrate commitment to the role.

Non-compliance

Matthew Peacock acted as the interim chairman of the Audit Committee until 17 April 2008 when he was replaced by John Allkins. As a result, for a limited time, the Company was not compliant with paragraph C.3.1 of the Code which states that all members of the Audit Committee should be independent non-executive directors.

Matthew Peacock is a principal of a significant shareholder, Hanover I Master Fund LP which, as at the date of this document, holds 16.79 per cent. of the Existing Ordinary Shares. The Board considers that, whilst the Company is not in compliance with paragraph A.2.2 of the Code (which states that the Chairman should, on appointment, meet the independence criteria set out at paragraph A.3.1 of the Code) nor with paragraph C.3.1 of the Code, Matthew Peacock acts with complete independence of character and judgment.

Committee details

Remuneration Committee

The Remuneration Committee currently comprises two independent non-executive Directors of the Company. The members of the Remuneration Committee are:

- David Shearer (*Chairman*)
- John Allkins

The Remuneration Committee meets at least twice per year and agrees further meetings at its discretion. The Chairman of the Remuneration Committee has the power to call a meeting.

The Chairman of the Remuneration Committee is appointed by the Board on the recommendation of the Nomination Committee. The quorum for the Remuneration Committee is two and in the absence of the Chairman, the other members present shall choose one of them to chair the meeting. Maggie Hurt, the Group HR Director, is the secretary of the Remuneration Committee.

The duties of the Remuneration Committee are to:

- determine and agree with the Board the framework or broad policy for the remuneration of the Company's Chief Executive, Chairman, and the executive directors including salary, benefits such as share options, performance bonuses, health care schemes, cars, pensions and any other benefits. The remuneration of non-executive Directors will be a matter for the Chairman and the executive members of the Board. No Director or manager will be involved in any decisions as to their own remuneration;
- in determining such policy, take into account all factors which it deems necessary. The objective of such policy will be to ensure that the executive Directors of the Company are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Company;
- review the ongoing appropriateness and relevance of the remuneration policy;
- approve the design of any performance related pay schemes offered to senior management;
- review the design of all share incentive plans for approval by the Board and Shareholders. For any such plans, determine each year whether awards will be made, and if so, the overall amount of such awards to executive Directors and the performance targets to be used;
- determine the policy for, and scope of, pension arrangements for each executive Director;
- ensure that executive Directors' contractual terms on termination, and any payments made to executive Directors, are fair to the individual and the Company, that failure is not rewarded and that the duty to mitigate loss is fully recognised;
- within the terms of the agreed policy and in consultation with the Chairman and/or Chief Executive Officer as appropriate, determine the total individual remuneration package of each executive Director including bonuses, incentive payments and share options or other share awards;
- in determining such packages and arrangements, give due regard to any relevant legal requirements, the provisions and recommendations in the Code and the UKLA's Listing Rules and associated guidance;
- monitor and review senior management development;
- oversee any major changes in employee benefits structures throughout the Company or its Group affecting senior management;
- agree the policy for authorising claims for expenses from the Chief Executive Officer and/or the Chairman;
- ensure that all provisions regarding disclosure of remuneration, including pensions, are fulfilled;
- be responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for remuneration consultants who advise the Remuneration Committee in respect of the advice provided solely to the Remuneration Committee; and
- obtain reliable, up-to-date information about remuneration in other companies. The Remuneration Committee will have full authority to commission any reports or surveys which it deems necessary to help it fulfil its obligations.

The Remuneration Committee is authorised by the Board to:

- to obtain any outside legal or other professional advice; and
- within any budgetary restraints imposed by the Board, to appoint remuneration consultants, and to commission or purchase any relevant reports, surveys or information which it deems necessary to help fulfil its duties.

Audit Committee

The Group employs rigorous procedures to ensure the continued independence of the external auditor. The Audit Committee reviews each year the arrangements for safeguarding auditor objectivity and independence.

The members of the Audit Committee are:

- John Allkins (*Chairman*)
- David Shearer

The Audit Committee meets at least four times per year and agrees further meetings at its discretion. The chairman of the Audit Committee is approved by the Board. The quorum for the Audit Committee is two and, in the absence of the Chairman, the other members present shall select one of them to chair the meeting. The company secretary of the Company is the secretary of the committee.

John Allkins was previously the finance director of MyTravel Group plc and prior to that, he held a number of finance director roles within BT plc. As a whole, the Audit Committee has recent and relevant financial expertise and is appropriately qualified to undertake its duties in an effective manner.

The duties of the Audit Committee are to:

- review financial reporting;
- review and report on internal controls and the management system;
- review and report on whistle-blowing and fraud procedure;
- review and report on scopes, results and effectiveness of internal audit; and
- review and report on scopes, results and effectiveness of external audit.

The Audit Committee is authorised by the Board to:

- seek any information it requires from any employee of the Company in order to perform its duties;
- obtain, at the Company's expense, outside legal or other professional advice on any matter within its terms of reference; and
- call any employee to be questioned at a meeting of the Audit Committee as and when required.

Nomination Committee

The Nomination Committee comprises the following members:

- Matthew Peacock (*Chairman*)
- David Shearer
- John Allkins

The Company is not fully compliant with A.4.1 of the Code in that one of the three members are not considered to be fully independent non-executive Directors. The Nomination Committee meets as and when appropriate. The chairman of the Nomination Committee is appointed by the Board. The quorum for Nomination Committee meetings is two members, both of whom must be independent non-executive Directors. In the absence of the chairman, the other members present shall select one of them to chair the meeting. The chairman of the Board will not chair the Nomination Committee when it is dealing with the matter of succession to the chairmanship of the Company. The company secretary of the Company is the secretary of the committee.

The duties of the Nomination Committee are to:

- review the structure, size and composition (including the skills, knowledge and experience) required of the Board compared to its current position and make recommendations to the Board with regard to any changes;

- give full consideration to succession planning for Directors and other senior executives in the course of its work, taking into account the challenges and opportunities facing the Company, and what skills and expertise are therefore needed on the Board in the future;
- be responsible for identifying and nominating for the approval of the Board, candidates to fill Board vacancies as and when they arise;
- before any appointment is made by the Board, evaluate the balance of skills, knowledge and experience on the Board, and, in the light of this evaluation, prepare a description of the role and capabilities required for a particular appointment;
- keep under review the leadership needs of the organisation, both executive and non-executive, with a view to ensuring the continued ability of the organisation to compete effectively in the marketplace;
- keep up to date and fully informed about strategic issues and commercial changes affecting the Company and the market in which it operates;
- review annually the time required from non-executive Directors. Performance evaluation should be used to assess whether the non-executive Directors are spending enough time to fulfil their duties; and
- ensure that on appointment to the Board, non-executive Directors receive a formal letter of appointment setting out clearly what is expected of them in terms of time commitment, Committee service and involvement outside Board meetings.

The Nomination Committee will also make recommendations to the Board concerning:

- formulating plans for succession for both executive and non-executive Directors and, in particular, for the key roles of Chairman and Chief Executive Officer;
- suitable candidates for the role of Senior Independent Director;
- membership of the Audit and Remuneration Committees, in consultation with the chairmen of those Committees;
- the re-appointment of any non-executive Director at the conclusion of their specified term of office, having given due regard to their performance and ability to continue to contribute to the Board in the light of the knowledge, skills and experience required;
- the re-election by Shareholders of any Director under the ‘retirement by rotation’ provisions in the Articles, having given due regard to their performance and ability to continue to contribute to the Board in the light of the knowledge, skills and experience required;
- any matters relating to the continuation in office of any Director at any time, including the suspension or termination of service of an executive Director as an employee of the Company subject to the provisions of the law and their service contract; and
- the appointment of any Director to executive or other office other than to the positions of Chairman and chief executive, the recommendation for which would be considered at a meeting of the full Board.

The Nomination Committee is authorised by the Board to:

- seek any information it requires from any employee of the Company in order to perform its duties; and
- obtain, at the Company’s expense, outside legal or other professional advice on any matters within its terms of reference.

9. Placing and Open Offer and Firm Placing arrangements

The Placing Agreement dated 17 November 2009 between the Company (1) Singer Capital Markets (2) and Smith & Williamson (3) pursuant to which Singer Capital Markets has agreed, as agent for the Company, to use its reasonable endeavours to procure subscribers for the Firm Placed Shares and for the Open Offer Shares not taken up under the Open Offer at the Issue Price and, to the extent that it does not procure such subscribers, to subscribe for such Firm Placed Shares and/or Open Offer Shares itself.

The Placing Agreement provides, *inter alia*, for payment of the following amounts by the Company to Singer Capital Markets (together with VAT where applicable):

- (i) a corporate advisory fee; and
- (ii) an underwriting commission equal to 3.25 per cent. of the gross proceeds of the issue of those Open Offer Shares and those Firm Placed Shares subscribed by persons other than Hanover I Master Fund LP and its affiliates and 1.00 per cent. of the gross proceeds of the issue of those Open Offer Shares and those Firm Placed Shares subscribed by Hanover I Master Fund LP and its affiliates.

In addition, the Company will be liable to pay any sub-underwriting commissions payable to Conditional Placees under the Placing, subject to a maximum per Conditional Placee of 1.25 per cent. of their Placing commitment. The Company will bear all other expenses of and incidental to the Placing and Open Offer and Firm Placing, including the fees of the London Stock Exchange and the Financial Services Authority, printing costs, Registrar's and receiving banker's fees, and all legal and accounting fees of the Company and of Singer Capital Markets and Smith & Williamson.

The Placing Agreement contains certain customary warranties and indemnities by the Company in favour of Singer Capital Markets and Smith & Williamson and is conditional, *inter alia*, on:

- (i) the passing of the Resolutions without any amendment;
- (ii) the Placing Agreement having become unconditional in all respects (save for the condition relating to Admission) and not having been terminated in accordance with its terms; and
- (iii) Admission becoming effective not later than 8.00 a.m. on 10 December 2009 (or such later date as the Company, Singer Capital Markets and Smith & Williamson may agree).

Singer Capital Markets and Smith & Williamson may terminate the Placing Agreement in certain limited circumstances if, *inter alia*, an event occurs, or if there is a fundamental change in national or international financial, economic, political, military or stock market conditions or any disaster, which in the opinion of either Singer Capital Markets or Smith & Williamson (each acting in good faith) makes it impracticable or inadvisable to proceed with the Placing and/or Open Offer and/or the Firm Placing and/or allow Admission to become effective but, in any event, not after Admission.

10. Material contracts

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Company and its subsidiaries during the two years preceding the date of this document and are or may be material or contain any provision under which any member of the Group has an obligation or entitlement which is material to the Group as at the date of this document:

10.1 Acquisition of the business and business assets of LGB

10.1.1 Sale and purchase agreement

On 24 June 2008, a sale and purchase agreement was entered into between LGB and Renold Chain India Private Limited ("RCIP") for the acquisition by RCIP of the industrial chains business, leaf chains business and other non-automotive chains business (the "Businesses") carried out by LGB for an initial consideration of INR 480 million less amounts to take account of certain adjustments.

Under the terms of the sale and purchase agreement, RCIP benefited from standard representations and warranties customary for a transaction of this nature and size relating to, *inter alia*, capacity, accounts and records, assets, property, employees, contracts, compliance with legal requirements and taxation. The warranties were subject to limitations usual in a transaction of this nature.

LGB also entered into restrictive covenants in favour of RCIP relating to, *inter alia*, non-competition, non-solicitation of employees and non-interference with suppliers and customers and LGB remain bound by these covenants until 23 June 2013.

10.1.2 *Shareholders' agreement*

In connection with the acquisition of the Businesses by RCIP, LGB and Renold International Holdings Limited ("RIHL") entered into a shareholders' agreement with RCIP, the operating company, on 24 June 2008.

The agreement regulates the relationship between the parties and the transfer of equity shares by LGB and RIHL. The agreement contains a call option giving RIHL the right to purchase all equity shares held by LGB at any time two years after the date of the agreement, exercisable by written notice. The agreement also contains drag along and tag along rights in the event of RIHL transferring all of its equity shares to a single transferee.

The agreement will terminate on the earliest to occur of (i) the date on which all of RCIP's shares are held by one shareholder; (ii) the date of written agreement for termination by RIHL, RCIP and LGB; (iii) the date of a change of control in either RIHL or LGB; or (iv) on the winding-up of RIHL, RCIP or LGB.

10.2 *Bank facilities*

The Group's main bank facilities and amendment agreement as described more fully in paragraph 2 of Part VI.

10.3 *Warrant Instruments*

The Warrant Instruments and proposed deed of variation as described more fully in paragraph 3 of Part VI.

10.4 *Placing Agreement*

The Placing Agreement as described more fully in paragraph 9 of this Part VIII above.

11. **Taxation**

The following statements are intended only as a general guide to current United Kingdom tax legislation and HMRC published practice as at the date of this document. They relate to stamp duty, stamp duty reserve tax, taxation of capital gains and taxation of dividends paid by the Company. They relate to persons who are resident and, in the case of individuals, ordinarily resident in the United Kingdom for UK tax purposes and who are beneficial owners of Existing Ordinary Shares. They may not relate to certain shareholders, such as dealers in securities. If a shareholder is in doubt as to his tax position or is subject to tax in any jurisdiction other than the United Kingdom, he should consult his professional adviser without delay.

Qualifying Shareholders who are Directors or employees of the Company or related to any such person are strongly advised to seek professional advice on their personal tax position in relation to the acquisition of any New Ordinary Shares pursuant to the Placing and Open Offer and Firm Placing.

11.1 *Stamp duty and stamp duty reserve tax ("SDRT")*

Except in relation to depository receipt arrangements or clearance services where special rules apply:

11.1.1 no stamp duty or stamp duty reserve tax will be payable on the issue of new shares in the Placing and Open Offer and Firm Placing;

11.1.2 save as mentioned in paragraphs 11.1.3 and 11.1.4 below, the transfer on sale outside the CREST system of Existing Ordinary Shares or New Ordinary Shares will generally, subject to an exemption for certain low value transactions, give rise to a stamp duty liability at the rate of 0.5 per cent. (rounded up to the nearest £5.00) of the amount or value of consideration given. Stamp duty is normally paid by the purchaser or transferee of the Existing Ordinary Shares or New Ordinary Shares. An unconditional agreement to transfer Existing Ordinary Shares or New Ordinary Shares will normally give rise to a charge to SDRT at the rate of 0.5 per cent. of the amount or value of the consideration for the Existing Ordinary Shares or New Ordinary Shares. However, where within six years of the date of the agreement (or, if the agreement was conditional, the date on which the agreement became unconditional), an instrument of transfer is executed and duly stamped and a claim is made, the SDRT liability will be cancelled and any SDRT which has been paid will be repaid (generally with interest). SDRT is normally the liability of the purchaser or transferee of the Existing Ordinary Shares or New Ordinary Shares;

11.1.3 where Existing Ordinary Shares or New Ordinary Shares are issued or transferred to issuers of depository receipts or providers of clearance services, or in certain circumstances, their nominees or agents, stamp duty or SDRT may be payable generally at the higher rate of 1.5 per cent. of the amount or value of the consideration payable or, in certain circumstances, the value of the Existing Ordinary Shares or New Ordinary Shares or, in the case of an issue to such persons, the price when issued of the Existing Ordinary Shares or New Ordinary Shares. Clearance service providers may opt, under certain circumstances, for the normal rates of stamp duty and SDRT (0.5 per cent.) to apply to an issue or transfer of Existing Ordinary Shares or New Ordinary Shares into, and to transactions within, the service instead of (i) the higher rate applying to an issue or transfer of Existing Ordinary Shares or New Ordinary Shares into the clearance system and (ii) the exemption for dealings in the Existing Ordinary Shares or New Ordinary Shares whilst in the system.

HMRC have recently announced, following a European Court of Justice decision, that the 1.5 per cent. charge on an issue of shares into a clearance system within the EU is suspended. Professional advice should be sought where this charge could arise on a transfer of shares or on an issue of shares into a non EU clearance system or a depository receipt system; and

11.1.4 under the CREST System, no stamp duty or SDRT will arise on a transfer of New Ordinary Shares into the system unless such transfer is made for a consideration in money or money's worth, in which case a liability to SDRT (usually at a rate of 0.5 per cent. of the consideration given) will arise. Paperless transfers of New Ordinary Shares within CREST will be liable to SDRT rather than stamp duty.

The above statements are intended as a general guide to the current UK stamp duty and SDRT position and apply whether or not a Shareholder is resident or ordinarily resident in the UK. Certain categories of person are not generally liable to stamp duty or SDRT and others may be liable at a higher rate or may, although not primarily liable for tax, be required to notify and account for it. Special rates apply to agreements made by market intermediaries and to certain sale and repurchase and stock borrowing arrangements. Shareholders who are in any doubt as to their tax position, should consult their own professional advisers without delay.

11.2 ***Taxation of capital gains***

11.2.1 *New Ordinary Shares acquired pursuant to the Open Offer*

To the extent that the issue of New Ordinary Shares to Qualifying Shareholders pursuant to the Open Offer is treated as a reorganisation of the Company's share capital for the purposes of United Kingdom tax on capital gains then any New Ordinary Shares taken up by a Qualifying Shareholder under the Open Offer will be added to that holder's original holding of New Ordinary Shares (held following the subdivision of the Existing Ordinary Shares) and will be treated as the same asset as the Qualifying Shareholder's Existing

Ordinary Shares and as though they had been acquired when the original holding was acquired. The price paid for such New Ordinary Shares will be added to the base cost of such Existing Ordinary Shares.

Indexation allowance will only be available in respect of amounts paid for New Ordinary Shares by corporate holders of Existing Ordinary Shares (although for these purposes, the consideration for New Ordinary Shares will normally be treated as having been incurred at the time it was actually paid or liable to be paid).

The published practice of HMRC to date has been to treat an acquisition of shares by an existing Shareholder up to his or her *pro rata* entitlement pursuant to the terms of an Open Offer as a reorganisation of the share capital of the company. However, it is not clear whether HMRC will apply this practice in circumstances where an Open Offer is not made to all Shareholders.

If, or to the extent that, the issue of New Ordinary Shares under the Open Offer (including pursuant to the Excess Application Facility) is not regarded as a reorganisation of the share capital of the Company, the New Ordinary Shares acquired by each Qualifying Shareholder under the Open Offer will, for capital gains purposes, be treated as having been acquired separately from the Existing Ordinary Shares at the price paid for those New Ordinary shares. It is not expected that any liability to capital gains tax will arise in respect of that acquisition. To the extent that a Qualifying Shareholder takes up New Ordinary Shares in excess of his Open Offer Entitlement pursuant to the Excess Application Facility, that will not constitute a re-organisation.

11.2.2 *New Ordinary Shares acquired pursuant to the Placing and Firm Placing*

The issue of New Ordinary Shares under the Placing and Firm Placing will not constitute a reorganisation of the share capital of the Company for capital gains tax purposes and, accordingly, any New Ordinary Shares acquired pursuant to the Placing and Firm Placing will be treated as acquired separately from any Existing Ordinary Shares held.

11.2.3 *Disposals*

If a Shareholder sells or otherwise disposes of all or some of the New Ordinary shares, he or she may, depending on his or her circumstances and subject to any available exemption or relief, incur a liability to capital gains tax.

In the case of a corporate Shareholder, indexation allowance may be available for the purpose of reducing any chargeable gain.

Individuals, trustees and personal representatives will (subject to any exemptions, reliefs, and/or allowable losses which are available to the Shareholder) be subject to tax on any gains arising at a rate of 18 per cent., with no taper relief or indexation allowance.

Individuals who are temporarily non-UK resident may, in certain circumstances, be subject to tax in respect of gains realised whilst they are not resident in the UK.

11.3 ***Taxation of dividends***

11.3.1 Under current UK tax legislation the Company is not required to withhold tax at source from dividend payments it makes.

11.3.2 Individual shareholders resident for tax purposes in the UK should generally be entitled to a tax credit in respect of any dividend received equal to one ninth of the amount of the dividend. Such individual shareholder's liability to United Kingdom tax is calculated on the sum of the dividend and the tax credit ("gross dividend") which, with certain other investment income, will be regarded as the top part of the individual's income and which will be subject to United Kingdom income tax at rates of tax described below. The tax credit therefore equals 10 per cent. of the gross dividends. The tax credit will be available to offset the shareholders liability (if any) to income tax on the gross dividend. Individual

shareholders liable to tax at the basic rate or at a rate which is lower than the basic rate will be liable to tax on dividends received at the rate of 10 per cent. This means that the tax credit will satisfy the income tax liability of such shareholders.

Individual shareholders who are liable to income tax at the higher rate will be liable to tax on dividend income at the rate of 32.5 per cent. After taking into account the 10 per cent. tax credit, a higher rate taxpayer will be liable to additional income tax of 22.5 per cent. of the gross dividend, equal to 25 per cent. of the net dividend.

The UK government has announced proposals to introduce, with effect from 6 April 2010, a new tax rate of 50 per cent. on income above £150,000. If, and to the extent that, the gross dividend received by a UK resident individual shareholder falls above the threshold for the new 50 per cent. rate that individual will be subject to income tax on the gross dividend at a new rate of 42.5 per cent.

A UK resident shareholder who is not liable to income tax in respect of the gross dividend and other UK resident shareholders who are not liable to tax on dividends, including pension funds and charities, will not be entitled to claim repayment of the tax credit attaching to dividends payable by the Company.

11.3.3 Shareholders who are within the charge to corporation tax will be subject to corporation tax on dividends paid by the Company, unless the dividends fall within an exempt class and certain other conditions are met. Whether an exempt class applies and the other conditions are met will depend on the circumstances of the shareholder however it is anticipated that dividends paid on the New Ordinary Shares would normally fall within one of the classes of exemption.

11.3.4 Non UK resident Shareholders will not generally be able to reclaim repayment from HMRC of any part of the tax credit attaching to dividends paid by the Company. A Shareholder resident outside the UK may also be subject to foreign taxation on dividend income under local law. Shareholders who are not resident for tax purposes in the UK should obtain their own tax advice on their tax liabilities on any dividends received from the Company.

12. Employees

The average numbers of staff employed by the Group for the three years ended 31 March 2007, 2008 and 2009 are set out below.

<i>Region</i>	<i>Number of Employees</i>		
	<i>2007</i>	<i>2008</i>	<i>2009</i>
UK and Ireland	743	729	700
Mainland Europe	633	612	604
Rest of world	680	1,136	1,326
	<u>2,056</u>	<u>2,477</u>	<u>2,630</u>

13. Investments

There are no investments made, being made by the Company or to be made in the future in respect of which firm commitments have been made.

14. Property, plant and equipment/environmental issues

The Group's principal establishments are listed on pages 71 to 72 of this document.

To the best of the Company's knowledge, as at 16 November 2009 (being the last practicable date prior to the publication of this document), the Company is unaware of any environmental issues that may affect the Company's utilisation of its tangible fixed assets.

15. Working capital

In the opinion of the Company, taking into account the bank facilities available to the Group and the net proceeds of the Placing and Open Offer and Firm Placing, the working capital available to the Group is sufficient for its present requirements, that is for at least the next twelve months from the date of this document.

16. Litigation

There are no, and have been no, governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company and/or Group is aware) during the period of 12 months preceding the date of this document which may have, or have had in the recent past, significant effects on the financial position or profitability of the Company and/or Group.

17. General

17.1 Save for the market developments disclosed in Part I, paragraph 3 of this document, there has been no significant change in the financial or trading position of the Group since 30 September 2009, the date to which the last interim accounts have been published.

17.2 Ernst & Young LLP has given and has not withdrawn its written consent to the inclusion in this document of its report and references thereto and to its name in the form and context in which it appears, and has authorised the contents of those parts of this document for the purposes of item 5.5.3R(2)(f) of the Prospectus Rules.

17.3 Smith & Williamson Corporate Finance Limited of 25 Moorgate, London EC2R 6AY, which is regulated by the Financial Securities Authority, has given and has not withdrawn its written consent to the inclusion in this document of its name in the form and context in which it appears.

17.4 Singer Capital Markets of One Hanover Street, London W1S 1YZ, which is regulated by the Financial Securities Authority, has given and has not withdrawn its written consent to the inclusion in this document of its name in the form and context in which it appears. Singer Capital Markets may be said to have an indirect material economic interest which may be dependant on the success of the Placing and Open Offer and Firm Placing by virtue of its interest in fees payable by the Company under the Placing Agreement.

17.5 The expenses of and incidental to the Placing and Open Offer and Firm Placing, including underwriting commissions, are estimated to amount to approximately £1.6 million (including VAT), and will be payable by the Company. The estimated net cash proceeds of the Placing and Open Offer and Firm Placing accruing to the Company are £26.9 million and will be used for the purposes described in Part III of this document.

17.6 Wherever possible and necessary, the Company will seek protection for intellectual property. The Group relies primarily on a combination of patents, confidentiality procedures and agreements and copyright and trade mark laws to protect any material propriety rights.

17.7 There are no arrangements under which future dividends are waived or agreed to be waived.

17.8 The annual accounts of the Company have been audited in accordance with national law for the years ended 31 March 2007, 2008 and 2009 by Ernst & Young LLP, Chartered Accountants, of 100 Barbirolli Square, Manchester M2 3EY. Auditors' reports in respect the statutory accounts for years ended 31 March 2007, 2008 and 2009 have been made and each such report was an unqualified report.

17.9 The New Ordinary Shares will only be listed on the Official List.

17.10 The Company's registrar and paying agent for the payment of dividends is Capita Registrars of Northern House, Woodsome Park, Fenay Bridge, Huddersfield HD8 0GA. The Company's registrar will maintain the records of securities held in certificated and uncertificated form.

18. Documents available for inspection

Copies of the following documents may be inspected at the offices of Eversheds LLP, One Wood Street, London EC2V 7WS during usual business hours on any weekday (excluding Saturdays, Sundays and public holidays) up to and including the date of Admission:

- 18.1 the memorandum of association of the Company and the Articles;
- 18.2 the audited consolidated accounts of the Company and its subsidiaries for the three financial periods ended 31 March 2007, 31 March 2008 and 31 March 2009;
- 18.3 the unaudited interim results of the Company and its subsidiaries for the six months ended 30 September 2009;
- 18.4 the report on the pro-forma statement of net assets set out in Part V above;
- 18.5 the consent letters referred to in paragraphs 17.2 to 17.4 of this Part VIII;
- 18.6 the Directors' service contracts and letters of appointment;
- 18.7 the material contracts of Renold referred to in paragraph 10 of this Part VIII; and
- 18.8 this document.

19. Availability of documents

Copies of this document will be available free of charge to the public at the office of Singer Capital Markets, One Hanover Street, London W1S 1YZ during normal business hours on any week day (Saturdays, Sundays and public holidays excepted) until close of business on the date of Admission.

Dated: 17 November 2009

PART IX

DOCUMENTS INCORPORATED BY REFERENCE

The interim results for the six months ended 30 September 2009, announced on a Regulatory Information Service on 17 November 2009, which contains information which is relevant to the Placing and Open Offer and Firm Placing, are available on Renold's website at www.renold.com.

The annual report and accounts of Renold for each of the financial years ended 31 March 2007, 2008 and 2009 are available for inspection in accordance with paragraph 18 of Part VIII of this document and contain information which is relevant to the Placing and Open Offer and Firm Placing. These documents are also available on Renold's website at www.renold.com.

The table below sets out the various sections of such documents which are incorporated by reference into this document, so as to provide the information required under the Prospectus Rules and to ensure that Shareholders and others are aware of all information which, according to the particular nature of Renold and of the New Ordinary Shares, is necessary to enable Shareholders and others to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of Renold.

<i>Document</i>	<i>Section</i>	<i>Page numbers in such document</i>
Announcement of interim results for the six months ended 30 September 2009	n/a	n/a
Annual Report and Accounts for the year ended 31 March 2009 together with audit report thereon	Financial Director's Review ¹	11
Annual Report and Accounts for the year ended 31 March 2009 together with audit report thereon	Consolidated income statement	36
Annual Report and Accounts for the year ended 31 March 2009 together with audit report thereon	Consolidated statement of recognised income and expense	39
Annual Report and Accounts for the year ended 31 March 2009 together with audit report thereon	Consolidated balance sheet	37
Annual Report and Accounts for the year ended 31 March 2009 together with audit report thereon	Consolidated cash flow statement	38
Annual Report and Accounts for the year ended 31 March 2009 together with audit report thereon	Statement of significant accounting policies	30
Annual Report and Accounts for the year ended 31 March 2009 together with audit report thereon	Notes to the accounts	40
Annual Report and Accounts for the year ended March 2009 together with audit report thereon	Independent auditors report	29
Annual Report and Accounts for the year ended 31 March 2008 together with audit report thereon	Financial Review ¹	11
Annual Report and Accounts for the year ended 31 March 2008 together with audit report thereon	Consolidated income statement	38
Annual Report and Accounts for the year ended 31 March 2008 together with audit report thereon	Consolidated statement of recognised income and expense	41
Annual Report and Accounts for the year ended 31 March 2008 together with audit report thereon	Consolidated balance sheet	39

<i>Document</i>	<i>Section</i>	<i>Page numbers in such document</i>
Annual Report and Accounts for the year ended 31 March 2008 together with audit report thereon	Consolidated cash flow statement	40
Annual Report and Accounts for the year ended 31 March 2008 together with audit report thereon	Statement of significant accounting policies	32
Annual Report and Accounts for the year ended 31 March 2008 together with audit report thereon	Notes to the accounts	42
Annual Report and Accounts for the year ended 31 March 2008 together with audit report thereon	Independent auditors report	31
Annual Report and Accounts for the year ended 31 March 2007 together with audit report thereon	Financial Review ¹	11
Annual Report and Accounts for the year ended 31 March 2007 together with audit report thereon	Consolidated income statement	30
Annual Report and Accounts for the year ended 31 March 2007 together with audit report thereon	Consolidated statement of recognised income and expense	30
Annual Report and Accounts for the year ended 31 March 2007 together with audit report thereon	Consolidated balance sheet	31
Annual Report and Accounts for the year ended 31 March 2007 together with audit report thereon	Consolidated cash flow statement	32
Annual Report and Accounts for the year ended 31 March 2007 together with audit report thereon	Statement of significant accounting policies	26
Annual Report and Accounts for the year ended 31 March 2007 together with audit report thereon	Notes to the accounts	33
Annual Report and Accounts for the year ended 31 March 2007 together with audit report thereon	Independent auditors report	25

1. The section “Financial Director’s Review” or “Financial Review”, as appropriate, contains information equivalent to an operating and financial review

PART X

DEFINITIONS

The following definitions apply throughout this document, unless the context otherwise requires:

“Admission”	admission of the Open Offer Shares and the Firm Placed Shares (i) to listing on the Official List and (ii) to trading on the London Stock Exchange’s main market for listed securities becoming effective in accordance with, respectively, LR 3.2.7G of the Listing Rules and paragraph 2.1 of the Admission and Disclosure Standards
“Admission and Disclosure Standards”	the requirements contained in the publication “Admission and Disclosure Standards” dated 7 September 2009 containing, among other things, the admission requirements to be observed by companies seeking admission to trading on the London Stock Exchange’s main market for listed securities
“Application Form”	the personalised application form on which Qualifying non-CREST Shareholders who are registered on the register of Renold at the Record Date may apply for Open Offer Shares under the Open Offer
“Articles”	the articles of association of the Company, a summary of which is set out in paragraph 4 of Part VIII – “Additional information”
“Board”	the board of Directors of the Company
“business day” or “business days”	a day or days (excluding Saturdays, Sundays and public holidays in England and Wales) on which banks generally are open for the transaction of normal banking business in the City of London
“Capita Registrars”	a trading name of Capita Registrars Limited
“Capital Reorganisation”	the proposed reorganisation of the share capital of the Company pursuant to the passing of the Resolutions
“CA 1985”	the Companies Act 1985
“CA 2006”	the Companies Act 2006
“CCSS”	the CREST Courier and Sorting Service established by Euroclear to facilitate, amongst other things, the deposit and withdrawal of securities
“certificated” or “in certificated form”	not in uncertificated form (that is, not in CREST)
“Chairman”	the chairman of the Company
“Closing Price”	the closing middle market quotation of an Existing Ordinary Share as derived from the Daily Official List
“Companies Acts”	the CA 1985 (as amended) and/or the CA 2006 as the context so requires
“Company” or “Renold”	Renold plc

“Conditional Placees”	any persons who have agreed or shall agree to subscribe for Open Offer Shares pursuant to the Placing subject to clawback to satisfy valid applications by Qualifying Shareholders pursuant to the Open Offer
“CREST”	the relevant system, as defined in the CREST Regulations, and the holding of shares in uncertificated form in respect of which Euroclear is the operator (as defined in the CREST Regulations)
“CREST Manual”	the rules governing the operation of CREST, consisting of the CREST Reference Manual, CREST International Manual, CREST Central Counterparty Service Manual, CREST Rules, Registrars Service Standards, Settlement Discipline Rules, CCSS Operations Manual, Daily Timetable, CREST Application Procedure and CREST Glossary of Terms (all as defined in the CREST Glossary of Terms promulgated by Euroclear on 15 July 1996 and as amended since)
“CREST member”	a person who has been admitted to Euroclear as a system-member (as defined in the CREST Regulations)
“CREST participant”	a person who is, in relation to CREST, a system-participant (as defined in the CREST Regulations)
“CREST Regulations” or “Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755), as amended
“CREST sponsor”	a CREST participant admitted to CREST as a CREST sponsor
“CREST sponsored member”	a CREST member admitted to CREST as a sponsored member
“Daily Official List”	the daily record published by the London Stock Exchange setting out the prices of all trades in shares and other securities conducted on the London Stock Exchange
“Deferred Share(s)”	the deferred shares of 20 pence each in nominal value in the capital of the Company as created pursuant to the Capital Reorganisation
“Directors” or “Board”	the directors of the Company, whose names are set out on page 15 of this document
“EBITDA”	the consolidated operating profit of the Group before taxation after adding back any amount attributable to the amortisation, depreciation or impairment of assets of members of the Group
“Enlarged Issued Share Capital”	the issued ordinary share capital of the Company following completion of the Placing and Open Offer and Firm Placing
“EU”	the European Union
“Euros”	the legal currency of the European Union
“Euroclear”	Euroclear UK & Ireland Limited, the operator of CREST
“Excess Application Facility”	the arrangement pursuant to which Qualifying Shareholders may apply for Open Offer Shares in excess of their Open Offer Entitlement (up to a maximum number of Open Offer Shares equal to 0.713686 times the number of Existing Ordinary Shares held in such Qualifying Shareholder’s name as at the

	Record Date) provided they have agreed to take up their Open Offer Entitlement in full and which may be subject to scaling back in accordance with the provisions of this document
“Excess CREST Open Offer Entitlement”	in respect of each Qualifying CREST Shareholder, the entitlement (in addition to his or her Open Offer Entitlement) to apply for Open Offer Shares up to 0.713686 times the number of Existing Ordinary Shares held in his or her name as at the Record Date, credited to his or her stock account in CREST, pursuant to the Excess Application Facility, which is conditional on such Qualifying CREST Shareholder agreeing to take up their Open Offer Entitlement in full and which may be subject to scaling back in accordance with the provisions of this document
“Excess Shares”	New Ordinary Shares in addition to the Open Offer Entitlement for which Qualifying Shareholders may apply under the Excess Application Facility
“Excluded Territory” or “Excluded Territories”	the United States, Australia, Canada, Japan and The Republic of South Africa
“Ex-entitlement Date”	17 November 2009 (the date on which the Existing Ordinary Shares are expected to be marked “ex-entitlement” by the London Stock Exchange)
“Executive Directors”	the executive members of the Board
“Executive Schemes”	the 1995 Scheme, the Approved Scheme and the Unapproved Scheme
“Existing Ordinary Shares”	the 77,064,703 existing ordinary shares of 25 pence each in nominal value in the capital of the Company as at the date of this document
“Existing Unissued Ordinary Shares”	the 8,044,036 existing unissued ordinary shares of 25 pence each in nominal value in the capital of the Company as at the date of this document which are subject to either option or warrant
“Financial Adviser”, “Broker” or “Singer Capital Markets”	Singer Capital Markets Limited
“Firm Placees”	any persons who have agreed or shall agree to subscribe for Firm Placed Shares pursuant to the Firm Placing
“Firm Placed Shares”	in aggregate 55,000,000 New Ordinary Shares which the Company is proposing to allot and issue pursuant to the Firm Placing
“Firm Placing”	the subscription by the Firm Placees for the Firm Placed Shares
“Form of Proxy”	the form of proxy accompanying this document for use by Shareholders in relation to the General Meeting
“FSA”	Financial Services Authority of the United Kingdom
“FSMA”	Financial Services and Markets Act 2000 (as amended from time to time)

“General Meeting”	the general meeting of the Company convened for the purpose of passing the Resolutions, to be held on 9 December 2009, including any adjournment thereof
“Group” or “Renold Group”	the Company and its Subsidiaries from time to time
“HMRC”	H.M. Revenue & Customs
“IAS”	International Accounting Standards
“IFRS”	International Financial Reporting Standards
“Issue Price”	20 pence per New Ordinary Share
“LGB”	L.G. Balakrishnan & Bros Ltd
“LIBOR”	the London Interbank Offered Rate
“Listing Rules”	the rules and regulations made by the FSA under Part VI of FSMA, as amended from time to time
“London Stock Exchange”	London Stock Exchange plc
“Member Account ID”	the identification code or number attached to any member account in CREST
“Money Laundering Regulations”	the Money Laundering Regulations 2007
“New Ordinary Shares”	the 219,564,703 new ordinary shares of 5 pence each in nominal value in the capital of the Company including the Open Offer Shares and the Firm Placed Shares
“Non-executive Directors”	the non-executive members of the Board
“Notice”	the notice of the General Meeting which forms part of this document
“Official List”	the Official List of the FSA pursuant to Part VI of FSMA
“Open Offer”	the offer to Qualifying Shareholders, constituting an invitation to apply for Open Offer Shares, including (in certain circumstances) pursuant to the Excess Application Facility, on the terms and subject to the conditions set out in this document and, in the case of Qualifying non-CREST Shareholders, in the Application Form
“Open Offer Entitlement”	the entitlement of a Qualifying Shareholder to apply for 1.13540955 Open Offer Shares for each Existing Ordinary Shares held by him on the Record Date, on and subject to the terms of the Open Offer but excluding Open Offer Shares pursuant to the Excess Application Facility
“Open Offer Shares”	the 87,500,000 New Ordinary Shares to be offered to Qualifying Shareholders under the Open Offer
“Options”	options over Existing Unissued Ordinary Shares granted under one of the Share Option Schemes
“Overseas Shareholders”	Shareholders with registered addresses in, or who are resident or ordinarily resident in, or citizens of jurisdictions outside, the United Kingdom
“Participant ID”	the identification code or membership number used in CREST to identify a particular CREST member or other CREST Participant

“Placees”	placees procured by Singer Capital Markets to subscribe for New Ordinary Shares under the Placing and the Firm Placing, being together the Conditional Placees and the Firm Placees
“Placing”	the conditional placing by Singer Capital Markets of the New Ordinary Shares to be issued pursuant to the Open Offer, on behalf of the Company on the terms and subject to the conditions contained in the Placing Agreement
“Placing Agreement”	the placing agreement dated 17 November 2009 between Singer Capital Markets, Smith & Williamson and the Company relating to the Placing and Open Offer and Firm Placing, the principal terms of which are summarised in paragraph 9 of Part VIII of this document
“Prospectus Rules”	the prospectus rules of the UK Listing Authority made in accordance with section 73A of FSMA, as amended from time to time
“Qualifying CREST Shareholders”	Qualifying Shareholders holding ordinary shares in uncertificated form in CREST
“Qualifying non-CREST Shareholders”	Qualifying Shareholders holding ordinary shares in certificated form
“Qualifying Shareholders”	holders of Existing Ordinary Shares on the register of members of the Company at the Record Date with the exclusion (subject to certain exceptions) of persons with a registered address or located or resident in an Excluded Territory
“Receiving Agents”	Capita Registrars
“Record Date”	5.00 p.m. in the UK on 13 November 2009
“Registrar”	Capita Registrars
“Regulatory Information Service”	one of the regulatory information services authorised by the UK Listing Authority to receive, process and disseminate regulatory information in respect of listed companies
“Related Party Transaction”	the issue of 8,096,935 New Ordinary Shares to M&G Investment Management pursuant to the Firm Placing, as described in paragraph 10 of Part I of this document
“Remuneration Committee”	the remuneration committee of the Board
“Resolutions”	the resolutions to be proposed at the General Meeting and set out in the Notice
“Securities Act”	the US Securities Act of 1933, as amended
“Share Issue”	together the Placing and Open Offer and Firm Placing
“Share Option Schemes”	the Renold plc 1995 Executive Share Option Scheme (“1995 Scheme”), the Renold plc 2004 HM Revenue & Customs Approved Company Share Option Plan (“Approved Scheme”), the Renold 2004 Unapproved Company Share Option Plan (“Unapproved Scheme”), the Renold plc 2004 Performance Share Plan, the Renold plc 2004 Deferred Annual Bonus Scheme and the Renold plc HM Revenue & Customs Approved Save As You Earn Share Option Scheme (“SAYE Scheme”)

“Shareholders”	holders of Existing Ordinary Shares and, following the Capital Reorganisation and Admission, holders of New Ordinary Shares
“Sponsor” or “Smith & Williamson”	Smith & Williamson Corporate Finance Limited
“£” or “sterling”	UK pounds sterling, the legal currency of the United Kingdom
“Subsidiary”	as defined in section 1159 of the CA 2006 and “Subsidiaries” shall be defined accordingly
“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland
“UK Listing Authority” or “UKLA”	the FSA in its capacity as the competent authority for the purposes of Part VI of FSMA and in the exercise of its functions in respect of admission to the Official List otherwise than in accordance with Part VI of FSMA
“uncertificated” or “in uncertificated form”	recorded in the register as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST
“US”, “USA” or “United States”	The United States of America, its territories and possessions, any state of the United States of America and the District of Columbia
“US\$”	the legal currency of the United States
“Warrants”	the right to subscribe for the Warrant Shares pursuant to the terms of the Warrant Instruments
“Warrantholders”	Fortis Bank, UK Branch and West Register (Investments) Limited
“Warrant Instruments”	the Series A and Series B warrant instruments entered into by the Company on 13 August 2009 by way of deed poll
“Warrant Shares”	the 3,500,000 Existing Unissued Ordinary Shares which are subject to the Warrant Instruments

NOTICE OF GENERAL MEETING

Renold plc

(Incorporated in England and Wales with registered number 249688)

NOTICE OF GENERAL MEETING

of

RENOLD PLC

NOTICE IS HEREBY GIVEN that a General Meeting (the “**General Meeting**”) of Renold plc (the “**Company**”) will be held at 12.00 p.m. at the offices of Singer Capital Markets Limited, One Hanover Street, London, W1S 1YZ on 9 December 2009 to consider and, if thought fit, pass Resolutions 1, 2, 4 and 5 as ordinary resolutions and Resolution 3 as a special resolution.

Subdivision of share capital

1. THAT, subject to and conditional upon Resolutions 2, 3, 4 and 5 being passed each of the ordinary shares of 25 pence in nominal value in the capital of the Company in issue at the close of business on the date of this meeting (the “**Existing Ordinary Shares**”) be subdivided and converted into one ordinary share of 5 pence in nominal value (the “**New Ordinary Shares**”) having the same rights (save as to nominal value) as an Existing Ordinary Share, and one deferred share of 20 pence in nominal value (the “**Deferred Shares**”) each Deferred Share having attached thereto the following rights and restrictions:
 - 1.1. on a winding-up or other return of capital, the Deferred Shares shall entitle the holders of such shares only to payment of the amounts paid up on those shares, after repayment to the holders of any and all 6 per cent. cumulative preference stock and any ordinary shares then in issue in the capital of the Company of the nominal amount paid up on such stock and ordinary shares held by them respectively and the payment in cash or in specie of £1 million on each of the ordinary shares;
 - 1.2 the Deferred Shares shall not entitle the holders of such shares to receive any dividend or other distribution (other than pursuant to paragraph 1.1 of this Resolution 1) or to receive notice of, or to attend, speak or vote at, any general meeting of the Company;
 - 1.3 the Deferred Shares shall not, save as provided in paragraph 1.4 of this Resolution 1, be transferable;
 - 1.4 the Company shall have an irrevocable authority from each holder of the Deferred Shares at any time to do all or any of the following without obtaining the sanction of the holder or holders of the Deferred Shares:
 - 1.4.1 to appoint any person to execute on behalf of any holder of Deferred Shares a transfer of all or any of those shares and/or an agreement to transfer the same (without making any payment for them) to such person or persons as the Company may determine and to execute any other documents which such person may consider necessary or desirable to effect such transfer, in each case without obtaining the sanction of the holder(s) and without any payment being made in respect of such acquisition;
 - 1.4.2 to purchase all or any of the shares in accordance with the Companies Act 2006 (“CA 2006”), without obtaining the consent of the holders of those shares in consideration of the payment to the holders whose shares are purchased of an amount not exceeding one penny in respect of all the Deferred Shares then being purchased;
 - 1.4.3 for the purposes of any such purchase, to appoint any person to execute a contract for the sale of any such shares to the Company on behalf of any holder of Deferred Shares;

- 1.4.4 to cancel all or any of the Deferred Shares purchased in accordance with the CA 2006; and
- 1.4.5 pending any such transfer, purchase or cancellation, to retain the certificates (if any) for all or any of the Deferred Shares; and
- 1.5 the reduction of capital paid up on the Deferred Shares and/or the creation or issue of further shares in the capital of the Company ranking in priority for payment of a dividend or in respect of capital or which confer on the holders voting rights more favourable than those conferred by the Deferred Shares shall be deemed not to vary or abrogate the rights attaching to the Deferred Shares.

Authority to allot shares

- 2. THAT, subject to and conditional upon Resolutions 1, 3, 4 and 5 being passed:
 - 2.1 the Directors of the Company be and they are hereby unconditionally authorised for the purposes of section 551 of the CA 2006, to exercise all of the powers of the Company to allot shares in the Company, and grant rights to subscribe for or to convert any security into shares of the Company:
 - 2.1.1 up to an aggregate nominal amount of £7,125,000 in connection with the Firm Placing and Placing and Open Offer (as defined in the prospectus of the Company dated 17 November 2009 of which this notice forms part (the “Prospectus”)); and
 - 2.1.2 otherwise than pursuant to sub-paragraph 2.1.1 above, up to an aggregate nominal amount of £3,659,411.70;
 - 2.2 the authorities granted at paragraph 2.1 above shall expire (unless renewed, varied or revoked by the Company) at the conclusion of the next Annual General Meeting of the Company;
 - 2.3 the Company may, before the authorities granted at paragraph 2.1 above expire, make an offer or agreement which would or might require relevant securities to be allotted after it expires and the Directors of the Company may allot securities in pursuance of such offer or agreement as if the relevant authority granted at paragraph 2.1 above had not expired; and
 - 2.4 the authorities set out in paragraph 2.1 above shall be in substitution for all previous or existing authorities under section 551 of the CA 2006 and/or section 80 of the Companies Act 1985.

Disapplication of pre-emption rights

- 3. THAT, subject to and conditional upon Resolutions 1, 2, 4 and 5 being passed:
 - 3.1 the Directors be and they are hereby empowered pursuant to section 570 of the CA 2006 to allot equity securities (within the meaning of section 560(1) of the CA 2006) for cash pursuant to the authority referred to in Resolution 2 above as if section 561(1) of the CA 2006 did not apply to any such allotment, provided that such power shall be limited to:
 - 3.1.1 the allotment of equity securities up to a nominal amount of £7,125,000 pursuant to or in connection with the Placing and Open Offer and Firm Placing (as defined and described in the Prospectus of which this notice forms part); and
 - 3.1.2 otherwise than pursuant to sub-paragraph 3.1.1 above, the allotment of equity securities up to an aggregate nominal amount of £548,911.75;
 - 3.2 the power granted at paragraph 3.1 above shall expire (unless renewed, varied or revoked by the Company) at the conclusion of the next Annual General Meeting of the Company;

- 3.3 the Company may, before the power granted at paragraph 3.1 above expires, make an offer or agreement which would or might require equity securities to be allotted after it expires and the Directors of the Company may allot securities in pursuance of such offer or agreement as if the power granted at paragraph 3.1 above had not expired; and
- 3.4 the power set out in paragraph 3.1 shall be in substitution for all existing powers or authorities under section 570 of the CA 2006 and/or section 95 of the Companies Act 1985.

Approving discount of market price

4. THAT, subject to and conditional upon Resolutions 1, 2, 3 and 5 being passed, the issue of 142,500,000 New Ordinary Shares of 5 pence each pursuant to the Firm Placing and Placing and Open Offer (as defined in the Prospectus) at a subscription price of 20 pence per share, which is a discount of 27.9 per cent. to the closing middle market price (as derived from the Daily Official List of the London Stock Exchange) of an Existing Ordinary Share on 16 November 2009 (the last trading day prior to announcement of the Placing and Open Offer), be and is hereby approved.

Approving related party transaction

5. THAT, subject to and conditional upon Resolutions 1, 2, 3 and 4 being passed, the participation of M&G Investment Management and the allotment and issue of 8,096,935 New Ordinary Shares to M&G Investment Management at the Issue Price and pursuant to the Firm Placing (as defined in the Prospectus) be and is hereby approved as a related party transaction for the purposes of Chapter 11 of the Listing Rules.

By order of the Board

Hannah Woodcock
Company Secretary

Renold plc (Registered Number: 249688)
Registered Office:
Renold House
Styal Road
Wythenshawe
Manchester
M22 5WL

Dated: 17 November 2009

Notes:

1. In order to be able to attend and vote at the General Meeting (and also for the purpose of calculating how many votes a person may cast), a member of the Company must be registered as the holder of ordinary shares as at 6.00 p.m. on 7 December 2009 or, in the case of an adjournment, in the Register of Members 48 hours before the time appointed for the adjourned meeting (ignoring non-working days), in order to be entitled to attend and vote at the meeting as a member in respect of those shares.
2. Changes to entries on the register of members after this time shall disregard in determining the rights of any person to attend or vote at the meeting.
3. A member who is entitled to attend and vote at the meeting is entitled to appoint another person, or two or more persons in respect of different shares held by him, as his proxy to exercise all or any of his rights to attend and to speak and vote at the meeting. A proxy need not be a member of the Company. A proxy form is enclosed.
To appoint more than one proxy you may photocopy this form. Please indicate the proxy holder's name and the number of shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of shares held by you). Please also indicate if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope.
4. To be valid, a proxy form must be delivered (together with any power of attorney or other authority under which it is signed, or a certified copy of such item) to the Company's Registrars, Capita Registrars, at Proxies, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU by 10.00 a.m. on 7 December 2009 (or in the case of an adjournment, by the time 48 hours before the time appointed for the adjourned meeting). Completing and returning a proxy form will not prevent a member from attending in person and voting at the meeting should he so wish. Electronic proxy appointment is not available for this meeting nor may any document or information relating to proceedings at the meeting (including proxies) be sent by any other electronic means.

5. CREST members may vote by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below and in each case must be received by the Company not less than 48 hours before the time of the meeting.

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the General Meeting and any adjournment thereof by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s) should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment, or instruction, made by means of CREST to be valid, the appropriate CREST message (a “CREST Proxy Instruction”) must be properly authenticated in accordance with Euroclear UK & Ireland Limited’s (“EUI”) specifications and must contain the information required for such instructions, as described in the CREST Manual. The message regardless of whether it relates to the appointment of a proxy or to an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer’s agent (ID RA10) by the latest time(s) for receipt of proxy appointments specified in this notice. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer’s agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5) of the Uncertificated Securities Regulations 2001. CREST members and where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy instructions. It is therefore the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his or her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members, and where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
6. Any person to whom this notice is sent who is currently nominated by a member of the Company to enjoy information rights under section 146 of the Companies Act 2006 (a “nominated person”) may have a right under an agreement between him and such member to be appointed, or to have someone else appointed, as a proxy for the meeting. If he has no such right or does not wish to exercise it, he may have a right under such an agreement to give instructions to the member concerned as to the exercise of voting rights. The statement in note 3 above of the rights of a member in relation to the appointment of proxies does not apply to a nominated person. Such rights can only be exercised by the member concerned.
7. If you are such a nominated person, it is important to remember that your main contact in terms of your investment remains the registered shareholder or custodian or broker, who administers the investment on your behalf. Therefore, any changes or queries relating to your personal details and holding (including any administration thereof) must continue to be directed to your existing contact at your investment manager or custodian. The Company cannot guarantee dealing with matters that are directed to it in error. The only exception to this is where the Company, in exercising one of its powers under the 2006 Act, writes to you directly for a response.
8. Any member attending the meeting has the right to ask questions relating to the business being dealt with at the meeting in accordance with s319A of the Companies Act 2006. The company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if: (i) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, (ii) the answer has already been given on a website in the form of an answer to a question or (iii) it is undesirable in the interests of the company or the good order of the meeting that the question be answered.
9. A copy of this notice, and other information required by s311A of the Companies Act 2006, can be found at www.renold.com.
10. As at 16 November 2009 (being the latest practicable date prior to the printing of this document), the Company’s issued share capital consisted of 77,064,703 ordinary shares, all carrying one vote each. The Company does not hold any shares in treasury. Accordingly, the total voting rights in the Company are 77,064,703.

