

THIS DOCUMENT AND THE ACCOMPANYING FORM OF PROXY ARE IMPORTANT AND REQUIRE YOUR IMMEDIATE ATTENTION. 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 manager, fund manager, solicitor, accountant or other appropriate independent financial adviser authorised under the Financial Services and Markets Act 2000 (as amended) if you are resident in the United Kingdom or, if not, from another appropriately authorised financial adviser.

Notice of a General Meeting of Renold plc, to be held at Manchester International Office Centre, Styal Road, Wythenshawe, Manchester M22 5WB on 8 May 2019 at 11.00 a.m., is set out at the end of this document. A Form of Proxy for use at the General Meeting accompanies this document and, to be valid, should be completed and returned in accordance with the instructions set out thereon as soon as possible but in any event so as to reach the Company's registrars, Link Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, by not later than 11.00 a.m. on 3 May 2019. Completion of a Form of Proxy will not prevent a Shareholder from attending the meeting and voting in person. This document is being supplied to you solely for your information and may not be reproduced or published in whole or in part for any purpose.

If you sell or transfer, or have sold or otherwise transferred, all of your Ordinary Shares or Preference Stock, please send this document and accompanying Form of Proxy as soon as possible to the purchaser or transferee or to the bank, stockbroker or other agent through or to whom you have sold or transferred your shares for delivery to the purchaser or transferee. Such documents should, however, not be forwarded to or transmitted into any jurisdiction outside of the UK. Any failure to comply with such restriction may constitute a violation of the securities laws of any such jurisdiction. If you have sold only part of your holding of Ordinary Shares or Preference Stock, please immediately contact your stockbroker, bank or other agent through whom the sale or transfer was effected.

This document is a circular relating to (i) changes to the Company's borrowing powers (ii) the proposed cancellation of listing of the Ordinary Shares to the premium segment of the Official List and to trading on the London Stock Exchange's Main Market for listed securities, prepared in accordance with the Listing Rules under section 73A of FSMA (iii) the admission of the Ordinary Shares to trading on the London Stock Exchange's AIM market (iv) notice of the proposed cancellation of listing of the Preference Stock to the standard segment of the Official List and to trading on the London Stock Exchange's Main Market for listed securities, in accordance with rule 5.2.8 of the Listing Rules and (v) the admission of the Preference Stock to trading on the London Stock Exchange's AIM market.

This document does not constitute an admission document drawn up in accordance with the AIM Rules.

RENOLD PLC

(incorporated and registered in England and Wales with registered number 00249688)

Proposed Cancellation of Ordinary Shares and Preference Stock from the Official List

Admission of Ordinary Shares and Preference Stock to trading on AIM

Amendment to the Articles of Association

and

Notice of General Meeting

This document should be read as a whole. Your attention is drawn to the letter from the Chairman of Renold plc set out on pages 8 to 16 of this document which recommends that you vote in favour of the resolutions to be proposed at the General Meeting referred to below.

Peel Hunt LLP, which is authorised by the FCA, is acting exclusively for the Company and no-one else in connection with the Ordinary Share Cancellation, Preference Stock Cancellation, Ordinary Share Admission and Preference Stock Admission and will not regard any other person (whether or not a recipient of this document) as a client in relation to the Ordinary Share Cancellation, Preference Stock Cancellation, Ordinary Share Admission and Preference Stock Admission and will not be responsible to anyone other than the Company for providing the protections afforded to its clients or for providing advice in relation to the Ordinary Share Cancellation, Preference Stock Cancellation, Ordinary Share Admission and Preference Stock Admission or any other matter referred to herein.

Peel Hunt has not authorised the contents of, or any part of, this document. Apart from the responsibilities and liabilities, if any, which may be imposed on Peel Hunt by FSMA or the regulatory regime established thereunder, or under the regulatory regime of any jurisdiction where exclusion of liability under the relevant regulatory regime would be illegal, void or unenforceable, neither Peel Hunt nor any of its affiliates, directors, officers, employees or advisers accepts any responsibility whatsoever for, or makes any representation or warranty, express or implied, as to the contents of this document, including its accuracy or completeness or for any other statement made or purported to be made by it, or on behalf of it, the Company, the Directors or any other person, in connection with the Company, the Ordinary Share Cancellation, the Preference Stock Cancellation, the Ordinary Share Admission or the Preference Stock Admission, and nothing in this document should be relied upon as a promise or representation in this respect, whether or not to the past or future. Peel Hunt and its respective affiliates, directors, officers, employees and advisers accordingly disclaims to the fullest extent

permitted by law all and any responsibility or liability whatsoever, whether arising in tort, contract or otherwise (save as referred to above), which it might otherwise have in respect of this document or any such statement.

This document contains forward-looking statements which are subject to assumptions, risks and uncertainties. Although the Company believes that the expectations reflected in these forward-looking statements are reasonable, there can be no assurance that these expectations will prove to have been correct. Because these statements involve risks and uncertainties, actual results may differ materially from those expressed or implied by these forward-looking statements. Each forward-looking statement is correct only as at the date of the particular statement. The Company does not undertake any obligation publicly to update or revise any forward-looking statement as a result of new information, future events or other information, although such forward-looking statements will be publicly updated if required by the Listing Rules, the DTRs, the rules of the London Stock Exchange or by any other applicable law or regulation.

Notice to all Shareholders

The distribution of this circular into a jurisdiction other than the United Kingdom may be restricted by law and, accordingly, persons into whose possession this circular and the accompanying documents come should inform themselves about and observe any such restrictions. Any failure to comply with any such restrictions may constitute a violation of the securities laws of the jurisdiction concerned. In particular, subject to certain exceptions, this circular and the accompanying documents should not be distributed, forwarded or transmitted in or into the United States of America.

This circular does not constitute an offer or invitation to the public to subscribe for or purchase securities but is being issued for the purposes of the Shareholders approving the Borrowing Power Resolution and the Resolution.

This circular is dated 11 April 2019.

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EXPECTED TIMETABLE OF KEY EVENTS

Publication of this document	11 April 2019
Latest time and date for receipt of Forms of Proxy	11.00 a.m. 3 May 2019
Time and date of General Meeting	11.00 a.m. 8 May 2019
Publication of Schedule One announcement	8 May 2019
Last day of dealings in the Ordinary Shares and Preference Stock on the Main Market	5 June 2019
Cancellation of the listing of the Ordinary Shares and Preference Stock from the Official List effective	8.00 a.m. 6 June 2019
Admission of Ordinary Shares and Preference Stock to trading on AIM effective	8.00 a.m. 6 June 2019

1. Each of the times and dates in the above timetable is subject to change without consultation. If any of the above times and/or dates change, the revised times and/or dates will be notified to Shareholders and Preference Shareholders by announcement on a Regulatory Information Service.
2. All of the above times, and other time references in this document, refer to BST.
3. The ISIN code for the Ordinary Shares will remain as GB0007325078.
4. The ISIN code for the Preference Stock will remain as GB0007325417.

DEFINITIONS

The following definitions apply throughout this document unless the context requires otherwise:

‘Act’	the Companies Act 2006 (as amended)
‘AIM’	the Alternative Investment Market operated by the London Stock Exchange
‘AIM Rules’	the AIM rules for companies or nominated advisors (as the case may be), as published by the London Stock Exchange from time to time
‘Board’ or ‘Directors’	the board of directors of the Company, whose names are set out at page 7 of this document
‘Borrowing Power Resolution’	the special resolution to be proposed at the General Meeting and set out in the Notice of General Meeting to approve the amendment to the borrowing powers of the Company
‘Business Day’	a day (other than a Saturday, Sunday or public holiday) when banks are usually open for business in London
‘Company’ or ‘Renold’	Renold plc, a company incorporated in England and Wales with registered number 00249688
‘DTR’	Disclosure Guidance and Transparency Rules of the UKLA
‘Existing Articles’	the articles of association of the Company as at the date of this document
‘FCA’	the Financial Conduct Authority
‘Form of Proxy’	the form of proxy for use by Shareholders in connection with the General Meeting, which is enclosed with this document
‘FSMA’	Financial Services and Markets Act 2000 (as amended)
‘General Meeting’	the general meeting of the Company convened for 11.00 a.m. on 8 May 2019 at which the Borrowing Power Resolution and the Resolution will be proposed, as set out in the Notice of General Meeting
‘Group’	the Company and its Subsidiaries
‘ISA’	Individual Savings Account
‘Listing Rules’	the rules and regulations made by the FCA under Part VI of FSMA as amended from time to time
‘London Stock Exchange’	London Stock Exchange plc
‘Main Market’	the London Stock Exchange's main market for listed securities
‘MAR’	Market Abuse Regulation (<i>Regulation 596/2014</i>)
‘New Articles’	the articles of association proposed to be adopted by the Company to reflect the Borrowing Power Resolution, further details of which are contained in paragraph 8 of the letter from the Chairman
“New Bank Facilities”	the facility agreement amended and restated on 29 March 2019 between, inter alia, (1) the Company (2) the companies listed therein as Borrowers (3) the companies listed therein as Guarantors (4) HSBC UK Bank plc, Citibank N.A, London Branch and AIB Group (UK) P.L.C as Arrangers (5) the financial institutions named therein as Lenders (6) HSBC Bank plc as Agent and (7) HSBC Corporate Trustee Company (UK) Limited as Security Agent
‘Nominated Adviser’	a nominated adviser, as defined in the AIM Rules
‘Notice of General Meeting’	the notice of General Meeting set out on page 17 of this document
‘Official List’	the Official List of the UKLA, maintained by the FCA in accordance with section 74(1) of FSMA
‘Ordinary Shares’	the ordinary shares of 5 pence each in the share capital of the Company which are in issue at the date of this document

‘Ordinary Share Admission’	the admission of the Ordinary Shares to trading on AIM becoming effective in accordance with the AIM Rules
‘Ordinary Share Cancellation’	the cancellation of the Ordinary Shares from listing to the premium segment of the Official List and to trading on the London Stock Exchange’s Main Market for listed securities
‘Peel Hunt’	Peel Hunt LLP, the Company’s broker and intended Nominated Adviser to the Company from Ordinary Share Admission and Preference Stock Admission
‘Preference Shareholder’	a holder of Preference Stock
‘Preference Stock’	the units of 6% cumulative preference stock of £1.00 each in the share capital of the Company which are in issue at the date of this document
‘Preference Stock Admission’	the admission of the Preference Stock to trading on AIM becoming effective in accordance with the AIM Rules
‘Preference Stock Cancellation’	the cancellation of the Preference Stock from listing to the standard segment of the Official List and to trading on the London Stock Exchange’s Main Market for listed securities
‘Proposals’	the matters set out in and relating to the Borrowing Power Resolution and the Resolution
‘Prospectus Rules’	the prospectus rules made by the FCA under Part VI of FSMA as amended from time to time
‘Resolution’	the special resolution to be proposed at the General Meeting and set out in the Notice of General Meeting, to give the Directors authority to apply for the (i) Ordinary Share Cancellation (ii) Preference Stock Cancellation (iii) Ordinary Share Admission and (iv) Preference Stock Admission
‘SDRT’	Stamp Duty Reserve Tax
‘Shareholder’	a holder of Ordinary Shares
‘Subsidiary’	has the meaning given to it in section 1159 of the Act
‘UK’ or ‘United Kingdom’	the United Kingdom of Great Britain and Northern Ireland
‘UK Corporate Governance Code’	the UK Corporate Governance Code issued by the Financial Reporting Council dated July 2018 (as updated from time to time)
‘UK Listing Authority’ or ‘UKLA’	the FCA acting in its capacity as the competent authority for the purposes of Part VI of FSMA

Directors, Secretary and Advisers

Directors

Mark Harper (*Chairman*)
Robert Purcell (*Chief Executive*)
Ian Griffiths (*Senior Independent Non-Executive Director*)
Ian Scapens (*Finance Director*)
David Landless (*Non-Executive Director*)
Tim Cooper (*Non-Executive Director*)

Company Secretary

Andrew Batchelor

Head office and registered office

Trident 2
Trident Business Park
Styal Road
Wythenshawe
M22 5XB

Broker and Proposed Nominated Adviser

Peel Hunt LLP
Moor House
120 London Wall
London
EC2Y 5ET

Legal advisers to the Company

Eversheds Sutherland (International) LLP
Eversheds House
70 Great Bridgewater Street
Manchester
M1 5ES

Registrars

Link Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

**LETTER FROM THE CHAIRMAN
RENOLD PLC**

(incorporated in England and Wales with registered number 00249688)

Directors

Mark Harper (*Chairman*)

Robert Purcell (*Chief Executive*)

Ian Griffiths (*Senior Independent Non-Executive Director*)

Ian Scapens (*Finance Director*)

David Landless (*Non-Executive Director*)

Tim Cooper (*Non-Executive Director*)

Registered Office

Trident 2

Trident Business Park

Styal Road

Wythenshawe

M22 5XB

11 April 2019

To Shareholders and, for information only, to Preference Shareholders and the holders of options under the Company's share option schemes

Dear Shareholder

**Proposed cancellation of Ordinary Shares and Preference Stock
from the Official List**

Admission to trading on AIM

**Amendment to the Articles of
Association**

and

Notice of General Meeting

1. Introduction

The Board today announced proposals to (i) cancel the listing of the Ordinary Shares from the premium segment of the Official List and to trading on the Main Market and (ii) apply for the admission of the Ordinary Shares to trading on AIM. It is anticipated that the effective date of the Ordinary Share Cancellation and Ordinary Share Admission will be 6 June 2019. It is also proposed to make changes to the borrowing powers of the Company.

In addition Renold intends to apply to the UKLA and the London Stock Exchange to request the cancellation of the listing of the Preference Stock to the standard segment of the UKLA's Official List and to trading in the Preference Stock on the Main Market and to seek admission to AIM of the Preference Stock.

Under the Listing Rules, the Ordinary Share Cancellation requires the Company to obtain the prior approval for such cancellation of not less than 75 per cent. of Shareholders who vote in person or by proxy at a general meeting. Therefore, the Resolution being proposed at the General Meeting, to be held at Manchester International Office Centre, Styal Road, Wythenshawe, Manchester M22 5WB on 8 May 2019 at 11.00 a.m., is being proposed as a special resolution. If the Resolution is passed, the Board proposes to make an application to the UKLA for the Ordinary Share Cancellation and the Preference Stock Cancellation and an application to the London Stock Exchange for Ordinary Share Admission and Preference Stock Admission. If the requisite percentage of Shareholders does not approve the Resolution, the Ordinary Shares will continue to be admitted to the premium segment of the Official List and to trading on the Main Market and the Preference Stock will continue to be admitted to the standard segment of the Official List and to trading on the Main Market.

As a pre-requisite to the Ordinary Share Cancellation, Preference Stock Cancellation, Ordinary Share Admission and Preference Stock Admission, a change to the borrowing powers of the Company as set out in the Existing Articles

is required in order to correct wording that was inadvertently included when these articles of association were revised and adopted following the July 2017 Annual General Meeting. Amending the borrowing powers of the Company will allow satisfaction of a condition subsequent in the New Bank Facilities, permitting the Directors to make appropriate working capital statements as part of the Proposals. Accordingly, the Borrowing Power Resolution is being proposed as a special resolution at the General Meeting. The Resolution will then be subject to and conditional upon the passing of the Borrowing Power Resolution.

The purpose of this letter is to (i) provide you with notice of the General Meeting and details of the proposed Ordinary Share Cancellation and Ordinary Share Admission (ii) explain the background to and reasons for the Proposals and why the Board considers the Proposals to be in the best interests of the Company and the Shareholders as a whole (iii) explain why the Directors recommend that Shareholders vote in favour of the Proposals as each member of the Board who holds Ordinary Shares intends to do in respect of his own beneficial holding of Ordinary Shares and (iv) provide you with notice of the intended Preference Stock Cancellation and Preference Stock Admission.

You will find set out at the end of this document the Notice of General Meeting, to be held at Manchester International Office Centre, Styal Road, Wythenshawe, Manchester M22 5WB on 8 May 2019 at 11.00 a.m., at which the Borrowing Power Resolution and the Resolution will each be proposed as a special resolution.

2. Background to and reasons for the Ordinary Share Cancellation, Preference Stock Cancellation, Ordinary Share Admission and Preference Stock Admission

Renold has a clearly defined strategic objective of achieving mid-teen net underlying operating margins through a combination of restructuring the Group, delivering organic growth and completing value enhancing acquisitions. To achieve this, the Board has been implementing a strategic plan which continues to focus on three sets of initiatives, as follows:

- Restructuring: the Directors believe there is further opportunity to enhance the performance of the business through: improving manufacturing efficiency; optimising business processes; improving product margins; and continuing to invest in people.
- Organic growth: the Directors believe that Renold can leverage its brand strength, geographic footprint and differentiated product offering to increase market share through improved sales and marketing capability and enhanced customer service.
- Acquisitions: the Directors believe the market for industrial chain remains highly fragmented across geographies and niche sectors and, further, that Renold is well positioned to act as a consolidator. The Company is currently exploring a small number of potential acquisition opportunities which the Directors believe have the potential to fit with this strategy. Whilst these discussions are at an early stage, there can be no certainty as to any transaction being concluded. The Directors believe that acquisitions have the potential to deliver value to the Group through: accessing new product sectors or end-user markets; expanding the Group's geographic reach; or consolidating volumes in established markets.

In light of the Group's objectives and particularly the desire to progress its acquisition strategy with greater efficiency and certainty, the Board has reviewed the most appropriate trading platform for the Company's Ordinary Shares and Preference Stock on an ongoing basis and considered whether it is still appropriate for the Ordinary Shares and Preference Stock to be admitted to trading on the Main Market. The Board has concluded that the Company would benefit from the passing of the Resolution for the following reasons:

- (a) AIM, which is operated and regulated by the London Stock Exchange, has an established reputation with investors and analysts and is an internationally recognised market. It was launched in June 1995 as the London Stock Exchange's market specifically designed for smaller companies, with a more flexible regulatory regime. As such, AIM is a market which is appropriate for a company of Renold's current size and is a market which should enable the Company to attract new investors, providing a platform to promote the Company and the trading in its shares;
- (b) The Company will benefit from greater flexibility, particularly with regard to corporate transactions and, should the opportunity arise, will enable the Company to execute certain transactions more quickly and cost effectively when compared to the requirements of the Official List. AIM will also provide the Company with continuing access to the public equity capital market if it is appropriate to obtain equity

funding in the future. If such opportunities arise they could entail significant additional complexity and larger transaction costs if the Company were to remain on the Official List;

- (c) AIM has the benefit of lower transaction costs associated with corporate actions, lower ongoing annual costs, and simpler administration and regulatory requirements appropriate to a company of Renold's size and strategy; and
- (d) Companies whose shares trade on AIM are deemed to be unlisted for the purposes of certain areas of UK taxation, which may be of benefit to certain individual Shareholders and Preference Shareholders (as referred to in more detail below).

If the Resolution is approved by Shareholders, the Board intends, save as set out below, to operate the Company's business, including its reporting and governance, in substantially the same manner and with the same objectives as at present. Further, the Board considers the Preference Stock Cancellation and the Preference Stock Admission to be in the Company's best interests, in order that the entire issued share capital of the Company is traded on the same market. For these reasons, the Board considers that it is in the Company's interests to seek approval of the Resolution.

However, Shareholders and Preference Shareholders should note that following the Ordinary Share Cancellation and Preference Stock Cancellation becoming effective:

- (a) the regulatory regime which applies solely to companies such as the Company with shares admitted to the premium segment of the Official List and to trading on the Main Market will no longer apply to the Ordinary Shares, including the requirement for shareholder approval under the Listing Rules to approve transactions above a certain size not in the ordinary course of business or with related parties. Further details regarding certain aspects of the regulatory regime that would no longer apply to such transactions are provided in paragraph 4 of this document;
- (b) there may be either positive or negative taxation consequences for Shareholders and Preference Shareholders. With effect from 28 April 2014, stamp duty and SDRT on transfers of shares listed on AIM has been abolished. Individuals who hold Ordinary Shares or Preference Stock following Ordinary Share Admission and Preference Stock Admission may, after two years, also be eligible for certain inheritance tax benefits. Further details on taxation consequences are provided in paragraph 6; and
- (c) there may be implications for Shareholders holding Ordinary Shares or Preference Shareholders holding Preference Stock, in each case, in a Self-Invested Personal Pension (SIPP). For example, shares in unlisted companies may not qualify for certain SIPPs under the terms of that SIPP and, if in any doubt, Shareholders and Preference Shareholders should consult with their SIPP provider immediately. Following Ordinary Share Admission and Preference Stock Admission, the Company will be categorised for these purposes as unlisted.

3. Details of the Ordinary Share Cancellation, Preference Stock Cancellation, Ordinary Share Admission and Preference Stock Admission

Conditional upon the Resolution being approved at the General Meeting, the Company will apply to (i) cancel the listing of the Ordinary Shares on the Official List and their admission to trading on the Main Market and (ii) cancel the listing of the Preference Stock on the Official List and their admission to trading on the Main Market and (iii) the London Stock Exchange for the admission of the Ordinary Shares and the Preference Stock to trading on AIM. It is anticipated that the last day of dealings of both the Ordinary Shares and the Preference Stock on the Main Market will be 5 June 2019. Cancellation of the listing of the Ordinary Shares and the Preference Stock on the Official List is expected to take effect at 8.00 a.m. on 6 June 2019, being not less than 20 Business Days from the passing of the Resolution.

Ordinary Share Admission and Preference Stock Admission are expected to take place and dealings in Ordinary Shares and the Preference Stock are expected to commence on AIM on or around 8.00 a.m. on 6 June 2019.

As the Ordinary Shares and Preference Stock have been listed on the Official List for more than 18 months, the AIM Rules do not require an admission document to be published by the Company in connection with Ordinary Share Admission or Preference Stock Admission. However, subject to the passing of the Resolution at the General Meeting, the Company will publish an announcement which complies with the requirements of Schedule One and

the Supplement to Schedule One to the AIM Rules, comprising information required to be disclosed by companies transferring their securities from the Official List, as an AIM Designated Market, to AIM.

Following the Ordinary Share Cancellation, Preference Stock Cancellation, Ordinary Share Admission and Preference Stock Admission, Ordinary Shares and Preference Stock that are held in uncertificated form will continue to be held and dealt through CREST. Share certificates representing those Ordinary Shares and Preference Stock held in certificated form will continue to be valid and no new Ordinary Share certificates or Preference Stock certificates will be issued.

4. Implications of the transfer to AIM

AIM is the UK's leading stock market for smaller companies. Since AIM was established in 1995, more than 3,800 companies have been admitted to AIM and over £110 billion has been raised collectively. Liquidity on AIM is in part provided by market makers, who are member firms of the London Stock Exchange and are obliged to quote a share price for each company for which they make a market between 8.00 a.m. and 4.30 p.m. on Business Days.

Following Ordinary Share Admission and Preference Stock Admission, the Company will be subject to the regulatory and disciplinary controls of the AIM Rules. AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. Shareholders should note that the protections afforded to investors in AIM companies are less rigorous than those afforded to investors in companies such as a company listed on the premium segment of the Official List. The obligations of a company whose shares are traded on AIM are broadly similar to those of companies such as Renold whose shares are listed on the premium segment of the Official List, however there are certain exceptions, including those referred to below.

- (a) Under the Listing Rules, a company listed on the premium segment of the Official List is required to appoint a 'sponsor' for the purposes of certain corporate transactions, such as when undertaking a large transaction or capital raising. The responsibilities of the sponsor include providing assurance to the FCA when required that the responsibilities of the listed company have been met. Under the AIM Rules, a 'nominated adviser' is required to be engaged by the Company at all times and has ongoing responsibilities to both the Company and the London Stock Exchange. Conditional on Ordinary Share Admission and Preference Stock Admission, the Company intends to appoint Peel Hunt as the Company's Nominated Adviser.
- (b) Corporate transactions for companies whose shares are listed on the premium segment of the Official List often require shareholder approval and the engagement of a sponsor to oversee the process and liaise with the UKLA. In particular, on a proposed acquisition, where the size of the target represents 25 per cent. or more of the listed company on the basis of certain comparative tests (for example, consideration for the acquisition as a percentage of market capitalisation of the listed company), a circular to shareholders approved by the UKLA is required explaining the transaction and seeking the approval of shareholders. For the Company, such transactions may result in significant additional complexity, large transaction costs and lengthier timescales to meet the requirements of the Listing Rules and, therefore, prove prohibitive.
- (c) Under the AIM Rules, prior shareholder approval is required only for transactions with a much larger size threshold, being (1) reverse takeovers (being an acquisition or acquisitions in a 12 month period which either (a) exceed 100 per cent. on various size tests, such as the ratio of the transaction consideration to the market capitalisation of the AIM company or (b) result in a fundamental change in the Company's business, board or voting control) and (2) disposals which, when aggregated with any other disposals over the previous 12 months, result in a fundamental change of business (being disposals that exceed 75 per cent. of various size tests, such as the ratio of the transaction consideration to the market capitalisation of the AIM company). Under the Listing Rules, companies listed on the premium segment of the Official List require shareholder approval for a broader range of transactions including related party transactions. Furthermore, the AIM Rules contain less stringent obligations with regard to a company's purchase of its own securities compared with the Listing Rules (though the Company will still be required to continue to comply with the requirements of MAR as regards share buybacks).
- (d) Certain institutional investor guidelines (such as those issued by the Investment Association, the Pensions and Lifetime Savings Association and the Pre-Emption Group), which give guidance on issues such as executive compensation and share-based remuneration, corporate governance, share capital

management and the allotment and issue of shares on a pre-emptive or non pre-emptive basis, do not apply to companies whose shares are admitted to trading on AIM, though such companies are encouraged to comply with them as a matter of best practice. As already stated, the Directors intend to operate the Company's reporting and governance in substantially the same manner as at present.

- (e) Unlike the Listing Rules, the AIM Rules do not specify any required structures or discount limits in relation to further issues of securities.
- (f) There is no requirement under the AIM Rules to publish a prospectus or an admission document for further issues of securities, except when the further issue of securities is deemed a public offer, when seeking admission for a new class of securities or as otherwise required by law.
- (g) Whilst a company's appropriateness for AIM is, in part, dependent on it having sufficient free float in order that there is a properly functioning market in the shares, there is no specific requirement for a minimum number of shares in an AIM listed company to be held in public hands. A company listed on the Official List must, however, maintain a minimum of 25 per cent. of its issued ordinary share capital in public hands.
- (h) Certain securities laws will no longer apply to the Company if Ordinary Share Admission and Preference Stock Admission occur, for example, the DTRs (save that DTR Chapter 5 in respect of significant shareholder notifications and MAR (relating to, inter alia, market abuse and insider dealing) will continue to apply to the Company). This is because AIM is not a regulated market for the purposes of the European Union's directives relating to securities.
- (i) The Company is currently required to comply with the UK Corporate Governance Code, or to explain any area of non-compliance. AIM companies are not required to comply with this code. Following Ordinary Share Admission and Preference Stock Admission, the Board proposes to comply with the Corporate Governance Code for Small and Mid-Size Quoted Companies published by the Quoted Companies Alliance. The Company does not currently envisage making any changes to its Board composition or to the constitution and membership of its Audit, Nomination and Remuneration Committees as a consequence of the transfer to AIM.
- (j) Companies whose shares trade on AIM are deemed to be unlisted for the purposes of certain areas of UK taxation. Following Ordinary Share Admission and Preference Stock Admission, individuals who hold Ordinary Shares and/or Preference Stock (as applicable) may, in certain circumstances, therefore be eligible for certain tax benefits. Shareholders, Preference Shareholders and prospective investors should consult their own professional advisers on whether an investment in an AIM security is suitable for them, or whether a tax benefit referred to below may be available to them.

Once admitted to AIM, Shareholders and Preference Shareholders should continue to be able to trade Ordinary Shares and Preference Stock (as applicable) in the usual manner through their stockbroker or other suitable intermediary.

The Company operates a number of employee share schemes. The rules of such schemes contain provisions which are solely designed to comply with requirements appropriate for a company listed on the Official List. It is therefore intended that in connection with the Ordinary Share Cancellation, Preference Stock Cancellation, Ordinary Share Admission and Preference Stock Admission, amendments shall be made to the rules of the Company's existing employee share schemes so as to comply with the rules applying to companies traded on AIM, to take account of other requirements which are pertinent to a company admitted to AIM and to reflect certain statutory requirements relating to such schemes. Such amendments shall include, but shall not be limited to, prohibiting the grant of options or awards and the exercise of options or awards at a time which would be in breach of the AIM Rules.

It is emphasised that the transfer to AIM will have no impact on the assets and liabilities of the Group and it will continue to have the same business and operations following Ordinary Share Admission and Preference Stock Admission. In addition, as a public limited company incorporated and registered in England and Wales, following Ordinary Share Admission and Preference Stock Admission, the Company will remain subject to the applicable provisions of the Act, FSMA, the Prospectus Rules, the City Code on Takeovers and Mergers and MAR.

5. Risk factors relating to the transfer to AIM

Although the Company intends to apply for all of the Ordinary Shares and Preference Stock to be admitted to trading on AIM following the Ordinary Share Cancellation and Preference Stock Cancellation respectively, there can be no assurance that an active or liquid trading market for the Ordinary Shares or Preference Stock will develop or, if developed, that it will be maintained following Ordinary Share Admission and Preference Stock Admission. AIM is a market designed primarily for emerging and smaller companies, to which a higher investment risk tends to be attached than for larger companies, and may not provide the liquidity normally associated with the Main Market or some other stock exchanges.

AIM securities are not admitted to the Official List. The Ordinary Shares and Preference Stock may, therefore, be more difficult to sell compared with the shares of companies listed on the Official List and their market prices may be subject to greater fluctuations than might otherwise be the case. Liquidity on AIM is currently provided by market makers who are member firms of the London Stock Exchange and are obliged to quote a share price for each company for which they make a market between 8:00 a.m. and 4:30 p.m. on Business Days. The Directors believe that AIM can provide a sufficiently liquid trading platform for shares.

Following Ordinary Share Admission and Preference Stock Admission, the Company will be subject to the regulatory and disciplinary controls of the AIM Rules. The obligations of a company whose shares are admitted to trading on AIM are broadly similar to those of companies such as Renold whose shares are listed on the premium segment of the Official List. However Shareholders and Preference Shareholders should note that the protections afforded to investors in AIM companies are in some respects less rigorous than those afforded to investors in companies whose shares are listed on the Official List, including the differences set out in paragraph 4 above.

6. Taxation

Shareholders, Preference Shareholders and prospective investors should consult their own professional advisers on whether an investment in an AIM security is suitable for them. Companies whose shares trade on AIM are deemed to be unlisted for the purposes of certain areas of UK taxation. Following Ordinary Share Admission and Preference Stock Admission, under current legislation, the Ordinary Shares and Preference Stock in the Company should constitute 'relevant business property' in the event that they qualify for business property relief (BPR), a relief from UK inheritance tax. BPR can be available at up to 100% in respect of shares in an unquoted trading company. Accordingly, following Ordinary Share Admission and Preference Stock Admission, individuals who hold Ordinary Shares and/or Preference Stock (as applicable) and meet the various conditions (including satisfying the two year ownership requirement), may therefore be eligible for BPR on their shares. As to the availability of the relief and to what extent BPR applies, Shareholders, Preference Shareholders and prospective investors should seek advice from their own professional advisers.

AIM qualifies as a recognised growth market for the purpose of the stamp duty and SDRT legislation and so, therefore, for so long as the Ordinary Shares or Preference Stock (as applicable) are admitted to trading on AIM and are not listed on any market (and being admitted to trading on AIM will not constitute a listing for these purposes), no charge to stamp duty or SDRT should arise on their subsequent transfer. If the Ordinary Shares or Preference Stock do not qualify for this exemption their transfer on sale may be subject to ad valorem stamp duty (payable by the purchaser and generally at the rate of 0.5 per cent. of the consideration given) save in respect of shares held in a clearance service or in a depositary receipt arrangement in respect of which other provisions may apply.

The comments on the tax implications described in this document are based on the Directors' current understanding of tax law and practice, are not tailored to any individual circumstances and are primarily directed at individuals who are UK tax resident and domiciled. Tax rules can change and the precise tax implications for Shareholders and Preference Shareholders will depend on their particular circumstances. If you are in any doubt as to your tax position, you should consult your own independent professional adviser.

7. Outlook and current trading

As announced by the Company in its trading update issued on 11 April 2019, trading in the year has been in line with the Board's expectations. Group revenue in the year grew by 5.7% and, on an underlying¹ basis, by 6.1%

compared to the prior year. Order intake grew by 2.8% on an underlying¹ basis or 5.6% adjusted to exclude the large multi-year UK Couplings order from the prior year. Orders were 2.0% ahead of revenue for the period.

Net debt finished the year at £29.8m (2018: £24.3m), reflecting a year of investment, particularly in the new Chinese factory. The move to this new factory is completed, the factory is fully operational and the Group has exited the legacy site.

The Group expects to report results for the year in line with the Board's expectations.

8. Amendment of Articles of Association – Borrowing Powers

The Board is asking Shareholders to approve the amendment to the Company's borrowing powers as currently set out in Renold's articles of association. The Existing Articles, which were adopted in 2017, included unintended revisions to the definitions and calculation mechanics used to determine the borrowing powers of the Company in articles 125 to 128 of the Existing Articles. The intended revision was to increase the borrowing multiple from one and a half times to two times (moneys borrowed not to be greater than two times Adjusted Capital and Reserves), based on the existing definitions at the time. The consequence of the revisions to the definitions resulted in a technical breach of the Group's borrowing facilities. On 22 February 2019, the former lending banks waived this breach provided that the Borrowing Power Resolution is passed before 31 July 2019, and this condition has been included as a condition subsequent upon entering into the New Bank Facilities.

Further, as part of the process in respect of Ordinary Share Admission and Preference Stock Admission, the Directors are required to make certain statements regarding the sufficiency of working capital available to the Group. Availability of the New Bank Facilities comprises a key element of this statement, which can only be made if the condition subsequent is satisfied.

Accordingly, the Board seeks approval of the Shareholders to revert to the definitions and calculation mechanics which determine the borrowing powers of the Company to the position included in the articles of association prior to the 2017 revisions, other than the multiple which should remain at two times (money borrowed not to be greater than two times Adjusted Capital and Reserves, as defined in the New Articles). This will rectify the current breach and bring the Company back within the limit of its borrowing powers. The proposed new borrowing powers are set out in the Appendix of the Notice of General Meeting. It is of vital importance that the Borrowing Power Resolution is passed so that the Company does not fall into a technical default under the New Bank Facilities.

Copies of the New Articles reflecting the proposed amendments to the borrowing powers, as set out in the Appendix of the Notice of General Meeting, will be available for inspection at the Company's registered office (Trident 2, Trident Business Park, Styal Road, Wythenshawe, M22 5XB, United Kingdom) and at the offices of Eversheds Sutherland (International) LLP, One Wood Street, London, EC2V 7WS during normal business hours on any weekday (Saturday, Sunday and public holidays excluded) until the close of the General Meeting and will be available at the General Meeting from at least 15 minutes prior to and during the General Meeting.

9. General Meeting

A notice convening the General Meeting, to be held at Manchester International Office Centre, Styal Road, Wythenshawe, Manchester M22 5WB on 8 May 2019, is set out at the end of this document, at which the Borrowing Power Resolution and the Resolution summarised below will be proposed as special resolutions:

- (a) That the articles of association of the Company be amended by replacing articles 125 to 128 with new articles 125 to 128 which revert to the definitions and calculation mechanics included in the articles of association prior to the 2017 revisions other than the multiple which should remain at two times (moneys borrowed not to be greater than two times Adjusted Capital and Reserves, as defined in the New Articles); and
- (b) That the listing of the Ordinary Shares and the Preference Stock on the Official List and admission to trading on the London Stock Exchange's Main Market for listed securities be cancelled and application

¹ The use of "underlying" excludes the impact of changes in foreign exchange rates by retranslating the prior year comparative figures to the current year exchange rate.

be made for admission of the Ordinary Shares and the Preference Stock to trading on AIM. This resolution is conditional on the passing of resolution (a) described above.

10. Other information

Peel Hunt has given and not withdrawn its written consent to the publication of this document and the inclusion of its name in the form and context in which it is included.

11. Action to be taken

Shareholders will find a Form of Proxy enclosed with this document for use at the General Meeting. Whether or not you intend to be present at the General Meeting, Shareholders are requested to complete and return the Form of Proxy in accordance with the instructions printed thereon as soon as possible. To be valid, completed Forms of Proxy must be received by the Company's Registrars, Link Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU by not later than 11.00 a.m. on 3 May 2019. Completion of the Form of Proxy will not preclude you from attending the meeting and voting in person if you so wish. Please note that Preference Shareholders are not entitled to attend the General Meeting nor vote in connection with the Borrowing Power Resolution and the Resolution.

12. Documents available for inspection

Copies of the following documents will be available for inspection on the investor section of the Company's website at www.Renold.com and at the offices of the Company, Trident 2, Trident Business Park, Styal Road, Wythenshawe M22 5XB, during usual business hours on any Business Day up to and including 8 May 2019 and at the General Meeting to be held on that day:

- (a) the Existing Articles;
- (b) the New Articles;
- (c) this document and the Form of Proxy; and
- (d) the consent letter referred to in paragraph 10 of the letter from the Chairman above.

Copies of the following documents will be available for inspection at the offices of Eversheds Sutherland (International) LLP, during usual business hours on any Business Day up to and including 8 May 2019 and at the General Meeting to be held on that day:

- (a) the Existing Articles; and
- (b) the New Articles.

13. Issued shares and total voting rights

As at 10 April (being the latest practicable date prior to publication of this document) the Company's issued share capital consists of 225,417,740 Ordinary Shares, all carrying one vote each and 580,482 units of Preference Stock each carrying no voting rights. The Company does not hold any shares in treasury. Accordingly, the total voting rights in the Company are 225,417,740 Ordinary Shares.

14. Preference Stock notice

As detailed in paragraph 1 of the letter from the Chairman and pursuant to Listing Rule 5.2.8, the Company announces that, in respect of the Preference Stock, the cancellation notice period has now commenced and cancellation is expected to take effect from 8.00 a.m. on 6 June 2019, being the anticipated date for admission of the Preference Stock to trading on AIM. In the event that the Resolution set out in the Notice of General Meeting is not passed and the cancellation of the Ordinary Shares from admission to the premium segment of the Official List and to trading on the Main Market does not occur and the admission of the Ordinary Shares to trading on AIM does not become effective the Company intends to withdraw its cancellation request in respect of the Preference Stock.

15. Recommendation

The Board considers the terms of the Proposals to be in the best interests of the Company, its Shareholders and its Preference Shareholders as a whole. Indeed, it is essential that the Borrowing Power Resolution is passed if the Company is not to be in default under the New Bank Facilities. Accordingly, the Board recommends that you vote in favour of the resolutions set out in the Notice of General Meeting to be proposed at the General Meeting, as those Directors who hold Ordinary Shares, and certain persons connected with the Directors who hold Ordinary Shares, intend to do in respect of their own beneficial holdings amounting, in aggregate, to 4,591,555 Ordinary Shares and representing approximately 2.04 per cent. of the Company's issued share capital.

Yours faithfully,
Mark Harper
Non-Executive Chairman

NOTICE OF GENERAL MEETING

RENOLD PLC

(Registered in England and Wales with no. 00249688)

NOTICE is hereby given that a General Meeting of Renold plc (the "**Company**") will be held at Manchester International Office Centre, Styal Road, Wythenshawe, Manchester M22 5WB at 11.00 a.m. on 8 May 2019 for the purpose of considering and, if thought fit, passing the following resolutions which will be proposed as special resolutions:

SPECIAL RESOLUTIONS

1. **THAT**, the articles of association of the Company be amended by replacing articles 125 to 128 with new articles 125 to 128 as set out in the Appendix to this Notice.
2. **THAT**, subject to and conditional on the passing of Resolution 1, the Directors of the Company be and are hereby authorised to (i) cancel the listing of the Ordinary Shares of 5 pence each in the capital of the Company (Ordinary Shares) to the premium segment of the Official List of the Financial Conduct Authority and to trading on the London Stock Exchange plc's Main Market for listed securities (ii) apply for the admission of the Ordinary Shares to trading on the Alternative Investment Market of the London Stock Exchange (iii) cancel the listing of the 6% cumulative preference stock of £1.00 each in the share capital of the Company (Preference Stock) to the standard segment of the Official List of the Financial Conduct Authority and to trading on the London Stock Exchange plc's Main Market for listed securities and (iv) apply for the admission of the Preference Stock to trading on the Alternative Investment Market of the London Stock Exchange.

11 April 2019

BY ORDER OF THE BOARD

Andrew Batchelor
Secretary

Trident 2
Trident Business Park
Styal Road
Wythenshawe
Manchester M22 5XB

Notes of the Notice of General Meeting

Proxies

1. A Shareholder entitled to attend, speak and vote at the above meeting may appoint another person as his or her proxy to exercise all or any of his or her rights to attend, speak and vote on his or her behalf. A Shareholder may appoint more than one proxy in relation to the meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that Shareholder. A proxy need not be a Shareholder of the Company.
2. To appoint more than one proxy, you may photocopy the Form of Proxy. 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 in the box provided 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.
3. To be valid any Form of Proxy together with any power of attorney or any other authority under which the Form of Proxy is signed (or a duly certified copy of such power or authority) or any other instrument appointing a proxy must be included with the Form of Proxy and received by post or (during normal business hours only) by hand at the Company's Registrars, Link Asset Services, 34 Beckenham Road, Beckenham, Kent BR3 4TU, no later than 48 hours (excluding any part of a day that is not a business day) before the time appointed for holding the meeting. If you prefer, you may return the Form of Proxy to the Registrars in an envelope addressed to FREEPOST PXS, 34 Beckenham Road, BR3 9ZA (this is the only address information required on the envelope). Please note that the Freepost address must be completed in block capitals and that delivery using this service can take up to 5 business days. If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.
4. Completion and return of a Form of Proxy, any other such instrument or any CREST Proxy Instruction (as described in paragraph 9 below) will not preclude a member from attending and voting in person, should he or she subsequently decide to do so.

Nominated Persons

5. A person who is not a Shareholder, but has been nominated by a Shareholder to enjoy information rights in accordance with section 146 of the Act (a '**Nominated Person**') does not have the right to appoint a proxy, although he/she may, under an agreement between him/her and the Shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy. Alternatively, if a Nominated Person does not have such a right, or does not wish to exercise it, he/she may, under an agreement with the relevant Shareholder, have a right to give instructions to the Shareholder as to the exercise of voting rights. Such Nominated Persons are advised to contact the Shareholder who appointed them for further information on this and the procedure for appointing any such proxy.

Record Date

6. Only Shareholders entered on the register of members of the Company as at close of business on 3 May 2019 (or, in the event of any adjournment, close of business on the date which is two business days before the date of the adjourned meeting) shall be entitled to attend either in person or by proxy, and the number of ordinary shares then registered in their respective names shall determine the number of votes such persons are entitled to cast at the meeting. Changes to entries on the register of members after the relevant deadline shall be disregarded in determining the rights of any person to attend or vote at the meeting.

Total Voting Rights

7. As at 10 April 2019 (being the latest practicable date prior to the publication of this document) the Company's issued share capital consisted of 225,417,740 ordinary shares of 5p each, carrying one vote each. The Company does not hold any shares in treasury. Therefore the total voting rights in the Company as at 10 April 2019 are 225,417,740.

CREST Proxy Instructions

8. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so 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.

9. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a '**CREST Proxy Instruction**') must be properly authenticated in accordance with Euroclear UK and Ireland Limited's ('**Euroclear**') specifications, and must contain the information required for such instruction, as described in the CREST Manual (available via www.euroclear.com/CREST). The message, regardless of whether it constitutes the appointment of a proxy or is 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 Company's agent Link Asset Services (ID RA10) by 11.00 a.m. on 3 May 2019. 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 Application Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
10. CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is 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, 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.
11. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertified Securities Regulations 2001 (as amended).

Questions

12. Any Shareholder attending the meeting has the right to ask questions. 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 (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information or (b) the answer has already been given on a website in the form of an answer to a question or (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

Information available on the Website

13. A copy of this notice and the information required to be published by section 311(A) of the Act can be found at <http://investors.renold.com>. Shareholders may not use any electronic address provided in either this Notice of Meeting or any related documents (including the Form of Proxy) to communicate with the Company for any purposes other than those expressly stated.

APPENDIX

125. GENERAL POWER OF DIRECTORS TO EXERCISE THE COMPANY'S BORROWING POWERS

Subject to the provisions of Article 126 the Directors may exercise all the powers of the Company to borrow or raise money and to mortgage or charge its undertaking, property, assets and uncalled capital or any part thereof, and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or its holding company (if any) or any subsidiary of the Company or its holding company or of any third party.

126. RESTRICTIONS ON BORROWING POWERS OF DIRECTORS

The Directors shall restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiaries (if any) so as to secure (as regards subsidiaries so far as by such exercise they can secure) that the aggregate amount for the time being remaining undischarged of all moneys borrowed by the Group (which expression in this Article and Article 127 means and includes the Company and all its subsidiaries for the time being) and for the time being owing to persons outside the Group shall not without the previous sanction of an ordinary resolution of the Company exceed an amount equal to two times the Adjusted Capital and Reserves as hereinafter defined. 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.

127. MEANING OF MONEYS BORROWED

For the purposes of Article 126 the expression "moneys borrowed" shall take into account the following provisions:

127.1 the expression "moneys borrowed" shall be deemed to include not only borrowings but also the following except insofar as otherwise taken into account:

127.1.1 the principal amount of all debentures of any member of the Group which are not for the time being beneficially owned within the Group;

127.1.2 the outstanding amount of acceptances (not being acceptances of trade bills in respect of the purchase or sale of goods in the ordinary course of trading) by any member of the Group or by any bank or accepting house under any acceptance credit opened on behalf of and in favour of any member of the Group;

127.1.3 the nominal amount of any issued or paid up share capital (other than equity share capital) of any subsidiary of the Company not for the time being beneficially owned by other members of the Group;

127.1.4 the nominal amount of any other issued and paid up share capital and the principal amount of any other debentures or other borrowed moneys (not being shares or debentures which or moneys borrowed the indebtedness in respect of which is for the time being beneficially owned within the Group) the redemption or repayment whereof is guaranteed or wholly or partly secured by any member of the Group;

127.1.5 any fixed or minimum premium payable on final redemption or repayment of any debentures, share capital or other moneys borrowed falling to be taken into account.

127.2 Moneys borrowed by any member of the Group for the purpose of repaying or redeeming (with or without premium) in whole or in part any other borrowed moneys falling to be taken into account and intended to be applied for such purpose within 6 months after the borrowing thereof shall not during such period (except to the extent so applied) themselves be taken into account;

127.3 Any moneys borrowed by any member of the Group from bankers or others for the purpose of financing any contract up to an amount not exceeding that part of the price receivable under such contract which is guaranteed or insured by the Export Credits Guarantee Department or other like institution carrying on a similar business shall be deemed not to be moneys borrowed;

- 127.4 moneys borrowed by a partly-owned subsidiary and not owing to another member of the Group shall be taken into account subject to the exclusion of a proportion thereof equal to the minority proportion and moneys borrowed and owing to a partly-owned subsidiary by another member of the Group shall be taken into account to the extent of a proportion thereof equal to the minority proportion, for the purposes aforesaid “minority proportion” shall mean the proportion of the issued equity share capital of such partly-owned subsidiary which is not attributable to the Company;
- 127.5 there shall be deducted in calculating moneys borrowed, short term cash deposits, cash in hand and at bank of the Group;
- 127.6 moneys borrowed by a company at the time it becomes a subsidiary of the Company shall for a period of six months from the date of its becoming a subsidiary be deemed not to be borrowed moneys;
- 127.7 borrowed moneys of any member of the Group expressed in or calculated by reference to a currency other than sterling shall be converted for the purpose of calculating the sterling equivalent either:
- 127.7.1 at the rate of exchange specified in a forward purchase contract, currency option, back-to-back loan, swap or other arrangement taken out or entered into to reduce the risk associated with fluctuations in rates of exchange in respect of repayment of those moneys (a “hedging agreement”); or
- 127.7.2 if repayment of those moneys has not been covered by a hedging agreement, at the more favourable to the Company of:
- 127.7.2.1 the rate of exchange used for the conversion of that currency in the relevant balance sheet; or
- 127.7.2.2 if it would result in a lower figure the middle-market rate of exchange quoted by HSBC Bank plc at the close of business in London on the business day immediately preceding the day on which the calculation falls to be made;
- 127.8 the Company’s “Adjusted Capital and Reserves” will be established by the following calculations:
- Add –
- 127.8.1 the amount paid on the Company’s issued share capital (including any shares held as treasury shares); and
- 127.8.2 the amount standing to the credit of the reserves of the Company (which include any share premium account, capital redemption reserve and any credit balance on the Company’s profit and loss account or retained earnings);
- using the figures shown on the then latest audited balance sheet.
- Then –
- 127.8.3 deduct any debit balances on profit and loss account or retained earnings at the date of the audited balance sheet (if such a deduction has not already been made on that account);
- 127.8.4 make any adjustments needed to reflect any changes since the date of the balance sheet to the amount of paid up share capital or reserves; and
- 127.8.5 exclude the effect on the reserves of the company of any retirement benefit scheme surplus or deficit (net of applicable deferred taxation) which would otherwise be reflected in accordance with any applicable accounting standards.
- 127.9 The Directors shall be deemed not to be in breach of the provisions of Article 126 by reason of the borrowing restriction being exceeded immediately after and as a result of any new audited consolidated balance sheet being laid before the members in general meeting when immediately prior to such general meeting the borrowing restriction had not been exceeded by reference to the immediately preceding audited consolidated balance sheet but in such circumstances the Directors shall ensure that by not later

than six months after the date of such general meeting the Company has sanctioned such excess borrowing by ordinary resolution or the aggregate amount of borrowed moneys remaining outstanding has been reduced to an amount not exceeding the borrowing restriction.

- 127.10 Notwithstanding any other provision of this Article 127 the Directors may act in reliance on a bona fide estimate of the amount of the Adjusted Capital and Reserves at any time and if in consequence the limit imposed by this Article is inadvertently exceeded an amount of borrowings equal to the excess may be disregarded until the expiration of six months after the date on which, by reason of a determination of the Auditors or otherwise, the Directors become aware that the said limit has been inadvertently exceeded as aforesaid.

128. **PROTECTION OF THIRD PARTIES IF RESTRICTIONS ON BORROWING POWERS BREACHED**

No person dealing with the Company or any of its subsidiaries shall by reason of the provisions of Article 126 be concerned to see or inquire whether the limit referred to therein is observed, and no debt incurred or security given in excess of such limit shall be invalid or ineffectual unless the lender or the recipient of the security had at the time when the debt was incurred or the security was given express notice that the limit hereby imposed had been or would thereby be exceeded.

