

UK Mortgages Ltd

Rejection of Final Possible Offer

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13 August 2020

UK MORTGAGES LIMITED
(a closed-ended investment company incorporated in Guernsey with registration number 60440)
LEI 549300388LT7VTHCIT59
Rejection of Final Possible Offer

The Board of UK Mortgages Limited (the "Company" or "UKML") notes the announcement earlier today by M&G Investment Management Ltd ("MAGIM"), regarding an increased and final possible offer for all of the issued and to be issued share capital of the Company of 70 pence per UKML share (the "Final Possible Offer"). The making of a firm offer by MAGIM remains subject to certain pre-conditions and reservations (see Appendix 1).

Specifically, the Board draws to the attention of Shareholders the statement by MAGIM that this represents its final possible offer which can be increased only in the event that a third party announces a firm offer. The Board confirms that it is not in discussions with any third party at this time, nor has it been previously.

The Board confirms receipt of the Final Possible Offer earlier this morning, following contact between respective financial advisers over the weekend. The Board continues to believe in the quality of the assets in the Company's portfolio, the robustness of the Company's Net Asset Value methodology, as well as the quality of the investment management services provided by TwentyFour Asset Management LLP. The Board believes that the terms of the Final Possible Offer continue to undervalue the Company and its prospects. The Board does not believe this valuation is recommendable to Shareholders and therefore sees no basis for engagement on this Final Possible Offer.

The Board refers Shareholders to the Company's announcement on 7 August 2020, reiterating the material undervaluation of the previous proposals and announcing a review of future strategy.

The Board confirms that the review would commence once the Company is no longer in an Offer Period under the Takeover Code. The review would be with the aim of maximising the value created for and delivered to Shareholders from the high quality assets that are within the Company's portfolio and would seek to provide Shareholders with a strategy that delivered an understood pathway to enhanced liquidity as well as a narrowing and removal of the discount at which the shares trade versus the NAV.

The Chairman, Chris Waldron comments:

"The Board considers that the final possible offer continues to be an undervaluation of the Company and does not believe this valuation is recommendable. In addition, the Board reiterates its intention to launch a review of future strategy with the aim of maximising value delivered to shareholders."

Shareholders should note that the Final Possible Offer does not amount to an announcement of a firm intention to make an offer for the Company under Rule 2.7 of the Takeover Code and there can be no certainty that any offer will be forthcoming.

The Company notes that in accordance with Rule 2.6(a) of the Takeover Code, MAGIM has until 5.00pm on 17 August 2020, being 28 days after the date of MAGIM's initial possible offer announcement, to either announce a firm intention to make an offer for the Company in accordance with Rule 2.7 of the Takeover Code or announce that it does not intend to make an offer for the Company, in which case the announcement will be treated as a statement to which Rule 2.8 of

the Takeover Code applies. This deadline will only be extended with the consent of the Company and the Takeover Panel in accordance with Rule 2.6(c) of the Takeover Code.

This statement is being made by the Company without the prior agreement or approval of MAGIM.

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Further information

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Numis Securities Limited (“Numis”), which is authorised and regulated in the United Kingdom by the Financial Conduct Authority, is acting exclusively for UK Mortgages Limited and no one else in connection with the matters set out in this announcement and will not regard any other person as its client in relation to the matters in this announcement and will not be responsible to anyone other than UK Mortgages Limited for providing the protections afforded to clients of Numis, nor for providing advice in relation to any matter referred to herein.

Forward looking statements

This announcement, oral statements made regarding the possible offer, and other information published by UK Mortgages Limited may contain statements which are, or may be deemed to be, “forward-looking statements”. Forward-looking statements are prospective in nature and are not based on historical facts, but rather on current expectations and projections of the management of UK Mortgages Limited about future events, and are therefore subject to risks and uncertainties which could cause actual results to differ materially from the future results expressed or implied by the forward-looking statements. The forward-looking statements contained in this announcement include statements relating to the expected timing and scope of the Possible Offer. Often, but not always, forward-looking statements can be identified by the use of forward-looking words such as “plans”, “expects” or “does not expect”, “is expected”, “is subject to”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates” or “does not anticipate”, or “believes”, or variations of such words and phrases or statements that certain actions, events or results “may”, “could”, “should”, “would”, “might” or “will” be taken, occur or be achieved. Although UK Mortgages Limited believe that the expectations reflected in such forward-looking statements are reasonable, UK Mortgages Limited can give no assurance that such expectations will prove to be correct. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by such forward-looking statements. Such forward-looking statements should therefore be construed in the light of such factors. Neither UK Mortgages Limited, nor any of its associates or directors, officers or advisers, provides any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in this announcement will actually occur. You are cautioned not to place undue reliance on these forward-looking statements. Other than in accordance with its legal or regulatory obligations (including under the Disclosure Guidance and Transparency Rules of the FCA), UK Mortgages Limited is under no obligation, and expressly disclaims any intention or obligation, to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Dealing Disclosure Requirements

Under Rule 8.3(a) of the Code, any person who is interested in 1% or more of any class of relevant securities of an offeree company or of any securities exchange offeror (being any offeror other than an offeror in respect of which it has

been announced that its offer is, or is likely to be, solely in cash) must make an Opening Position Disclosure following the commencement of the offer period and, if later, following the announcement in which any securities exchange offeror is first identified. An Opening Position Disclosure must contain details of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any securities exchange offeror(s). An Opening Position Disclosure by a person to whom Rule 8.3(a) applies must be made by no later than 3.30 pm (London time) on the 10th business day following the commencement of the offer period and, if appropriate, by no later than 3.30 pm (London time) on the 10th business day following the announcement in which any securities exchange offeror is first identified. Relevant persons who deal in the relevant securities of the offeree company or of a securities exchange offeror prior to the deadline for making an Opening Position Disclosure must instead make a Dealing Disclosure.

Under Rule 8.3(b) of the Code, any person who is, or becomes, interested in 1% or more of any class of relevant securities of the offeree company or of any securities exchange offeror must make a Dealing Disclosure if the person deals in any relevant securities of the offeree company or of any securities exchange offeror. A Dealing Disclosure must contain details of the dealing concerned and of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any securities exchange offeror(s), save to the extent that these details have previously been disclosed under Rule 8. A Dealing Disclosure by a person to whom Rule 8.3(b) applies must be made by no later than 3.30 pm (London time) on the business day following the date of the relevant dealing.

If two or more persons act together pursuant to an agreement or understanding, whether formal or informal, to acquire or control an interest in relevant securities of an offeree company or a securities exchange offeror, they will be deemed to be a single person for the purpose of Rule 8.3.

Opening Position Disclosures must also be made by the offeree company and by any offeror and Dealing Disclosures must also be made by the offeree company, by any offeror and by any persons acting in concert with any of them (see Rules 8.1, 8.2 and 8.4).

Details of the offeree and offeror companies in respect of whose relevant securities Opening Position Disclosures and Dealing Disclosures must be made can be found in the Disclosure Table on the Takeover Panel's website at www.thetakeoverpanel.org.uk, including details of the number of relevant securities in issue, when the offer period commenced and when any offeror was first identified. You should contact the Panel's Market Surveillance Unit on +44 (0)20 7638 0129 if you are in any doubt as to whether you are required to make an Opening Position Disclosure or a Dealing Disclosure.

Publication on website and availability of hard copies

A copy of this announcement and the documents required to be published by Rule 26 of the Code will be made available on UK Mortgages Limited's website at www.twentyfouram.com/funds/uk-mortgages-fund/ by no later than 12 noon (London time) on the business day following the date of this announcement. For the avoidance of doubt, the contents of the website are not incorporated into and do not form part of this announcement.

In accordance with Rule 30.3 of the Code, a person so entitled may request a hard copy of this Announcement, free of charge, by contacting Numis on +44 (0) 20 7260 1000. For persons who receive a copy of this Announcement in electronic form or via a website notification, a hard copy of this Announcement will not be sent unless so requested. In accordance with Rule 30.3 of the Code, a person so entitled may also request that all future documents, announcements and information be sent to them in relation to the Acquisition should be in hard copy form.

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The information contained within this announcement is deemed by UKML to constitute inside information as stipulated under the Market Abuse Regulation. Upon the publication of this announcement via a Regulatory Information Service, this inside information is now considered to be in the public domain.

Appendix 1

Reservations and conditions

MAGIM states in the Final Possible Offer Announcement that any formal offer for UKML under the Takeover Code would be conditional on, amongst other things, satisfactory completion of diligence and the unanimous and unqualified recommendation by the UKML Board of Directors. MAGIM reserves the right to waive any or all of these pre-conditions to a firm offer, in whole or in part. MAGIM further reserves the right to announce an offer at a price below 70 pence per UKML share in the event that (a) the Board of UKML recommends an offer at the reduced price; (b) a third

party announces a firm intention to make an offer for UKML; (c) UKML announces a whitewash transaction pursuant to the Takeover Code. MAGIM also reserves the right to announce an offer at a price above 70 pence per UKML share in the event that a third party announces a firm intention to make an offer for UKML.

The Final Possible Offer is not affected by the Company's recently paid out fourth interim dividend of 0.375p per share. However, the Company draws the attention of Shareholders to MAGIM's statement that in the event that the recently proposed fifth interim dividend of 1.5p per share for the financial year ended 30 June 2020 is paid before completion, the offer price will be reduced to 68.5p per share, and that the offer price will be reduced by the amount of any dividend or distribution or return of capital announced, declared or paid by UKML after 13 August 2020.