

Recommended Cash Offer for HWSIL

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Cubitt Trade Holdings LLC
22 July 2020

THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION

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FOR IMMEDIATE RELEASE

22 JULY 2020

**RECOMMENDED CASH ACQUISITION OF
HWSI REALISATION FUND LIMITED
BY
CUBITT TRADE HOLDINGS LLC**

Summary

- The boards of directors of HWSI Realisation Fund Limited (**HWSIL**) and Cubitt Trade Holdings LLC (**Bidco**) announce that they have reached agreement on the terms of a recommended cash offer to be made by Bidco for the entire issued and to be issued ordinary share capital of HWSIL.
- It is intended that the Offer will be implemented by way of a Court-sanctioned scheme of arrangement under Part VIII of the Companies Law of Guernsey (the **Scheme**).
- Under the terms of the Offer, Scheme Shareholders will be entitled to receive:

55.5 pence in cash for each Scheme Share

- The terms of the Offer value HWSIL's entire issued and to be issued ordinary share capital at approximately £79,642,300 and represent:
 - a premium of approximately 91.38 per cent. to the Closing Price per HWSIL Share of 29.00 pence on 21 July 2020 (being the last Business Day before the date of this Announcement); and
 - a discount of approximately 11.00 per cent. to the published NAV per HWSIL Share of 62.36 pence on 30 June 2020 (being the date of the latest NAV published by HWSIL prior to the commencement of the Offer Period).

Information on Bidco

- Bidco, a Delaware limited liability company, was established in April 2020 for the principal purpose of acquiring and acting as a holding company for companies incorporated in the United Kingdom.
- Bidco is directly wholly-owned by PETRA Group Holdings Limited, a Cayman Islands limited liability company. PETRA Group Holdings Limited is wholly-owned by BlueCompass Management Partners LP, a Cayman Islands limited partnership.
- The PETRA Group is a privately held independent group that was founded in 2011. It is in the business of acquiring non-bank financial firms and then funding and managing those firms post-acquisition. Since its establishment, the PETRA Group has successfully completed over ten acquisitions in the United Kingdom, North America and South America, including the acquisition in November 2019 of Pulse Factoring Solutions Limited, which is a customer of the Company.
- The PETRA Group is majority owned and controlled by the founders and its management team. The founders are also the sole directors of Bidco and PETRA Group Holdings Limited and, together with the management team, are based in London and New York. Prior to establishing the PETRA Group, the founders were senior managing directors at bulge bracket investment banks working predominantly in capital markets.

Strategic Rationale

- The strategy of Bidco and the PETRA Group is to acquire, fund and manage non-bank financial firms with a particular focus on acquiring loan or credit portfolios. The proposed acquisition of the Company would enable the PETRA Group to acquire, in one consolidated transaction, a sizeable portfolio of credit assets fitting its investment strategy.
- The PETRA Group noted with interest the Company's announcement on 10 February 2020 of its intention to dispose of its assets and to return cash to its HWSIL Shareholders. The PETRA Group was familiar with the Company having previously acquired Pulse Factoring Solutions Limited, a customer of the Company.

- Bidco believes that the Offer presents a compelling opportunity for HWSIL Shareholders to receive a cash return from their investment at a valuation closely reflecting the Company's Net Asset Value, significantly accelerating the speed of that return and enhancing its certainty above that which could realistically be achievable by means of existing arrangements.
- The PETRA Group intends to consolidate the Company within its existing operations following completion of the Offer and to actively manage the portfolio with a view to running it as part of a going concern.

Irrevocable Undertakings

- Bidco has received irrevocable undertakings to vote or instruct (and use all reasonable endeavours to procure) votes to approve the Scheme at the Court Meeting and in favour of the Special Resolution to be passed at the General Meeting (or in the event that the Offer is implemented by way of a Takeover Offer, to accept or instruct (and use all reasonable endeavours to procure) acceptance of the Takeover Offer) from each of the HWSIL Directors that holds HWSIL Shares in respect of their own holdings being, in aggregate, 224,436 HWSIL Shares, representing approximately 0.16 per cent. of the issued share capital of HWSIL (excluding HWSIL Shares held as treasury shares) as at 21 July 2020 (being the last practicable date prior to the date of this Announcement).
- In addition to the irrevocable undertakings given by the HWSIL Directors referred to above, Bidco has received irrevocable undertakings to vote or procure votes to approve the Scheme at the Court Meeting and in favour of the Special Resolution to be passed at the General Meeting (or in the event that the Offer is implemented by way of a Takeover Offer, to accept or procure acceptance of the Takeover Offer) from six HWSIL Shareholders in respect of a total of 108,077,963 HWSIL Shares, representing approximately 75.32 per cent. of the issued share capital of HWSIL (excluding HWSIL Shares held as treasury shares) as at 21 July 2020 (being the last practicable date prior to the date of this Announcement).
- Therefore, as at the date of this Announcement, Bidco has received irrevocable undertakings in respect of a total of 108,302,399 HWSIL Shares representing approximately 75.48 per cent. of the issued share capital of HWSIL (excluding HWSIL Shares held as treasury shares) as at 21 July 2020 (being the last practicable date prior to the date of this Announcement).
- Further details of the irrevocable undertakings are set out in Appendix III to this Announcement.

Recommendation

- **The HWSIL Directors, who have been so advised by Winterflood as to the financial terms of the Offer, consider the terms of the Offer to be fair and reasonable. Winterflood is providing independent financial advice to the HWSIL Directors for the purposes of Rule 3 of the Code. In providing their advice to the HWSIL Directors, Winterflood has taken into account the commercial assessments of the HWSIL Directors.**
- **Accordingly, the HWSIL Directors intend to recommend unanimously that HWSIL Shareholders vote or procure votes in favour of the resolutions relating to the Scheme at the Meetings or in the event that the Offer is implemented by way of a Takeover Offer, HWSIL Shareholders accept or procure acceptance of the Takeover Offer, as the HWSIL Directors who hold HWSIL Shares have each irrevocably undertaken to do or instruct be done (and use all reasonable endeavours to procure) in respect of their entire beneficial holdings of 224,436 HWSIL Shares, in aggregate, representing approximately 0.16 per cent. of the issued share capital of HWSIL as at 21 July 2020 (being the last practicable date prior to the date of this Announcement).**

General

- It is intended that the Offer will be implemented by means of the Scheme, further details of which are contained in the full text of this Announcement and will be set out in the Scheme Document. However, Bidco reserves the right, with the consent of the Panel, to implement the Offer by way of a Takeover Offer.
- The Offer will be subject to the Conditions and certain further terms set out in Appendix I, including, among other things: (i) the approval of Scheme Shareholders at the Court Meeting and the passing of the Special Resolution by HWSIL Shareholders at the General Meeting; (ii) the sanction of the Scheme by the Court; and (iii) the Scheme becoming Effective no later than the Long Stop Date. In order to become Effective, the Scheme must be approved by a majority in number representing not less than 75 per cent. in value of the Scheme Shareholders (or the relevant class or classes thereof, if applicable) in each case present, entitled to vote and voting, either in person or by proxy, at the Court Meeting and at any separate class meeting which may be required by the Court or at any adjournment of such meeting.
- If any dividend and/or other distribution and/or return of capital is announced, declared, made, payable or paid in respect of the HWSIL Shares on or after the date of this Announcement and with a record date prior to the Effective Date, Bidco reserves the right to reduce the consideration payable in respect of each HWSIL Share by the amount of all or part of any such dividend or distribution or return of capital. If Bidco exercises this right or makes such a reduction in respect of any dividend and/or other distribution and/or return of capital that has not been paid, HWSIL Shareholders will be entitled to receive and retain that dividend or distribution or return of capital. If any such dividend or distribution occurs, any reference in this Announcement to the consideration payable shall be deemed to be a reference to the consideration as so reduced. To the extent that any such dividend, distribution or other return of capital has been declared, paid, made or is payable, or is or shall be (i) transferred pursuant to the Offer on a basis which entitles Bidco to receive the dividend, distribution or return of capital and to retain it; or (ii) cancelled, the consideration payable shall not be subject to change in accordance with this paragraph.
- Further details of the Offer will be contained in the Scheme Document which is intended to be posted to HWSIL Shareholders along with notices of the Court Meeting and General Meeting and the Forms of Proxy as soon as practicable.
- The Scheme is expected to become Effective in the third quarter of 2020, subject to the satisfaction or waiver of the Conditions set out in Appendix I.
- Commenting on the Offer, Jason Tilroe, Chief Executive Officer of the PETRA Group, said:

"We are excited that our proposal has been recommended by the Board. We are committed to providing unique financing solutions for UK SMEs and believe that an acquisition of HWSIL would help us to do so. The markets remain challenged and uncertain for many SMEs. We will continue to expand our UK investments through acquisitions, strategic partnerships and organically, one client at a time."

- Commenting on the Offer, David Warr, the Chairman of the Board of HWSIL, said:

"Following HWSIL entering into managed wind-down earlier this year, it was expected that cash would be returned to HWSIL Shareholders as loans matured or were realised. The Offer provides HWSIL Shareholders with a cash alternative at an attractive value in a significantly shorter timeframe than possible under a managed wind-down. It eliminates any risks associated with an ongoing exposure to HWSIL's portfolio and any challenges associated with managing HWSIL during the latter stages of the managed wind-down process. In aggregate, with the 19 pence per HWSIL Share returned to HWSIL Shareholders in April 2020, the offer will result in HWSIL Shareholders having received 74.5 pence per Share since HWSIL adopted a managed wind-down strategy and will provide a clean exit for HWSIL Shareholders through a single transaction."

This summary should be read in conjunction with, and is subject to, the full text of this Announcement (including its Appendices).

The Offer will be subject to the Conditions set out in Appendix I, and to the full terms and conditions which will be set out in the Scheme Document. Appendix II contains the bases and sources of certain information used in this Announcement. Appendix III contains details of the irrevocable undertakings received in relation to the Offer that are referred to in this Announcement. Appendix IV contains definitions of certain terms used in this Announcement.

Enquiries:

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Crowell & Moring and Ogier (Guernsey) LLP are providing legal advice to Bidco. Bryan Cave Leighton Paisner LLP and Carey Olsen (Guernsey) LLP are providing legal advice to HWSIL.

Important notices relating to financial advisers

Winterflood is authorised and regulated in the United Kingdom by the FCA. Winterflood is acting as financial adviser exclusively for HWSIL and no one else in connection with the matters set out in this Announcement and will not be responsible to anyone other than HWSIL for providing the protections afforded to clients of Winterflood nor for providing advice in relation to the potential transaction or any other matters referred to in this Announcement. Neither Winterflood nor any of its affiliates owes or accepts any duty, liability or responsibility whatsoever (whether direct or indirect, whether in contract, in tort, under statute or otherwise) to any person who is not a client of Winterflood in connection with this Announcement, any statement contained herein or otherwise.

finnCap is authorised and regulated in the United Kingdom by the FCA. finnCap is acting as financial adviser exclusively for Bidco and no one else in connection with the matters set out in this Announcement and will not be responsible to anyone other than Bidco for providing the protections afforded to clients of finnCap nor for providing advice in relation to the potential transaction or any other matters referred to in this Announcement. Neither finnCap nor any of its affiliates owes or accepts any duty, liability or responsibility whatsoever (whether direct or indirect, whether in contract, in tort, under statute or otherwise) to any person who is not a client of finnCap in connection with this Announcement, any statement contained herein or otherwise.

Further Information

This Announcement is for information purposes only and is not intended to and does not constitute, or form any part of, an offer to sell or an invitation to purchase, otherwise acquire or subscribe for or dispose of any securities or the solicitation of any vote or approval in any jurisdiction pursuant to the Offer or otherwise. The Offer will be made solely by the Scheme Document (or in the event that the Offer is to be implemented by means of a Takeover Offer, the offer document), which will contain the full terms and conditions of the Offer, including details of how to vote in respect of the Scheme. Any voting decision or response in relation to the Offer should be made solely on the basis of the Scheme Document.

This Announcement does not constitute a prospectus or a prospectus equivalent document.

This Announcement has been prepared for the purpose of complying with Guernsey law, English law and the Code and the information disclosed may not be the same as that which would have been disclosed if this Announcement had been prepared in accordance with the laws of jurisdictions outside England or Guernsey.

Overseas Shareholders

The release, publication or distribution of this Announcement in jurisdictions other than the United Kingdom or Guernsey may be restricted by law and therefore any persons who are not resident in the United Kingdom or Guernsey or who are subject to the laws of any jurisdiction other than the United Kingdom or Guernsey (including Restricted Jurisdictions) should inform themselves about, and observe, any applicable legal or regulatory requirements. In particular, the ability of persons who are not resident in the United Kingdom or Guernsey or who are subject to the laws of another jurisdiction to participate in the Offer or to vote their Scheme Shares in respect of the Scheme at the Court Meeting, or to execute and deliver Forms of Proxy appointing another person to vote at the Court Meeting on their behalf, may be affected by the laws of the relevant jurisdictions in which they are located or to which they are subject. Any failure to comply with applicable legal or regulatory requirements of any jurisdiction may constitute a violation of securities laws in that jurisdiction. To the fullest extent permitted by applicable law, the companies and persons involved in the Offer disclaim any responsibility or liability for the violation of such restrictions by any person.

Unless otherwise determined by Bidco or required by the Code, and permitted by applicable law and regulation, the Offer shall not be made available, directly or indirectly, in, into or from a Restricted Jurisdiction where to do so would violate the laws in that jurisdiction and no person may vote in favour of the Offer by any such use, means, instrumentality or form within a Restricted Jurisdiction or any other jurisdiction if to do so would constitute a violation of the laws of that jurisdiction.

The Offer will be subject to the applicable requirements of the Companies Law of Guernsey, the Court (as a result of HWSIL being incorporated in Guernsey) and the GFSC (as a result of HWSIL being a registered closed-ended investment company in Guernsey), with the applicable requirements of English law, Guernsey law, the Code, the Panel, the London Stock Exchange and the FCA (as a result of HWSIL being listed on the London Stock Exchange).

Copies of this Announcement and any formal documentation relating to the Offer are not being, and must not be, directly or indirectly, mailed or otherwise forwarded, distributed or sent in or into or from any Restricted Jurisdiction or any jurisdiction where to do so would constitute a violation of the laws of such jurisdiction and persons receiving such documents (including custodians, nominees and trustees) must not mail or otherwise forward, distribute or send them in or into or from any Restricted Jurisdiction. Doing so may render invalid any related purported vote in respect of the Offer.

If the Offer is implemented by way of a Takeover Offer (unless otherwise permitted by applicable law and regulation), the Takeover Offer may not be made, directly or indirectly, in or into or by use of the mails or any other means or instrumentality (including, without limitation, facsimile, e-mail or other electronic transmission, telex or telephone) of interstate or foreign commerce of, or any facility of a national, state or other securities exchange of any Restricted Jurisdiction and the Offer will not be capable of acceptance by any such use, means, instrumentality or facilities or from within any Restricted Jurisdiction.

The availability of the Offer to HWSIL Shareholders who are not resident in the United Kingdom or Guernsey may be affected by the laws of the relevant jurisdictions in which they are resident. Persons who are not resident in the United Kingdom or Guernsey should inform themselves of, and observe, any applicable requirements. Further details in relation to HWSIL Shareholders in overseas jurisdictions will be contained in the Scheme Document.

Notice to U.S. investors in HWSIL

The Offer relates to the shares of a Guernsey company and is being made by means of a scheme of arrangement provided for under Part VIII of the Companies Law of Guernsey. The Offer, implemented by way of a scheme of arrangement is not subject to the tender offer rules or the proxy solicitation rules under the U.S. Exchange Act, as amended. Accordingly, the Offer is subject to the disclosure requirements and practices applicable to a scheme of arrangement involving a target company in Guernsey listed on the London Stock Exchange, which differ from the disclosure requirements of the U.S. tender offer and proxy solicitation rules. If, in the future, Bidco exercises its right to implement the Offer by way of a Takeover Offer and determines to extend the Takeover Offer into the U.S., the Offer will be made in compliance with applicable U.S. laws and regulations.

Neither the SEC nor any U.S. state securities commission has approved or disapproved or passed judgment upon the fairness or the merits of the Offer or determined if this Announcement is adequate, accurate or complete. Any representation to the contrary is a criminal offence in the U.S.

HWSIL is incorporated under the laws of Guernsey. In addition, some or all of its officers and directors reside outside the U.S., and some or all of its assets are or may be located in jurisdictions outside the U.S. Therefore, investors may have difficulty effecting service of process within the U.S. upon those persons or recovering against HWSIL or its officers or directors on judgments of U.S. courts, including judgments based upon the civil liability provisions of the U.S. federal securities laws. Further, it may be difficult to compel a non-U.S. company and its affiliates to subject themselves to a U.S. court's judgment. It may not be possible to sue HWSIL or its officers or directors in a non-US court for violations of the U.S. securities laws.

Forward Looking Statements

This Announcement contains certain forward-looking statements with respect to Bidco and HWSIL. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements often use words such as, without limitation, "anticipate", "target", "expect", "estimate", "intend", "plan", "goal", "believe", "aim", "will", "may", "hope", "continue", "would", "could" or "should" or other words of similar meaning or the negative thereof. Forward-looking statements include, but are not limited to, statements relating to the following: (i) future capital expenditures, expenses, revenues, economic performance, financial conditions, dividend policy, losses and future prospects, (ii) business and management strategies and the expansion and growth of the operations of Bidco or HWSIL, and (iii) the effects of government regulation on the business of Bidco or HWSIL. There are many factors which could cause actual results to differ materially from those expressed or implied in forward looking statements. Among such factors are changes in the global, political, economic, business, competitive, market and regulatory forces, future exchange and interest rates, changes in tax rates and future business combinations or disposals. Such statements are qualified in their entirety by the inherent risks and uncertainties surrounding future expectations.

These forward-looking statements are based on numerous assumptions regarding the present and future business strategies of such persons and the environment in which each will operate in the future. Except as expressly provided in this document, they have not been reviewed by the auditors of Bidco or HWSIL. By their nature, these forward-looking statements involve known and unknown risk and uncertainties because they relate to events and depend on circumstances that will occur in the future. The factors described in the context of such forward-looking statements in this Announcement may cause the actual results, performance or achievements of any such person, or industry results and developments, to be materially different from any results, performance or achievements expressed or implied by such forward-looking statements. No assurance can be given that such expectations will prove to have been correct and persons reading this Announcement are therefore cautioned not to place undue reliance on these forward-looking statements which speak only as at the date of this Announcement. None of Bidco, HWSIL, nor their respective members, directors, officers or employees, advisers or any person acting on their behalf, 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.

None of Bidco, HWSIL or their respective members, directors, officers, employees, advisers and any person acting on behalf of one or more of them undertakes any intention or obligation to update publicly or revise forward-looking statements, whether as a result of new information, future events or otherwise, except to the extent legally required. All subsequent oral or written forward-looking statements attributable to Bidco or HWSIL or any persons acting on their behalf are expressly qualified in their entirety by the cautionary statement above.

No member of the Bidco Group, any member of the HWSIL Group, nor any of their respective associates, directors, officers, employees 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.

No profit forecasts or estimates

No statement in this Announcement is intended as a profit forecast or estimate for Bidco or HWSIL for any period and no statement in this Announcement should be interpreted to mean that earnings or earnings per HWSIL Share for the current or future financial years would necessarily match or exceed the historical published earnings or earnings per HWSIL Share.

Publication on website

A copy of this Announcement and the documents required to be published pursuant to Rule 26.1 and Rule 26.2 of the Code will be made available (subject to certain restrictions relating to persons resident in Restricted Jurisdictions) free of charge, on HWSIL's website at <https://hadrianswallcapital.com/fund/> by no later than 12 noon London time on the Business Day following the date of this Announcement.

Neither the contents of this website nor the content of any other website accessible from hyperlinks on such website is incorporated into, or forms part of, this Announcement.

Requesting hard copy documents

In accordance with Rule 30.3 of the Code, a person so entitled may request a copy of this Announcement (and any information incorporated into it by reference to another source) in hard copy form free of charge. A person may also request that all future documents, announcements and information sent to that person in relation to the Offer should be in hard copy form. For persons who have received a copy of this Announcement in electronic form or via a website notification, a hard copy of this Announcement will not be sent to you unless you have previously notified HWSIL's registrar, Link Asset Services that you wished to receive all documents in hard copy form or unless requested in accordance with the procedure set out below.

If you would like to request a hard copy of this Announcement from HWSIL please contact HWSIL's registrar, Link Asset Services, at 34 Beckenham Road, Beckenham, Kent, BR3 4TU, or on 0371 664 0300 or on +44 (0) 371 664 0300 (if calling from outside the U.K.).

Information relating to HWSIL Shareholders

Please be aware that addresses, electronic addresses and certain other information provided by HWSIL Shareholders and other relevant persons for the receipt of communications from HWSIL may be provided to Bidco during the Offer Period as required under Section 4 of Appendix 4 of the Code in order to comply with Rule 2.11(c) of the Code.

Rounding

Certain figures included in this Announcement have been subjected to rounding adjustments. Accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

Disclosure Requirements of the Code

Under Rule 8.3(a) of the Code, any person who is interested in one per cent. 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 p.m. (London time) on the 10th Business Day (as defined in the Code) following the commencement of the Offer Period and, if appropriate, by no later than 3.30 p.m. (London time) on the 10th Business Day (as defined in the Code) 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 one per cent. 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, 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 p.m. (London time) on the Business Day (as defined in the Code) 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 Panel's website at www.thetakeoverpanel.org.uk](http://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. If you are in any doubt as to whether you are required to make an Opening Position Disclosure or a Dealing Disclosure, you should contact the Panel's Market Surveillance Unit on +44 (0)20 7638 0129.

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22 JULY 2020

RECOMMENDED CASH ACQUISITION OF

HWSI REALISATION FUND LIMITED

BY

CUBITT TRADE HOLDINGS LLC

1. Introduction

The boards of directors of HWSI Realisation Fund Limited (**HWSIL**) and Cubitt Trade Holdings LLC (**Bidco**) announce that they have reached agreement on the terms of a recommended cash offer to be made by Bidco for the entire issued and to be issued ordinary share capital of HWSIL.

2. The Offer

Under the terms of the Offer, which will be subject to satisfaction (or waiver) of the Conditions and certain further terms set out in Appendix I and to the full terms and conditions which will be set out in the Scheme Document, Scheme Shareholders will be entitled to receive:

55.5 pence in cash for each Scheme Share

The terms of the Offer value HWSIL's entire issued and to be issued ordinary share capital at approximately £79,642,300 and represent:

- a premium of approximately 91.38 per cent. to the Closing Price per HWSIL Share of 29.00 pence on 21 July 2020 (being the last Business Day before the date of this Announcement); and
- a discount of approximately 11.00 per cent. to the published NAV per HWSIL Share of 62.36 pence on 30 June 2020 (being the date of the latest NAV published by HWSIL prior to the commencement of the Offer Period).

If any dividend or other distribution or return of capital is announced, declared, made, payable or paid in respect of the HWSIL Shares on or after the date of this Announcement and with a record date prior to the Effective Date, Bidco reserves the right to reduce the consideration payable in

respect of each HWSIL Share by the amount of all or part of any such dividend or distribution or return of capital. If Bidco exercises this right or makes such a reduction in respect of a dividend or other distribution or return of capital that has not been paid, HWSIL Shareholders will be entitled to receive and retain that dividend or distribution or return of capital. If any such dividend or distribution occurs, any reference in this Announcement to the consideration payable shall be deemed to be a reference to the consideration as so reduced. To the extent that any such dividend, distribution or other return of capital has been declared, paid, made or is payable, or is or shall be (i) transferred pursuant to the Offer on a basis which entitles Bidco to receive the dividend, distribution or return of capital and to retain it; or (ii) cancelled, any reference in this Announcement to the consideration payable shall not be subject to change in accordance with this paragraph.

The Offer will be subject to the Conditions and certain further terms set out in Appendix I, including, among other things: (i) the approval of Scheme Shareholders at the Court Meeting and the passing of the Special Resolutions by HWSIL Shareholders at the General Meeting; (ii) the sanction of the Scheme by the Court; and (iii) the Scheme becoming Effective no later than the Long Stop Date. In order to become Effective, the Scheme must be approved by a majority in number representing not less than 75 per cent. in value of the Scheme Shareholders (or the relevant class or classes thereof, if applicable) in each case present, entitled to vote and voting, either in person or by proxy, at the Court Meeting and at any separate class meeting which may be required by the Court or at any adjournment of such meeting.

The HWSIL Shares will be acquired by Bidco fully paid and free from all liens, equitable interests, charges, encumbrances, rights of pre-emption and any other third party rights or interests whatsoever and together with all rights existing at the date of this Announcement or thereafter attaching thereto, including (without limitation) the right to receive and retain, in full, all dividends and other distributions (if any) declared, made or paid or any other return of capital (whether by way of reduction of share capital or share premium account or otherwise) made on or after the Effective Date in respect of the HWSIL Shares (other than any dividend, distribution or return of capital in respect of which a corresponding reduction in the consideration per HWSI Share has been made as described above).

3. Information on Bidco

Bidco, a Delaware limited liability company, was established in April 2020 for the principal purpose of acquiring and acting as a holding company for companies incorporated in the United Kingdom.

Bidco is directly wholly-owned by PETRA Group Holdings Limited, a Cayman Islands limited liability company. PETRA Group Holdings Limited is wholly-owned by BlueCompass Management Partners LP, a Cayman Islands limited partnership.

The PETRA Group is a privately held independent group that was founded in 2011. It is in the business of acquiring non-bank financial firms and then funding and managing those firms post-acquisition. Since its establishment, the PETRA Group has successfully completed over ten acquisitions in the United Kingdom, North America and South America, including the acquisition in November 2019 of Pulse Factoring Solutions Limited, which is a customer of the Company.

The PETRA Group is majority owned and controlled by the founders and its management team. The founders are also the sole directors of Bidco and PETRA Group Holdings Limited and, together with the management team, are based in London and New York. Prior to establishing the PETRA Group, the founders were senior managing directors at bulge bracket investment banks working predominantly in capital markets.

4. Background to and reasons for the Offer, and strategic plans and intentions with regard to assets

As set out above, the strategy of Bidco and the PETRA Group is to acquire, fund and manage non-bank financial firms with a particular focus on acquiring loan or credit portfolios. The proposed acquisition of the Company would enable the PETRA Group to acquire, in one consolidated transaction, a sizeable portfolio of credit assets fitting its investment strategy.

The PETRA Group noted with interest the Company's announcement on 10 February 2020 of its intention to dispose of its assets and to return cash to its HWSIL Shareholders. The PETRA Group was familiar with the Company having previously acquired Pulse Factoring Solutions Limited, a customer of the Company.

Bidco believes that the Offer presents a compelling opportunity for HWSIL Shareholders to receive a cash return from their investment at a valuation closely reflecting the Company's Net Asset Value, significantly accelerating the speed of that return and enhancing its certainty above that which could realistically be achievable by means of existing arrangements.

The PETRA Group intends to consolidate the Company within its existing operations following completion of the Offer and to actively manage the portfolio with a view to running it as part of a going concern. The Company has no employees and therefore does not operate any pension scheme, nor does it have any arrangement in place for any employee involvement in its capital. The Company has no fixed assets, place of business, research and development function or headquarters or headquarters functions.

Bidco intends to delist the Company following completion of the Offer. Consequently, the Company will not require listed company governance structures and accordingly it is intended that David Warr, John Falla, Brett Miller and Nigel Ward will cease to be directors of the Company following the Effective Date.

Bidco intends to discuss future investment advisory arrangements with the current investment adviser of HWSIL as soon as practicable with a view to achieving optimal value and continuity of service. However, Bidco notes that the Company served notice of termination of the investment advisory agreement on 19 February 2020, such termination to take effect 12 months thereafter. Until these discussions with the Company's investment adviser have been held, Bidco is unable to assess the impact of the Offer on persons employed by the investment adviser's group whose principal role is the carrying out of activities on behalf of HWSIL.

The Offer is not expected to have any material impact on the PETRA Group or its existing business.

5. Recommendation

The HWSIL Directors, who have been so advised by Winterflood as to the financial terms of the Offer, consider the terms of the Offer to be fair and reasonable. Winterflood is providing independent financial advice to the HWSIL Directors for the purposes of Rule 3 of the Code. In providing their advice to the HWSIL Directors, Winterflood have taken into account the commercial assessments of the HWSIL Directors.

Accordingly, the HWSIL Directors intend to recommend unanimously that HWSIL Shareholders vote or procure votes in favour of the resolutions relating to the Scheme at the Meetings or, in the event that the Offer is implemented by way of a Takeover Offer, HWSIL Shareholders accept or procure acceptance of the Takeover Offer, as the HWSIL Directors who hold HWSIL Shares have each irrevocably undertaken to do or instruct be done (and use all reasonable endeavours to procure) in respect of their entire beneficial holdings of 224,436 HWSIL Shares, in aggregate, representing approximately 0.16 per cent. of the issued share capital of HWSIL as at 21 July 2020 (being the last practicable date prior to the date of this Announcement).

6. Portfolio carrying value and NAV per HWSIL Share as at 30 June 2020

Portfolio carrying value

HWSIL holds a portfolio of loans, each of which is held at amortised cost adjusted for any provisions required under IFRS 9. The amortised cost is broadly the principal balance outstanding ("PBO") on the loan due to HWSIL, although there are certain differences between the PBO and

amortised cost due to the applicable accounting standards. The amortised cost can be calculated at any valuation date on the basis of the initial loan, the agreed interest rate(s), the term of the loan and the loan service payments made to date by the borrower.

HWSIL's portfolio consists of 15 loans with an aggregate PBO of £91.0m, aggregate amortised cost of £90.0m and a valuation, after IFRS 9 provisions of £5.4m, of £84.6m as at 30 June 2020. This excludes certain loans which have been written off in their entirety. A summary of HWSIL's portfolio as at 30 June 2020 is set out at the end of this section 6 and all portfolio information below is provided as at 30 June 2020.

Performing Loans

A total of 13 loans in the portfolio are considered to be 'performing' although a number have required forbearance during H1 2020 in light of the market environment, and certain loans may require further forbearance in H2 2020. The 13 loans have an aggregate PBO of £73.9m, aggregate amortised cost of £74.1m and aggregate IFRS 9 provisions of £1.8m, resulting in a carrying value of £72.3m. In addition, there is accrued interest of £0.7m which is the sum of the amounts due under the loan contracts.

Non-Performing Loans

There are two loans where the provisions are more material, being:

- Loan to Borrower 6 - PBO: £4.1m; amortised cost: £4.1m; provision: £1.6m; carrying value: £2.5m; and
- Loan to Borrower 7 - PBO: £13.0m; amortised cost: £11.8m; provision: £2.0m; carrying value: £9.8m.

There is accrued interest of £2.8m on the non-performing loans which is unpaid, however, HWSIL has made a provision of £2.7m against it, reflecting the non-performing nature of the loans.

The aggregate of the provisions on the performing and non-performing loans represents 6.0% of the total amortised cost of the loans.

Loans Written-off

There are several loans in the portfolio (with an aggregate PBO of £17.2m) where the borrowers, Biomass Premium Fuels Limited and Biomass Optimum Fuels Limited, are both in administration and HWSIL has provisioned for a total loss in each case. The carrying value of these loans represents 0% of the portfolio carrying value. The loans are secured against the assets and properties of the businesses. HWSIL is not attributing any value to these loans reflecting the Board's expectation of only limited or no recovery from the assets of the businesses.

NAV per HWSIL Share

HWSIL's loan portfolio had a carrying value of £84.6 million as at 30 June 2020, and the table below summarises HWSIL's NAV as at that date:

	30 June 2020
Loan portfolio	£84.6m
Cash and cash equivalents	£8.8m
Other current assets	£1.0m
	<u>£94.4m</u>
Revolving credit facility	(£3.0m)
Financial guarantee at fair value through profit and loss	(£1.7m)
Other current liabilities	(£0.3m)
	<u>(£5.0m)</u>
Net asset value	£89.4m
Number of HWSIL Shares outstanding	143,499,667
NAV per HWSIL Share	62.36p

HWSIL loan summary as at 30 June 2020

Borrower	PBO	Amortised Cost	ECL* provision	Carrying Value	Term remaining	Asset Type
Borrower 1	£1,459,082	£1,459,082	£30,641	£1,428,441	Due	Commercial property
Borrower 2	£10,500,000	£10,496,294	£220,500	£10,275,794	7 months	Residential property
Borrower 3	£689,516	£689,035	£4,816	£684,219	18 months	Fabrication - metals
Borrower 4	£5,126,106	£5,090,359	£107,648	£4,982,711	21 months	Commercial
Borrower 5	£17,000,000	£16,999,163	£119,000	£16,880,163	20 months	Underlying Financial Assets
Borrower 6	£4,095,000	£4,086,011	£1,600,000	£2,486,011	4 months	Electricity & RHI tariffs
Borrower 7	£13,000,000	£11,825,595	£2,000,000	£9,825,595	37 months	Plant, Machinery and intellectual Property
Borrower 8	£15,700,000	£15,699,902	£329,700	£15,370,202	30 months	Underlying Financial Assets
Borrower 9	£450,015	£450,011	£6,669	£443,342	35 months	Social Housing
Borrower 10	£667,461	£667,454	£9,892	£657,562	35 months	Social Housing
Borrower 11	£630,802	£630,796	£9,348	£621,448	35 months	Social Housing
Borrower 12	£458,495	£458,490	£6,795	£451,695	35 months	Social Housing
Borrower 13	£1,379,061	£1,549,546	£193,057	£1,356,489	36 months	Marine Equipment
Borrower 14	£4,036,078	£4,068,894	£84,749	£3,984,145	40 months	Plant
Biomass Optimum Fuels	£6,918,586	£6,918,586	£6,918,586	£0	Due	RHI/P&M
Biomass Premium	£6,235,956	£6,235,956	£6,235,956	£0	Due	RHI/P&M

Fuels						
Biomass Premium	£4,000,000	£4,000,000	£4,000,000	£0	Due	RHI/P&M
Fuels						
Borrower 18	£15,831,686	£15,828,682	£665,322	£15,163,360	44 months	Underlying Financial Assets

*Expected credit loss

7. Background to and reasons for the recommendation

HWSIL was launched in June 2016 with the objective of providing HWSIL Shareholders with regular, sustainable dividends and to generate capital appreciation through exposure, directly or indirectly, to primarily secured loans originated across a variety of channels, assets and industry segments. HWSIL targeted a dividend of at least 6 pence per HWSIL Share once fully invested with the expectation of growing the dividend over time.

In the period following launch, HWSIL built a portfolio of loans spread across a number of sectors including manufacturing, social housing, real estate, energy, autos and healthcare.

On 19 December 2018, HWSIL announced that two (connected) borrowers had entered administration. The principal amount outstanding on these loans was £13 million in aggregate. The assets of the borrowers were acquired out of administration by two new companies, Biomass Premium Fuels Limited ("**BPFL**") and Biomass Optimum Fuels Limited ("**BOFL**"), and the Company committed to provide additional funding to BPFL and BOFL for an aggregate £4.0 million.

On 23 May 2019, HWSIL announced that BPFL was seeking to enter into a new joint venture (**JV**) arrangement regarding the operation and management of BPFL and the parties were also discussing arrangements for BOFL. The announcement stated that HWSIL was providing further funding to BPFL and BOFL for an aggregate £1.4 million to mitigate losses to HWSIL in respect of the loans to BPFL and BOFL and that if the JV arrangements were not completed in a satisfactory manner, the outcome in relation to HWSIL's investments in BPFL and BOFL would be uncertain and the Company would be exposed to the risk of a material loss.

On 27 June 2019, HWSIL announced that one of its borrowers ("**Borrower A**") (not BPFL or BOFL) was in the process of undertaking an equity raise or company sale. Although it was not anticipated that this process would have an adverse impact on the ultimate repayment of the loan, which had a face value of £13 million, HWSIL understood that this process may take longer than expected, which could present the borrower with working capital cash flow issues.

On 2 October 2019, HWSIL announced that BOFL had entered into a strategic partnership with SDL Group to operate the manufacturing facilities of BOFL. The announcement also stated that BPFL was engaged in ongoing discussions and due diligence to enter into a JV or partnership but that these discussions had not progressed at the pace previously anticipated.

On 20 November 2019, HWSIL announced that it did not appear possible for BPFL to enter into a JV or partnership with another party and that the partnership between BOFL and SDL Group was unlikely to be sustained beyond the near term. As a result, it was expected that HWSIL would incur a material loss on its investments in BPFL and BOFL and that the loss provision on these assets would be increased from £3.2 million in aggregate to £18.1 million in aggregate, representing a provision for a total loss.

On 9 December 2019, HWSIL announced that, having consulted with Shareholders representing a significant proportion of the HWSIL Shares, it had determined that HWSIL should not continue in its current form. As a result, the HWSIL Board commenced a strategic review of the options available to it with a view to maximising shareholder value. In coming to this decision, the HWSIL Board acknowledged that the challenges already facing HWSIL in terms of its size, scalability, limited secondary market liquidity and the discount to NAV at which the HWSIL Shares had been trading, were likely to be exacerbated by the decision to provide for a total loss on two of HWSIL's largest investments, being BPFL and BOFL.

On 17 December 2019, HWSIL announced that, further to the announcement on 27 June 2019, the equity raising being undertaken by Borrower A was expected to conclude in the first quarter of 2020, which should ensure full repayment of the loan at its face value of £13 million, plus accrued interest together with an early repayment fee. The announcement noted that in the event that the equity raising does not complete, it was possible that Borrower A might request that HWSIL provide additional capital for working capital purposes. It further noted that, whilst the indicated valuations of the portfolio company support a full recovery, and the timeframe appears achievable, Borrower A has limited liquidity and consequently a delay in the capital raise could expose the HWSIL to the risk of further material loss.

The announcement on 17 December 2019 also stated that another borrower ("**Borrower B**") of a loan with a face value of £4.1 million requested a deferral of some interest payments due to cash flow issues arising from unexpected mechanical failure at its plant which caused lower productivity and income for Borrower B.

On 10 February 2020, the HWSIL Board announced that it had concluded its strategic review and had determined that HWSIL should be put into managed wind-down, with cash returned to HWSIL Shareholders in a timely and efficient manner. HWSIL Shareholders approved the proposals to implement the managed wind-down at an extraordinary general meeting of HWSIL on 20 March 2020. In recognition of HWSIL entering into managed wind-down, notice was served on Hadrian's Wall Capital Limited to terminate its investment advisory agreement with HWSIL, such termination to take effect on 19 February 2021, with the expectation that portfolio advisory responsibilities would be internalised following termination becoming effective.

It was expected that the managed wind-down of HWSIL would involve the loans in HWSIL's portfolio being realised over time in an orderly manner, which might have included sales of individual loans or running off the loans in accordance with their existing terms, or a combination of both, with capital being returned to HWSIL Shareholders on a periodic basis. On 23 March 2020 HWSIL announced that it had received cash of £27.2 million from the early repayment, in full, of a specialised finance company loan, allowing HWSIL to distribute 19 pence per share, equivalent to £27.2 million, to HWSIL Shareholders in April 2020.

Since March 2020, the market environment has become significantly more challenging for borrowers in general as a result of the impact of Covid-19 and the lockdown restrictions imposed by governments around the world to contain the virus. This led to borrowers across the market seeking forbearance to their loan arrangements, including deferrals of capital and/or interest payments, and HWSIL was not immune to this. As announced on 4 May 2020 requests for forbearance had been received from 10 of HWSIL's borrowers (representing a cumulative total of £71.1 million of principal outstanding loans at that time). In addition, HWSIL stated in its half year report for the six-month period to 31 December 2019, published on 31 March 2020, that approximately 15.0% of its loan portfolio was exposed to retail, travel and leisure, arts, entertainment and recreation. As a prudent measure, with very few exceptions, HWSIL's loans had an increase in their expected losses arising from a movement in the relevant risk category solely by virtue of the fact that Covid-19 was expected to have, to a greater or lesser extent, an impact on HWSIL's loans. While the global and UK economies are generally starting to re-open as governments seek to ease lockdown restrictions, there is significant uncertainty as to how Covid-19 (including any second wave and/or renewed national or local lock-downs) will continue to impact economies around the world with ramifications for companies and borrowers.

It was against this background that, on 2 May 2020, HWSIL received an initial unsolicited proposal from Bidco which was rejected by the HWSIL Board. After a period of negotiation, the HWSIL Board agreed to provide Bidco with additional information on certain of HWSIL's loans with a view to encouraging Bidco to increase the value of its proposal, which it subsequently did to the offer price of 55.5 pence per HWSIL Share, which the HWSIL Board believes is appropriate to recommend to HWSIL Shareholders.

In forming this view, the HWSIL Board has taken into consideration the current market environment and the possible impact this could have on the timing of HWSIL being able to return capital to HWSIL Shareholders; the ongoing costs of managing HWSIL and HWSIL's portfolio during the wind-down period; the challenges of managing a 'rump' portfolio as HWSIL returns capital; and the costs associated with the liquidation of HWSIL in due course.

In particular, the HWSIL Board is aware that Borrower A, who is seeking to undertake an equity raise, as referred to in the announcement by HWSIL on 27 June 2019 and 17 December 2019, has not yet completed its fundraising. The fundraising period has now extended over 12 months and the economic environment remains challenging which further increases HWSIL's risk of a material loss and/or the requirement to provide Borrower A with further capital.

In addition, while the mechanical issues at the plant of the Borrower B, as stated in the announcement on 17 December 2020, appear to have been addressed with the plant moving towards full capacity, the repayment of this loan is due shortly, and any repayment is subject to a sale of the plant with the current market environment having impacted the timing and progress of the sales process. Furthermore, such plant equipment is complex, and any further mechanical issues may impact the success of any asset sale process.

While the HWSIL Board is of the view that the portfolio has the potential to provide capital returns to HWSIL Shareholders over time that in aggregate may be in excess of the Offer value, including the potential for the early repayment of certain loans, in particular, those that may require refinancing in the near term, it believes that the Offer provides HWSIL Shareholders with a cash alternative at an attractive value in a significantly shorter timeframe than possible under a managed wind-down and eliminates any risks associated with an ongoing exposure to HWSIL's portfolio and the wider economy.

At the offer price of 55.5 pence per HWSIL Share, when taken together with the 19 pence per HWSIL Share returned to HWSIL Shareholders in April 2020, HWSIL Shareholders will, if the Offer is completed, have received proceeds of, in aggregate, 74.5 pence per HWSIL Share since HWSIL adopted a managed wind-down strategy.

The financial terms of the Offer represent:

- a premium of approximately 91.38 per cent. to the Closing Price per HWSIL Share of 29.00 pence on 21 July 2020 (being the last Business Day before the date of this Announcement);
- a discount of approximately 11.00 per cent. to the published NAV per HWSIL Share of 62.36 pence on 30 June 2020 (being the date of the latest NAV published by HWSIL prior to the commencement of the Offer Period).

After careful consideration together with its financial advisers, and taking account of the market and portfolio-realisation challenges referred to above, the HWSIL Board has concluded that the Offer is in the best interests of HWSIL Shareholders and HWSIL as a whole.

8. Irrevocable undertakings

Bidco has received irrevocable undertakings to vote or instruct (and use all reasonable endeavours to procure) votes to approve the Scheme at the Court Meeting and in favour of the Special Resolution to be passed at the General Meeting (or in the event that the Offer is implemented by way of a Takeover Offer, to accept or instruct (and use all reasonable endeavours to procure) acceptance of the Takeover Offer) from each of the HWSIL Directors that holds HWSIL Shares in respect of their own holdings being, in aggregate, 224,436 HWSIL Shares, representing approximately 0.16 per cent. of the issued share capital of HWSIL (excluding HWSIL Shares held as treasury shares) as at 21 July 2020 (being the last practicable date prior to the date of this Announcement).

In addition to the irrevocable undertakings given by the HWSIL Directors referred to above, Bidco has received irrevocable undertakings to vote or procure votes to approve the Scheme at the Court Meeting and in favour of the Special Resolution to be passed at the General Meeting (or in the event that the Offer is implemented by way of a Takeover Offer, to accept or procure acceptance of the Takeover Offer) from six HWSIL Shareholders in respect of a total of 108,077,963 HWSIL Shares, representing approximately 75.32 per cent. of the issued share capital of HWSIL (excluding HWSIL Shares held as treasury shares) as at 21 July 2020 (being the last practicable date prior to the date of this Announcement).

Therefore, as at the date of this Announcement, Bidco has received irrevocable undertakings in respect of a total of 108,302,399 HWSIL Shares representing approximately 75.48 per cent. of the issued share capital of HWSIL (excluding HWSIL Shares held as treasury shares) as at 21 July 2020 (being the last practicable date prior to the date of this Announcement).

Further details of the irrevocable undertakings are set out in Appendix III to this Announcement.

9. Information on HWSIL

HWSIL is a registered closed-ended investment company admitted to the premium segment of the Official List and to trading on the Main Market of the London Stock Exchange. HWSIL was launched with the intention of providing regular, sustainable dividends and generating capital appreciation through exposure, directly or indirectly, to primarily secured loans. HWSIL holds a portfolio of 15 loans (excluding certain loans which have been written off in their entirety) issued to UK companies and commenced a managed wind-down process in March 2020 with the intention of realising its assets with cash being returned to HWSIL Shareholders in a timely and efficient manner.

HWSIL will not undertake any further returns of capital, via HWSIL's B share mechanism or otherwise, until the Offer becomes Effective, lapses or is withdrawn.

As at 30 June 2020, HWSIL had a portfolio value of £84.6 million and a net asset value of £89.4 million.

10. Financing

The consideration payable to HWSIL Shareholders pursuant to the Offer will be financed by existing available funds which may be used to: (i) fund the cash consideration payable to HWSIL Shareholders under the terms of the Offer; and (ii) pay fees, costs and expenses in connection with the financing and the Offer.

finnCap, in its capacity as financial adviser to Bidco, is satisfied that sufficient financial resources are available to Bidco to enable it to satisfy in full the cash consideration payable to HWSIL Shareholders under the terms of the Offer.

Further information on the financing of the Offer will be set out in the Scheme Document.

11. Offer-related arrangements

Bidco and the Company have entered into the Confidentiality Agreement, pursuant to which Bidco has undertaken to keep certain information relating to the Offer and to HWSIL confidential and not to disclose such information to third parties, except to certain permitted disclosees for the purposes of evaluating the Offer or if required by applicable laws or regulations. The confidentiality obligations of each party under the Confidentiality Agreement continue for 24 months after the date of the Confidentiality Agreement. The Confidentiality Agreement also contains customary standstill provisions, subject to customary carve-outs, for a period of 12 months.

In addition, Bidco has undertaken to procure that following the Effective Date the Company complies with the indemnification provisions in the Company's current articles of incorporation and in the deeds of indemnity in favour of the HWSIL Directors and the former director.

12. Structure of the Offer

It is intended that the Offer will be implemented by means of a Court-sanctioned scheme of arrangement under Part VIII of the Companies Law of Guernsey. The Scheme is an arrangement between HWSIL and the Scheme Shareholders and is subject to the approval of the Court. The procedure involves, among other things, an application by HWSIL to the Court to sanction the Scheme, in consideration for which Scheme Shareholders will

receive cash on the basis described in Section 2 of this Announcement. The purpose of the Scheme is to provide for Bidco to become the owner of the entire issued and to be issued ordinary share capital of HWSIL on the Effective Date.

Upon the Scheme becoming Effective: (i) it will be binding on all HWSIL Shareholders, irrespective of whether or not they attended or voted at the Court Meeting and the General Meeting (and if they attended and voted, whether or not they voted in favour of the Scheme at the Court Meeting or in favour of or against the Special Resolution at the General Meeting); and (ii) share certificates in respect of HWSIL Shares (if any) will cease to be of value and should be destroyed and entitlements to HWSIL Shares held within the CREST system will be cancelled. The consideration payable under the Scheme will be despatched to Scheme Shareholders by Bidco no later than 14 days after the Effective Date.

Any HWSIL Shares issued before the Scheme Record Time will be subject to the terms of the Scheme. The Special Resolution to be proposed at the General Meeting will, amongst other matters, provide that the Articles be amended to incorporate provisions requiring any HWSIL Shares issued after the Scheme Record Time (other than to Bidco or its nominee(s)) to be automatically transferred to Bidco on the same terms as the Offer (other than terms as to timings and formalities). The provisions of the Articles (as amended) will avoid any person (other than Bidco or its nominee(s)) holding ordinary shares in the capital of HWSIL after the Effective Date.

The Offer is subject to a number of Conditions and certain further terms set out in Appendix I and to the full terms and conditions to be set out in the Scheme Document, including, amongst other things:

- (a) the Scheme becoming Effective by the Long Stop Date, failing which the Scheme will lapse;
- (b) on or before the 22nd day after the expected date of the Court Meeting to be set out in the Scheme Document (or such later date as may be agreed between Bidco and HWSIL and the Court may allow), the approval of the Scheme by a majority in number of the Scheme Shareholders, representing not less than 75 per cent. in value of the Scheme Shares held by those Scheme Shareholders, present and voting, either in person or by proxy, at the Court Meeting or at any adjournment thereof;
- (c) on or before the 22nd day after the expected date of the General Meeting to be set out in the Scheme Document (or such later date as may be agreed between Bidco and HWSIL and the Court may allow), the passing of the Special Resolution by the requisite majority at the General Meeting; and
- (d) on or before the 22nd day after the expected date of the Court Hearing to be set out in the Scheme Document (or such later date as may be agreed between Bidco and HWSIL and the Court may allow), the sanction of the Scheme by the Court (without modification, or with modification on terms agreed by Bidco and HWSIL).

The Scheme will lapse if: (a) in so far as the Scheme or the Offer or any matter arising from or relating to the Scheme or the Offer constitutes a concentration with a Community dimension within the scope of the Regulation, the European Commission either initiates Phase 2 Proceedings or makes a referral to a competent authority in the United Kingdom under Article 9(1) of the Regulation and there is then a CMA Phase 2 Reference; or (b) in so far as the Scheme or the Offer or any matter arising from the Scheme or the Offer does not constitute a concentration with a Community dimension within the scope of the Regulation, the Scheme or the Offer or any matter arising from or relating to the Scheme or the Offer becomes subject to a CMA Phase 2 Reference, in each case, before the date of the Court Meeting.

It is expected that the Scheme Document, containing further information about the Offer and notices of the Court Meeting and General Meeting, together with Forms of Proxy, will be posted to HWSIL Shareholders as soon as practicable. Subject to the satisfaction or waiver of all relevant conditions, including the Conditions, and certain further terms set out in Appendix I and to be set out in the Scheme Document, and subject to the approval and availability of the Court (which is subject to change), it is expected that the Scheme will become Effective in the third quarter of 2020.

The Scheme will be governed by Guernsey law and will be subject to the jurisdiction of the Court. The Scheme will be subject to the applicable requirements of the Code, the Panel, the London Stock Exchange and the U.K. Listing Authority.

13. Scheme timetable/further information

A full anticipated timetable will be set out in the Scheme Document which will be posted as soon as practicable. Subject to certain restrictions relating to persons resident in Restricted Jurisdictions, the Scheme Document will also be made available on HWSIL's website at <https://hadrianswallcapital.com/fund/>.

14. Right to switch to a Takeover Offer

Subject to obtaining the consent of the Panel, Bidco reserves the right to elect to implement the Offer by way of a Takeover Offer as an alternative to the Scheme.

In such event, such Takeover Offer will (unless otherwise determined by Bidco and subject to the consent of the Panel) be implemented on the same terms and conditions, so far as applicable, as those which would apply to the Scheme subject to appropriate amendments to reflect the change in method of effecting the Takeover Offer, including (without limitation) the inclusion of an acceptance condition set at 90 per cent. in value of the HWSIL Shares to which the Takeover Offer relates (or such lesser percentage as Bidco may decide after consultation with the Panel (if necessary), being in any case more than 50 per cent. of the voting rights normally exercisable at a general meeting of HWSIL, and, while the Offer remains recommended by the HWSIL Directors, more than 75 per cent. of such voting rights, including, for the purposes of the foregoing, any such voting rights attaching to HWSIL Shares that are issued before the Takeover Offer becomes or is declared unconditional as to acceptances, whether pursuant to the exercise of any outstanding subscription or conversion rights or otherwise). Further, if sufficient acceptances of the Takeover Offer are received and/or sufficient HWSIL Shares are otherwise acquired, it is the intention of Bidco to apply the provisions of Part XVIII of the Companies Law of Guernsey to compulsorily acquire any outstanding HWSIL Shares to which such Takeover Offer relates.

15. De-listing

It is intended that dealings in HWSIL Shares will be suspended shortly before the Effective Date at a time to be set out in the Scheme Document. It is further intended that applications will be made to the London Stock Exchange to cancel trading in HWSIL Shares on the Main Market of the London Stock Exchange, and to the U.K. Listing Authority to cancel the listing of the HWSIL Shares on the Official List, in each case with effect from or shortly following the Effective Date.

On the first Business Day after the Effective Date, entitlements to HWSIL Shares held within the CREST system will be cancelled, and share certificates in respect of HWSIL Shares will cease to be valid.

HWSIL holds 1,670,796 HWSIL Shares in treasury.

16. Disclosure of interests in HWSIL

As at the close of business on 21 July 2020, being the last practicable date prior to the publication of this Announcement, save for: (i) the disclosures in this Section 16 of this Announcement; and (ii) the irrevocable undertakings referred to in Section 8 of this Announcement, none of Bidco or any of its directors or, so far as Bidco is aware, any person acting, or deemed to be acting, in concert with Bidco:

- (a) had an interest in, or right to subscribe for, relevant securities of HWSIL;

- (b) had any short position in (whether conditional or absolute and whether in the money or otherwise), including any short position under a derivative, any agreement to sell or any delivery obligation or right to require another person to purchase or take delivery of, relevant securities of HWSIL;
- (c) had procured an irrevocable commitment or letter of intent to accept the terms of the Offer in respect of relevant securities of HWSIL; or
- (d) had borrowed or lent any HWSIL Shares.

Furthermore, save for the irrevocable undertakings described in Section 8 of this Announcement, no arrangement exists between Bidco or HWSIL or any person acting in concert with Bidco or HWSIL in relation to HWSIL Shares. For these purposes, an arrangement includes any indemnity or option arrangement, any agreement or any understanding, formal or informal, of whatever nature, relating to HWSIL Shares which may be an inducement to deal or refrain from dealing in such securities.

17. Overseas Shareholders

The availability of the Offer and the distribution of this Announcement to persons resident in, or citizens of, or otherwise subject to, jurisdictions outside the United Kingdom or Guernsey may be affected by the laws of the relevant jurisdictions. Such persons should inform themselves of, and observe, any applicable legal or regulatory requirements of their jurisdiction. HWSIL Shareholders who are in any doubt regarding such matters should consult an appropriate independent professional adviser in the relevant jurisdiction without delay.

This Announcement is not intended to, and does not, constitute or form part of any offer to sell or to subscribe for, or any invitation to purchase or subscribe for, or the solicitation of any offer to purchase or otherwise subscribe for any securities. HWSIL Shareholders are advised to read carefully the Scheme Document and the Forms of Proxy once these have been despatched.

18. General

The Offer will be subject to the Conditions and other terms set out in Appendix I to this Announcement and to the full terms and conditions which will be set out in the Scheme Document. The Scheme Document will be despatched to HWSIL Shareholders as soon as practicable.

In deciding whether or not to vote or procure votes to approve the Scheme at the Court Meeting or to vote or procure votes in favour of the Special Resolution at the General Meeting in respect of their HWSIL Shares, HWSIL Shareholders should rely on the information contained, and follow the procedures described, in the Scheme Document.

Winterflood and finnCap have each given and not withdrawn their consent to the publication of this Announcement with the inclusion herein of the references to their names in the form and context in which they appear.

The Scheme Document will not be reviewed by any federal state securities commission or regulatory authority in the U.S., nor will any commission or authority pass upon the accuracy or adequacy of the Scheme Document. Any representation to the contrary is unlawful and may be a criminal offence.

Appendix II contains the bases and sources of certain information used in this Announcement. Appendix III contains details of the irrevocable undertakings received in relation to the Offer that are referred to in this Announcement. Appendix IV contains definitions of certain terms used in this Announcement.

19. Documents on display

Copies of the following documents will, by no later than 12 noon (London time) on the Business Day following the date of this Announcement, be made available on HWSIL's website at <https://hadrianswallcapital.com/fund/> until the end of the Offer Period:

- (a) this Announcement;
- (b) the Confidentiality Agreement;
- (c) the Irrevocable Undertakings;
- (d) the consent letter of Winterflood;
- (e) the consent letter of finnCap; and
- (f) the Rule 2.11 letter of HWSIL.

None of the contents of HWSIL's website, or the content of any other website accessible from hyperlinks on either such website, is incorporated into or forms part of this Announcement.

Enquiries:

Winterflood (Financial Adviser to HWSIL) **020 3100 0000**
Neil Langford / Neil Morgan

Bidco **c/o finnCap**
Russell Schreiber

finnCap (Financial Adviser to Bidco) **020 7220 0500**
Henrik Persson / Giles Rolls / Matthew Radley

Crowell & Moring and Ogier (Guernsey) LLP are providing legal advice to Bidco. Bryan Cave Leighton Paisner LLP and Carey Olsen (Guernsey) LLP are providing legal advice to HWSIL.

Important notices relating to financial advisers

Winterflood is authorised and regulated in the United Kingdom by the FCA. Winterflood is acting as financial adviser exclusively for HWSIL and no one else in connection with the matters set out in this Announcement and will not be responsible to anyone other than HWSIL for providing the protections afforded to clients of Winterflood nor for providing advice in relation to the potential transaction or any other matters referred to in this Announcement. Neither Winterflood nor any of its affiliates owes or accepts any duty, liability or responsibility whatsoever (whether direct or indirect, whether in contract, in tort, under statute or otherwise) to any person who is not a client of Winterflood in connection with this Announcement, any statement contained herein or otherwise.

finnCap is authorised and regulated in the United Kingdom by the FCA. finnCap is acting as financial adviser exclusively for Bidco and no one else in connection with the matters set out in this Announcement and will not be responsible to anyone other than Bidco for providing the protections afforded to clients of finnCap nor for providing advice in relation to the potential transaction or any other matters referred to in this Announcement. Neither finnCap nor any of its affiliates owes or accepts any duty, liability or responsibility whatsoever (whether direct or indirect, whether in contract, in tort, under statute or otherwise) to any person who is not a client of finnCap in connection with this Announcement, any statement contained herein or otherwise.

Further Information

This Announcement is for information purposes only and is not intended to and does not constitute, or form any part of, an offer to sell or an invitation to purchase, otherwise acquire or subscribe for or dispose of any securities or the solicitation of any vote or approval in any jurisdiction pursuant to the Offer or otherwise. The Offer will be made solely by the Scheme Document (or in the event that the Offer is to be implemented by means of a Takeover Offer; the offer document), which will contain the full terms and conditions of the Offer; including details of how to vote in respect of the Scheme. Any voting decision or response in relation to the Offer should be made solely on the basis of the Scheme Document.

This Announcement does not constitute a prospectus or a prospectus equivalent document.

This Announcement has been prepared for the purpose of complying with Guernsey law, English law and the Code and the information disclosed may not be the same as that which would have been disclosed if this Announcement had been prepared in accordance with the laws of jurisdictions outside England or Guernsey.

Overseas Shareholders

The release, publication or distribution of this Announcement in jurisdictions other than the United Kingdom or Guernsey may be restricted by law and therefore any persons who are not resident in the United Kingdom or Guernsey or who are subject to the laws of any jurisdiction other than the United Kingdom or Guernsey (including Restricted Jurisdictions) should inform themselves about, and observe, any applicable legal or regulatory requirements. In particular, the ability of persons who are not resident in the United Kingdom or Guernsey or who are subject to the laws of another jurisdiction to participate in the Offer or to vote their HWSIL Shares in respect of the Scheme at the Court Meeting, or to execute and deliver Forms of Proxy appointing another person to vote at the Court Meeting on their behalf, may be affected by the laws of the relevant jurisdictions in which they are located or to which they are subject. Any failure to comply with applicable legal or regulatory requirements of any jurisdiction may constitute a violation of securities laws in that jurisdiction. To the fullest extent permitted by applicable law, the companies and persons involved in the Offer disclaim any responsibility or liability for the violation of such restrictions by any person.

Unless otherwise determined by Bidco or required by the Code, and permitted by applicable law and regulation, the Offer shall not be made available, directly or indirectly, in, into or from a Restricted Jurisdiction where to do so would violate the laws in that jurisdiction and no person may vote in favour of the Offer by any such use, means, instrumentality or form within a Restricted Jurisdiction or any other jurisdiction if to do so would constitute a violation of the laws of that jurisdiction.

The Offer will be subject to the applicable requirements of the Companies Law of Guernsey, the Court (as a result of HWSIL being incorporated in Guernsey) and the GFSC (as a result of HWSIL being a registered closed-ended investment company in Guernsey), with the applicable requirements of English law, Guernsey law, the Code, the Panel, the London Stock Exchange and the FCA (as a result of HWSIL being listed on the London Stock Exchange).

Copies of this Announcement and any formal documentation relating to the Offer are not being, and must not be, directly or indirectly, mailed or otherwise forwarded, distributed or sent in or into or from any Restricted Jurisdiction or any jurisdiction where to do so would constitute a violation of the laws of such jurisdiction and persons receiving such documents (including custodians, nominees and trustees) must not mail or otherwise forward, distribute or send them in or into or from any Restricted Jurisdiction. Doing so may render invalid any related purported vote in respect of acceptance of the Offer.

If the Offer is implemented by way of a Takeover Offer (unless otherwise permitted by applicable law and regulation), the Takeover Offer may not be made, directly or indirectly, in or into or by use of the mails or any other means or instrumentality (including, without limitation, facsimile, e-mail or other electronic transmission, telex or telephone) of interstate or foreign commerce of, or any facility of a national, state or other securities exchange of any Restricted Jurisdiction and the Offer will not be capable of acceptance by any such use, means, instrumentality or facilities or from within any Restricted Jurisdiction.

The availability of the Offer to HWSIL Shareholders who are not resident in the United Kingdom or Guernsey may be affected by the laws of the relevant jurisdictions in which they are resident. Persons who are not resident in the United Kingdom or Guernsey should inform themselves of, and observe, any applicable requirements. Further details in relation to HWSIL Shareholders in overseas jurisdictions will be contained in the Scheme Document.

Notice to U.S. investors in HWSIL

The Offer relates to the shares of a Guernsey company and is being made by means of a scheme of arrangement provided for under Part VIII of the Companies Law of Guernsey. The Offer, implemented by way of a scheme of arrangement is not subject to the tender offer rules or the proxy solicitation rules under the U.S. Exchange Act, as amended. Accordingly, the Offer is subject to the disclosure requirements and practices applicable to a scheme of arrangement involving a target company in Guernsey listed on the London Stock Exchange, which differ from the disclosure requirements of the U.S. tender offer and proxy solicitation rules. If, in the future, Bidco exercises its right to implement the Offer by way of a Takeover Offer and determines to extend the Takeover Offer into the U.S., the Offer will be made in compliance with applicable U.S. laws and regulations.

Neither the SEC nor any U.S. state securities commission has approved or disapproved or passed judgment upon the fairness or the merits of the Offer or determined if this Announcement is adequate, accurate or complete. Any representation to the contrary is a criminal offence in the U.S.

HWSIL is incorporated under the laws of Guernsey. In addition, some or all of its officers and directors reside outside the U.S., and some or all of its assets are or may be located in jurisdictions outside the U.S. Therefore, investors may have difficulty effecting service of process within the U.S. upon those persons or recovering against HWSIL or its officers or directors on judgments of U.S. courts, including judgments based upon the civil liability provisions of the U.S. federal securities laws. Further, it may be difficult to compel a non-U.S. company and its affiliates to subject themselves to a U.S. court's judgment. It may not be possible to sue HWSIL or its officers or directors in a non-US court for violations of the U.S. securities laws.

Forward Looking Statements

This Announcement contains certain forward-looking statements with respect to Bidco and HWSIL. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements often use words such as, without limitation, "anticipate", "target", "expect", "estimate", "intend", "plan", "goal", "believe", "aim", "will", "may", "hope", "continue", "would", "could" or "should" or other words of similar meaning or the negative thereof. Forward-looking statements include, but are not limited to,

statements relating to the following: (i) future capital expenditures, expenses, revenues, economic performance, financial conditions, dividend policy, losses and future prospects, (ii) business and management strategies and the expansion and growth of the operations of Bidco or HWSIL, and (iii) the effects of government regulation on the business of Bidco or HWSIL. There are many factors which could cause actual results to differ materially from those expressed or implied in forward looking statements. Among such factors are changes in the global, political, economic, business, competitive, market and regulatory forces, future exchange and interest rates, changes in tax rates and future business combinations or disposals. Such statements are qualified in their entirety by the inherent risks and uncertainties surrounding future expectations.

These forward-looking statements are based on numerous assumptions regarding the present and future business strategies of such persons and the environment in which each will operate in the future. Except as expressly provided in this document, they have not been reviewed by the auditors of Bidco or HWSIL. By their nature, these forward-looking statements involve known and unknown risk and uncertainties because they relate to events and depend on circumstances that will occur in the future. The factors described in the context of such forward-looking statements in this Announcement may cause the actual results, performance or achievements of any such person, or industry results and developments, to be materially different from any results, performance or achievements expressed or implied by such forward-looking statements. No assurance can be given that such expectations will prove to have been correct and persons reading this Announcement are therefore cautioned not to place undue reliance on these forward-looking statements which speak only as at the date of this Announcement. None of Bidco, HWSIL, nor their respective members, directors, officers or employees, advisers or any person acting on their behalf, 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.

None of Bidco, HWSIL or their respective members, directors, officers, employees, advisers and any person acting on behalf of one or more of them undertakes any intention or obligation to update publicly or revise forward-looking statements, whether as a result of new information, future events or otherwise, except to the extent legally required. All subsequent oral or written forward-looking statements attributable to Bidco or HWSIL or any persons acting on their behalf are expressly qualified in their entirety by the cautionary statement above.

No member of the Bidco Group, nor any member of the HWSIL Group, nor any of their respective associates, directors, officers, employees 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.

No profit forecasts or estimates

No statement in this Announcement is intended as a profit forecast or estimate for Bidco or HWSIL for any period and no statement in this Announcement should be interpreted to mean that earnings or earnings per HWSIL Share for the current or future financial years would necessarily match or exceed the historical published earnings or earnings per HWSIL Share.

Publication on website

A copy of this Announcement and the documents required to be published pursuant to Rule 26.1 and Rule 26.2 of the Code will be made available (subject to certain restrictions relating to persons resident in Restricted Jurisdictions) free of charge, on HWSIL's website at <https://hadrianswallcapital.com/fund/> by no later than 12 noon London time on the Business Day following the date of this Announcement.

Neither the contents of this website nor the content of any other website accessible from hyperlinks on such website is incorporated into, or forms part of, this Announcement.

Requesting hard copy documents

In accordance with Rule 30.3 of the Code, a person so entitled may request a copy of this Announcement (and any information incorporated into it by reference to another source) in hard copy form free of charge. A person may also request that all future documents, announcements and information sent to that person in relation to the Offer should be in hard copy form. For persons who have received a copy of this Announcement in electronic form or via a website notification, a hard copy of this Announcement will not be sent to you unless you have previously notified HWSIL's registrar, Link Asset Services that you wished to receive all documents in hard copy form or unless requested in accordance with the procedure set out below.

If you would like to request a hard copy of this Announcement from HWSIL please contact HWSIL's registrar, Link Asset Services, at 34 Beckenham Road, Beckenham, Kent, BR3 4TU, or on 0371 664 0300 or on +44 (0) 371 664 0300 (if calling from outside the U.K.).

Information relating to HWSIL Shareholders

Please be aware that addresses, electronic addresses and certain other information provided by HWSIL Shareholders and other relevant persons for the receipt of communications from HWSIL may be provided to Bidco during the Offer Period as required under Section 4 of Appendix 4 of the Code in order to comply with Rule 2.11(c) of the Code.

Rounding

Certain figures included in this Announcement have been subjected to rounding adjustments. Accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

Disclosure Requirements of the Code

Under Rule 8.3(a) of the Code, any person who is interested in one per cent. 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 p.m. (London time) on the 10th Business Day (as defined in the Code) following the commencement of the Offer Period and, if appropriate, by no later than 3.30 p.m. (London time) on the 10th Business Day (as defined in the Code) 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 one per cent. 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, 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 p.m. (London time) on the Business Day (as defined in the Code) 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 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. If you are in any doubt as to whether you are required to make an Opening Position Disclosure or a Dealing Disclosure, you should contact the Panel's Market Surveillance Unit on +44 (0)20 7638 0129.

APPENDIX I

CONDITIONS AND FURTHER TERMS OF THE ACQUISITION

Part A Conditions to the Offer

The Offer will be conditional upon the Scheme becoming unconditional and becoming Effective, subject to the Code, by no later than 11.59 p.m. on the Long Stop Date.

Scheme approval

- a) The Scheme will be conditional upon:
- (i)
 - A. its approval by a majority in number representing not less than 75 per cent. in value of the Scheme Shareholders and who are on the register of members of HWSIL at the Voting Record Time (or the relevant class or classes thereof, if applicable) in each case present, entitled to vote and voting, either in person or by proxy, at the Court Meeting and at any separate class meeting which may be required by the Court or at any adjournment of any such meeting; and
 - B. the Court Meeting and any separate class meeting which may be required by the Court or any adjournment of any such meeting being held on or before the 22nd day after the expected date of the Court Meeting to be set out in the Scheme Document in due course (or such later date, if any, as Bidco and HWSIL may agree and the Court may allow);
 - (ii)
 - A. the resolutions necessary to approve and implement the Scheme as set out in the notice of General Meeting to be set out in the Scheme Document in due course being duly passed by the requisite majority of the HWSIL Shareholders at the General Meeting or at any adjournment of that meeting; and
 - B. the General Meeting or any adjournment of that meeting being held on or before the 22nd day after the expected date of the General Meeting to be set out in the Scheme Document in due course (or such later date, if any, as Bidco and HWSIL may agree and the Court may allow); and
 - (iii)
 - A. the sanction of the Scheme by the Court with or without modification (but subject to any such modification being acceptable to Bidco and HWSIL); and
 - B. the Court Hearing being held on or before the 22nd day after the expected date of the Court Hearing to be set out in the Scheme Document in due course (or such later date, if any, as Bidco and HWSIL may agree and the Court may allow).

In addition, Bidco and HWSIL have agreed that, subject to the requirements of the Panel and in accordance with the Code, the Offer will also be conditional upon the following Conditions and, accordingly, the necessary actions to make the Scheme Effective will not be taken unless the following Conditions (as amended if appropriate) have been satisfied or, where relevant, waived prior to the Scheme being sanctioned by the Court:

General Third Party Clearances

- b) no Third Party having decided to take, institute, implement or threaten any action, proceeding, suit, investigation, enquiry or reference, or enacted, made or proposed any statute, regulation, decision or order, or having taken any other steps which would or might reasonably be expected to (in any case which is material in the context of the Offer or the Wider Bidco Group or the Wider HWSIL Group (in each case, taken as a whole):
- (i) require, prevent or materially delay the divestiture, or materially alter the terms envisaged for any proposed divestiture by any member of the Wider Bidco Group or any member of the Wider HWSIL Group of all or any material portion of their respective businesses, assets or property or impose any material limitation on the ability of any of them to conduct their respective businesses (or any of them) or to own, control or manage any of their respective assets or properties or any part thereof;
 - (ii) require, prevent or materially delay, or alter the terms envisaged for, any proposed divestiture by any member of the Wider Bidco Group of any shares or other securities in HWSIL;
 - (iii) impose any material limitation on, or result in a material delay in, the ability of any member of the Wider Bidco Group directly or indirectly to acquire or to hold or to exercise effectively, directly or indirectly, all or any rights of ownership in respect of shares or loans or securities convertible into shares or any other securities (or the equivalent) in any member of the Wider HWSIL Group or to exercise management control over any such member;
 - (iv) otherwise adversely affect any or all of the business, assets, profits, financial or trading position or prospects of the Wider HWSIL Group;
 - (v) make the Offer or its implementation or the acquisition or proposed acquisition by Bidco or any member of the Wider Bidco Group of any shares or other securities in, or control of HWSIL void, illegal, and/or unenforceable under the laws of any relevant jurisdiction, or otherwise, directly or indirectly, materially restrain, materially restrict, prohibit, materially delay or otherwise adversely interfere with the same, or impose additional conditions or obligations with respect thereto, or otherwise materially challenge or interfere therewith;

- (vi) require (save as envisaged in the Offer) any member of the Wider Bidco Group or the Wider HWSIL Group to offer to acquire any shares or other securities (or the equivalent) or interest in any member of the Wider HWSIL Group, or any asset, owned by any third party; or
- (vii) impose any material limitation on or result in any material delay in the ability of any member of the Wider Bidco Group to integrate or co-ordinate its business, or any part of it, with the businesses or any part of the businesses of any other member of the Wider HWSIL Group which is adverse in the context of the Wider HWSIL Group or the Wider Bidco Group,

and all applicable waiting and other time periods (including extensions thereof) during which any such Third Party could institute, implement or threaten any action, proceeding, suit, investigation, enquiry or reference or any other step under the laws of any jurisdiction in respect of the Offer or the acquisition or proposed acquisition of any HWSIL Shares having expired, lapsed or been terminated;

- c) all material filings, applications and/or notification which are necessary having been made in connection with the Offer and all relevant waiting periods and other time periods (including any extensions thereof) under any applicable legislation or regulation of any jurisdiction having expired, lapsed or been terminated and all material statutory or regulatory obligations in any jurisdiction having been complied with in connection with the Offer or the acquisition by any member of the Wider Bidco Group of any shares or other securities in, or control or management of, HWSIL or any member of the Wider HWSIL Group or the carrying on by any member of the Wider HWSIL Group of its business;
- d) all authorisations, orders, recognitions, grants, consents, licences, confirmations, clearances, permissions and approvals ("**Authorisations**") in any relevant jurisdiction for the proposed acquisition of any shares or other securities in, or control of, HWSIL by any member of the Wider Bidco Group having been obtained in terms and in a form reasonably satisfactory to Bidco from all necessary Third Parties or persons with whom any member of the Wider HWSIL Group has entered into contractual arrangements or other material business relationships, and all such Authorisations necessary or appropriate to carry on the business of any member of the Wider HWSIL Group, remaining in full force and effect and all material filings necessary for such purpose have been made and there being no notice or intimation of any intention to revoke, suspend, restrict, modify or not to renew any of the same at the time at which the Offer becomes otherwise unconditional and all necessary statutory or regulatory obligations in any jurisdiction having been complied with, in each case where the absence of such Authorisation would have a material adverse effect on the Wider HWSIL Group (taken as a whole) or the Wider Bidco Group or is otherwise material in the context of the Offer;

Certain matters arising as a result of any arrangement, agreement etc.

- e) except as Disclosed, there being no provision of any agreement, arrangement, licence, permit or other instrument to which any member of the Wider HWSIL Group is a party or by or to which any such member or any of its assets are or may be bound, entitled or subject, which, in each case as a consequence of the Offer or the proposed acquisition by any member of the Wider Bidco Group of any shares or other securities in HWSIL or because of a change in the control or management of HWSIL or otherwise, would or might reasonably be expected to result in (in each case to an extent which is material in the context of the Wider HWSIL Group as a whole, or in the context of the Offer):
 - (i) any monies borrowed by or any other indebtedness or liabilities (actual or contingent) of, or grant available to any such member, being or becoming repayable or capable of being declared repayable immediately or earlier than their or its stated maturity date or repayment date or the ability of any such member to borrow monies or incur any indebtedness being withdrawn or inhibited or being capable of becoming or being withdrawn or inhibited;
 - (ii) any such agreement, arrangement, licence, permit or instrument or the rights, liabilities, obligations or interests of any such member thereunder being terminated or adversely affected or any onerous obligation or liability arising or any action being taken or arising thereunder;
 - (iii) any assets or interests of any such member being or falling to be disposed of or charged or ceasing to be available to any such member or any right arising under which any such asset or interest could be required to be disposed of or charged or could cease to be available to any such member other than in the ordinary course of business;
 - (iv) the creation or enforcement of any mortgage, charge or other security interest over the whole or any part of the business, property or assets of any such member or any such mortgage, charge or other security interest (whenever arising or having arisen) becoming enforceable;
 - (v) the rights, liabilities, obligations or interests of any such member in, or the business of any such member with, any person, firm or body (or any arrangement or arrangements relating to any such interest or business) being terminated, adversely modified or affected;
 - (vi) the value of any such member or its financial or trading position or prospects being prejudiced or adversely affected;
 - (vii) the creation of any material liability, actual or contingent, by any such member, other than trade creditors or other liabilities incurred in the ordinary course of business;
 - (viii) any requirement on any such member to acquire, subscribe, pay up or repay any shares or other securities (or the equivalent); or
 - (ix) the creation or acceleration of any material liability to taxation of any such member other than liabilities incurred in the ordinary course of business,

and no event having occurred which, under any provision of any agreement, arrangement, licence, permit or other instrument to which any member of the Wider HWSIL Group is a party or by or to which any such member or any of its assets may be bound, entitled or subject, would or might reasonably be expected to result in any of the events or circumstances as are referred to in sub-paragraphs (i) to (ix) of this Condition, in each case which is or would be material in the context of the Wider HWSIL Group taken as a whole;

No material transactions, claims or changes in the conduct of the business of the HWSIL Group

- f) except as Disclosed, no member of the Wider HWSIL Group having, since 30 June 2019:
 - (i) save as between HWSIL and the Wider HWSIL Group, issued, agreed to issue, authorised or proposed the issue of additional shares of any class or securities convertible into shares of any class or rights, warrants or options to subscribe for, or acquire, any such shares or convertible securities;
 - (ii) other than to another member of the Wider HWSIL Group, sold (or agreed to transfer or sell) any treasury shares;
 - (iii) other than to another member of the HWSIL Group, recommended, declared, paid or made or proposed to recommend, declare, pay or make any bonus, dividend or other distribution whether payable in cash or otherwise;
 - (iv) except for transactions between HWSIL and its wholly owned subsidiaries or between the wholly owned subsidiaries of HWSIL, undertaken:
 - A. a conversion under Part V of the Companies Law of Guernsey;

- B. an amalgamation under Part VI of the Companies Law of Guernsey;
 - C. a migration under Part VII of the Companies Law of Guernsey; or
 - D. an arrangement or reconstruction (other than the Scheme) under Part VIII of the Companies Law of Guernsey;
- (v) save for intra Wider HWSIL Group transactions, authorised or implemented any merger or demerger with any body corporate or acquired or disposed of or transferred, mortgaged or charged or created any security interest over any assets or any right, title or interest in any asset (including shares and trade investments) or authorised or proposed or announced any intention to propose any merger, demerger, acquisition or disposal, transfer, mortgage, charge or security interest, in each case, other than in the ordinary course of business or in the case of the Biomass Investees in the course of their administration;
 - (vi) save for intra Wider HWSIL Group transactions, made or authorised or proposed or announced an intention to propose any material change in its loan capital or issued or authorised the issue of any debentures or incurred or, other than in the ordinary course of business, increased any indebtedness or (to the extent material in the context of the Offer) contingent liability;
 - (vii) purchased, redeemed or repaid or announced any proposal to purchase, redeem or repay any of its own shares or other securities or reduced or, save in respect to the matters mentioned in sub-paragraph (i) above, made any other change to any part of its share capital;
 - (viii) entered into or materially varied or authorised, proposed or announced its intention to enter into or vary any contract, transaction or commitment (whether in respect of capital expenditure or otherwise) which is of a long term, onerous or unusual nature or magnitude or which is or could be restrictive on the businesses of any member of the Wider HWSIL Group or which involves an obligation of such a nature or magnitude or which is other than in the ordinary course of business and which, in any such case, is material and adverse in the context of the Wider HWSIL Group taken as a whole;
 - (ix) other than the Biomass Investees, been unable or deemed unable, or admitted in writing that it is unable, to pay its debts as they fall due or having stopped or suspended (or threatened to stop or suspend) payment of its debts generally or ceased or threatened to cease carrying on all or a substantial part of its business which, in any such case, is material in the context of the Wider HWSIL Group taken as a whole;
 - (x) (other than in respect of a member of the Wider HWSIL Group which is dormant and was solvent at the relevant time or in respect of the Biomass Investees) taken any corporate action or had any legal proceedings started or threatened against it for its winding-up (voluntary or otherwise), dissolution or reorganisation or for the appointment of a receiver, administrative receiver, administrator, trustee or similar officer of all or any of its assets or revenues or any analogous proceedings in any jurisdiction or had any such person appointed;
 - (xi) other than the Biomass Investees, commenced negotiations with any of its creditors or taken any step with a view to rescheduling or restructuring any of its indebtedness or entered into a composition, compromise, assignment or arrangement with any of its creditors whether by way of a voluntary arrangement, scheme of arrangement, deed of compromise or otherwise or been declared "en etat de desastre" which, in any such case, is material in the context of the Wider HWSIL Group taken as a whole;
 - (xii) waived, settled, abandoned or compromised any claim or admitted any dispute, claim or counter-claim whether made or potential and whether by or against any member of the Wider HWSIL Group (otherwise than in the ordinary course of business) and which is material in the context of the Wider HWSIL Group taken as a whole;
 - (xiii) entered into any contract, commitment, arrangement or agreement otherwise than in the ordinary course of business or passed any resolution or made any offer (which remains open for acceptance) with respect to or announced any intention to, or to propose to, effect any of the transactions, matters or events referred to in this condition and which is material in the context of the Wider HWSIL Group taken as a whole;
 - (xiv) save for those amendments to the articles of incorporation of HWSIL to be proposed at the General Meeting, made any alteration to its articles of incorporation or other constitutional documents which is material in the context of the Scheme or the Offer or the acquisition by any member of the Wider Bidco Group of any shares or other securities in, or control of, HWSIL or any other member of the Wider HWSIL Group;
 - (xv) entered into or materially varied the terms of, or made any offer (which remains open for acceptance) to enter into or materially vary the terms of, any contract, agreement or arrangement with any of the directors of any member of the Wider HWSIL Group, in each case to an extent which is material in the context of the Wider HWSIL Group taken as a whole or in the context of the Offer, save for salary increases, bonuses or variations of terms in the ordinary course; or
 - (xvi) proposed, agreed to provide or modified the terms of any share option scheme, incentive scheme or other benefit relating to the employment or termination of employment of any person employed by the Wider HWSIL Group and in each case which is material in the context of the Wider HWSIL Group taken as a whole;

No adverse change, litigation or regulatory enquiry

- g) except as Disclosed, since 30 June 2019:
 - (i) no adverse change or deterioration having occurred in the business, assets, financial or trading position or profits or prospects of any member of the Wider HWSIL Group which is material in the context of the Wider HWSIL Group taken as a whole;
 - (ii) no litigation, arbitration proceedings, prosecution or other legal or regulatory proceedings to which any member of the Wider HWSIL Group is or may become a party (whether as a plaintiff, defendant or otherwise) and no investigation by any Third Party against or in respect of any member of the Wider HWSIL Group having been instituted, announced or threatened by or against or remaining outstanding in respect of any member of the Wider HWSIL Group in each case which is material in the context of the Wider HWSIL Group taken as a whole;
 - (iii) no contingent or other liability having arisen or increased which is reasonably likely to adversely affect any member of the Wider HWSIL Group to an extent which is material in the context of the Wider HWSIL Group taken as a whole;
 - (iv) no steps having been taken and no omissions having been made which might reasonably be expected to result in the withdrawal, cancellation, termination or modification of any licence, approval or exemption held by any member of the Wider HWSIL Group which is necessary for the proper carrying on of its business and the withdrawal, cancellation, termination or modification of which would or might reasonably be expected to have a material adverse effect on the Wider HWSIL Group taken as a whole; and
 - (v) no member of the Wider HWSIL Group having conducted its business in breach of any applicable laws and regulations which in any case is material in the context of the Wider HWSIL Group taken as a whole;

No actions since the Announcement subject to Rule 21.1 of the Code

- h) other than with the consent of Bidco, since the date of this Announcement no action having been taken or proposed by any member of the Wider HWSIL Group (other than the Biomass Investees), or having been approved by HWSIL Shareholders or consented to by the Panel, which falls within or under Rule 21.1 of the Code;

No discovery of certain matters

- i) except as Disclosed, Bidco not having discovered that:
- (i) any financial, business or other information concerning the Wider HWSIL Group as contained in the information publicly disclosed before the date of this Announcement at any time by or on behalf of any member of the Wider HWSIL Group was when made misleading, contained a misrepresentation of fact or omitted to state a fact necessary to make that information not misleading and which was not subsequently corrected before the date of this Announcement by disclosure by or on behalf of the Wider HWSIL Group through the publication of an announcement via a Regulatory Information Service or otherwise; or
 - (ii) any financial or business or other information concerning the Wider HWSIL Group disclosed at any time by or on behalf of any member of the Wider HWSIL Group to any member of the Wider Bidco Group or to any of their advisers, was when made misleading or contained any misrepresentation of fact or omitted to state a fact necessary to make any information contained therein not misleading,

in each case, to the extent which is material in the context of the Wider HWSIL Group taken as a whole;

Anti-corruption, sanctions and criminal property

- j) save as Disclosed, Bidco not having discovered that:
- (i) any past or present member, director, officer or employee of the HWSIL Group is or has at any time engaged in any activity, practice or conduct which would constitute an offence under the Bribery Act 2010, the U.S. Foreign Corrupt Practices Act of 1977, the Prevention of Corruption (Bailiwick of Guernsey) Law, 2003 or any other applicable anti-corruption legislation or any person that performs or has performed services for or on behalf of the Wider HWSIL Group is or has at any time engaged in any activity, practice or conduct in connection with the performance of such services which would constitute an offence under the Bribery Act 2010, the U.S. Foreign Corrupt Practices Act of 1977, the Prevention of Corruption (Bailiwick of Guernsey) Law, 2003 or any other applicable anti-corruption legislation; or
 - (ii) any asset of any member of the Wider HWSIL Group constitutes criminal property as defined by section 340(3) of the Proceeds of Crime Act 2002 (but disregarding paragraph (b) of that definition); or
 - (iii) any past or present member, director, officer or employee of the HWSIL Group, or any other person for whom any such person may be liable or responsible, has engaged in any business with, made any investments in, made any funds or assets available to or received any funds or assets from: (a) any government, entity or individual in respect of which U.S. or European Union persons, or persons operating in those territories, are prohibited from engaging in activities or doing business, or from receiving or making available funds or economic resources, by U.S. or European Union laws or regulations, including the economic sanctions administered by the U.S. Office of Foreign Assets Control, or HM Treasury in the U.K.; or (b) any government, entity or individual targeted by any of the economic sanctions of the United Nations, the U.S., the European Union or any of its member states; or
 - (iv) a member of the Wider HWSIL Group has engaged in any transaction which would cause Bidco to be in breach of any law or regulation upon its acquisition of HWSIL, including the economic sanctions of the United States Office of Foreign Assets Control, or HM Revenue & Customs, or any government, entity or individual targeted by any of the economic sanctions of the United Nations, the United States, the European Union or any of its member states.

Part B

Waiver and invocation of the Conditions

Subject to the requirements of the Panel in accordance with the Code, Bidco reserves the right to waive, in whole or in part, all or any of the Conditions in Part A above, except for Conditions (a)(i)(A), (a)(ii)(A) and (a)(iii)(A) (*Scheme Approval*), which cannot be waived.

The Offer will be subject to the satisfaction (or waiver, if permitted) of the Conditions in Part A above, and to certain further terms set out in Part D below, and to the full terms and conditions which will be set out in the Scheme Document.

Conditions (a)(i)(A), (a)(ii)(A) and (b) to (j) (inclusive) must be fulfilled, or waived by, no later than 11.59 p.m. on the date immediately preceding the date of the Court Hearing. The Offer will lapse if it does not become Effective by 11.59 p.m. on the Long Stop Date. Bidco shall be under no obligation to waive or treat as satisfied any of the Conditions which are capable of waiver by a date earlier than the latest date specified above for the fulfilment or waiver thereof, notwithstanding that the other Conditions to the Offer may at such earlier date have been waived or fulfilled and that there are at such earlier date no circumstances indicating that any of such Conditions may not be capable of fulfilment.

Under Rule 13.5 of the Code, Bidco may not invoke a Condition so as to cause the Offer not to proceed, to lapse or to be withdrawn unless the circumstances which give rise to the right to invoke the condition are of material significance to Bidco in the context of the Offer. The Conditions contained in Part A, paragraph (a) and, if applicable, the Offer condition referred to in Part C, are not subject to this provision of the Code.

Part C

Implementation by way of Takeover Offer

Subject to obtaining the consent of the Panel, Bidco reserves the right to elect to implement the Offer by way of a Takeover Offer as an alternative to the Scheme.

In such event, such Takeover Offer will (unless otherwise determined by Bidco and subject to the consent of the Panel) be implemented on the same terms and conditions, so far as applicable, as those which would apply to the Scheme subject to appropriate amendments to reflect the change in method of effecting the Takeover Offer, including (without limitation) the inclusion of an acceptance condition set at 90 per cent. in value of the HWSIL Shares to which the Takeover Offer relates (or such lesser percentage as Bidco may decide after consultation with the Panel (if necessary), being in any case more than 50 per cent. of the voting rights normally exercisable at a general meeting of HWSIL, and, while the Offer remains recommended by the HWSIL Directors, more than 75 per cent. of such voting rights, including, for the purposes of the foregoing, any such voting rights attaching to HWSIL Shares that are issued before the Takeover Offer becomes or is declared unconditional as to acceptances, whether pursuant to the exercise of any outstanding subscription or conversion rights or otherwise). Further, if sufficient acceptances of the Takeover Offer are received and/or sufficient HWSIL Shares are otherwise acquired, it is the intention of Bidco to apply the provisions of Part XVIII of the Companies Law of Guernsey to compulsorily acquire any outstanding HWSIL Shares to which such Takeover Offer relates.

Part D

Certain further terms of the Offer

The Scheme will lapse if: (a) in so far as the Scheme or the Offer or any matter arising from or relating to the Scheme or the Offer constitutes a concentration with a Community dimension within the scope of the Regulation, the European Commission either initiates Phase 2 Proceedings or makes a referral to a competent authority in the United Kingdom under Article 9(1) of the Regulation and there is then a CMA Phase 2 Reference; or (b) in so far as the Scheme or the Offer or any matter arising from the Scheme or the Offer does not constitute a concentration with a Community dimension within the scope of the Regulation, the Scheme or the Offer or any matter arising from or relating to the Scheme or the Offer becomes subject to a CMA Phase 2 Reference, in each case, before the date of the Court Meeting.

If Bidco is required by the Panel to make an offer for HWSIL Shares under Rule 9 of the Code, Bidco may make such alterations to the above Conditions as are necessary to comply with the provisions of that Rule.

The availability of the Offer to persons not resident in the U.K. may be affected by the laws of the relevant jurisdictions. Persons who are not resident in the U.K. should inform themselves about, and observe, any applicable requirements. HWSIL Shareholders who are in any doubt about such matters should consult an appropriate independent professional adviser in the relevant jurisdiction without delay and observe any applicable requirements. Further details in relation to Overseas Shareholders will be contained in the Scheme Document.

Each of the Conditions shall be regarded as a separate Condition and shall not be limited by reference to any other Condition.

The HWSIL Shares will be acquired by Bidco fully paid and free from all liens, equitable interests, charges, encumbrances, rights of pre-emption and any other third party rights or interests whatsoever and together with all rights existing at the date of this Announcement or thereafter attaching thereto, including (without limitation) the right to receive and retain, in full, all dividends and other distributions (if any) declared, made or paid or any other return of capital (whether by way of reduction of share capital, repurchase or redemption or otherwise) made on or after the Effective Date in respect of the HWSIL Shares (other than any dividend, distribution or return of capital in respect of which a corresponding reduction in the consideration per HWSI Share has been made as described below).

If any dividend or other distribution or return of capital is announced, declared, made, payable or paid in respect of the HWSIL Shares on or after the date of this Announcement and with a record date prior to the Effective Date, Bidco reserves the right to reduce the consideration payable in respect of each HWSIL Share by the amount of all or part of any such dividend or distribution or return of capital. If Bidco exercises this right or makes such a reduction in respect of a dividend or other distribution or return of capital that has not been paid, HWSIL Shareholders will be entitled to receive and retain that dividend or distribution or return of capital. If any such dividend or distribution occurs, any reference in this Announcement to the consideration payable shall be deemed to be a reference to the consideration as so reduced. To the extent that any such dividend, distribution or other return of capital has been declared, paid, made or is payable, or is or shall be (i) transferred pursuant to the Offer on a basis which entitles Bidco to receive the dividend, distribution or return of capital and to retain it; or (ii) cancelled, the consideration payable shall not be subject to change in accordance with this paragraph.

The Scheme will be governed by the laws of Guernsey and be subject to the jurisdiction of the Court and to the conditions and further terms set out in this Appendix I and to be set out in the Scheme Document. The Offer will also be subject to the applicable requirements of the Companies Law of Guernsey, the Court (as a result of HWSIL being incorporated in Guernsey), the U.K. Listing Authority, the London Stock Exchange, the GFSC (as a result of HWSIL being a registered closed-ended investment company in Guernsey), the Code and U.S. federal securities law (except to the extent that exemptive relief has been granted by the SEC). This Announcement does not constitute, or form part of, an offer or invitation to purchase HWSIL Shares or any other securities.

APPENDIX II

SOURCES OF INFORMATION AND BASES OF CALCULATION

In this Announcement:

1. The value of HWSIL's entire issued and to be issued ordinary share capital of approximately £79,642,300 is based on:
 - (a) the Offer value of 55.5 pence in cash per HWSIL Share; and
 - (b) the 143,499,667 HWSIL Shares in issue (excluding 1,670,796 HWSIL Shares held as treasury shares) on 21 July 2020 (being the last practicable date before the date of this Announcement).
2. Unless otherwise stated, all prices and Closing Prices for the HWSIL Shares are derived from the London Stock Exchange.
3. The financial information relating to HWSIL is extracted (without adjustment) from the audited financial statements of HWSIL for the financial year to 30 June 2019 and the unaudited interim results of HWSIL for the six months to 31 December 2019, prepared in accordance with IFRS, the HWSIL portfolio update announcement on 20 November 2019, the HWSIL 31 May 2020 Net Asset Value announcement released on 26 June 2020 and the HWSIL 30 June 2020 Net Asset Value announcement released on 17 July 2020.
4. The premium and discount calculations to the Offer value per HWSIL Share have been calculated by reference to:
 - (a) the Closing Price per HWSIL Share of 29.00 pence on 21 July 2020 (being the last Business Day before the date of this Announcement); and
 - (b) the published NAV per HWSIL Share of 62.36 pence on 30 June 2020 (being the date of the latest NAV published by HWSIL prior to the date of this Announcement).
5. The total exit proceeds of 74.5 pence since HWSIL adopted a managed wind-down strategy is based on:
 - (a) the Offer value of 55.5 pence per HWSIL Share, comprising 55.5 pence in cash for each HWSIL Share held; and
 - (b) the capital return of 19 pence per HWSIL Share in cash distributed to HWSIL Shareholders in April 2020 as announced on 31 March 2020.

APPENDIX III IRREVOCABLE UNDERTAKINGS

1. Directors

Bidco has received irrevocable undertakings from each of the HWSIL Directors that holds HWSIL Shares, as listed below, to vote or instruct (and use all reasonable endeavours to procure) votes to approve the Scheme at the Court Meeting and in favour of the Special Resolution to be passed at the General Meeting (or in the event that the Offer is implemented by way of a Takeover Offer, to accept or instruct (and use all reasonable endeavours to procure) acceptance of the Takeover Offer) in respect of their own holdings being, in aggregate, 224,436 HWSIL Shares, representing approximately 0.16 per cent. of the issued share capital of HWSIL (excluding HWSIL Shares held as treasury shares) as at 21 July 2020 (being the last practicable date prior to the date of this Announcement).

Name of HWSIL Director	Number of HWSIL Shares	Percentage of HWSIL issued share capital*
David Warr	156,973	0.109
John Falla	60,000	0.042
Nigel Ward	7,463	0.005
TOTAL	224,436	0.156

**excluding HWSIL Shares held as treasury shares*

These irrevocable undertakings will continue to be binding in the event that a higher competing offer is made for HWSIL.

These irrevocable undertakings will cease to be binding on the earliest to occur of the following events:

- the Scheme Document or, if the Offer is implemented by way of a Takeover Offer, the offer document is not posted to shareholders of HWSIL within the permitted period under the Code or as otherwise agreed with the Panel;
- the Scheme Document or, if the Offer is implemented by way of a Takeover Offer, the offer document has not become effective or been declared unconditional in all respects in accordance with the requirements of the Code (as the case may be) prior to the Long Stop Date;
- the Scheme Document or, if the Offer is implemented by way of a Takeover Offer, the offer document has lapsed or been withdrawn and no new, revised or replacement Scheme or Takeover Offer has been announced by Bidco in accordance with the requirements of the Code at the same time; or
- if any competing offer for the issued and to be issued ordinary share capital of HWSIL is made which is declared unconditional in all respects or otherwise becomes effective.

2. Other HWSIL Shareholders

Bidco has received irrevocable undertakings from six HWSIL Shareholders, as listed below, to vote or procure votes to approve the Scheme at the Court Meeting and in favour of the Special Resolution to be passed at the General Meeting (or in the event that the Offer is implemented by way of a Takeover Offer, to accept or procure acceptance of the Takeover Offer) in respect of a total of 108,077,963 HWSIL Shares, representing approximately 75.32 per cent. of the issued share capital of HWSIL (excluding HWSIL Shares held as treasury shares) as at 21 July 2020 (being the last practicable date prior to the date of this Announcement).

Name of HWSIL Shareholder	Number of HWSIL Shares	Percentage of HWSIL issued share capital*
Quilter Investors	32,823,924	22.87
Premier Miton Investors (" Premier Miton ")	19,202,893	13.38
CG Asset Management	11,648,774	8.12
Almitas Capital	8,295,000	5.78
Invesco Asset Management (" Invesco ")	14,485,594	10.09
Investec Wealth & Investment (" Investec ")	21,621,778	15.07
TOTAL	108,077,963	75.32

**excluding HWSIL Shares held as treasury shares*

Save for the irrevocable undertaking given by Invesco, these irrevocable undertakings will continue to be binding in the event that a higher competing offer is made for HWSIL. The irrevocable undertaking given by Invesco will cease to be binding if a third party makes a competing cash offer at a value which, in Invesco's reasonable opinion, exceeds the value per HWSIL Share under the Offer by ten (10) per cent. or more per HWSIL Share (provided that, if no later than seven days after the day on which the third party's offer is made, the consideration per HWSIL Share under the Offer is increased such that its value is equal to or exceeds the third party's offer, the irrevocable undertaking shall not lapse).

Save for the irrevocable undertaking given by Investec, these irrevocable undertakings will cease to be binding if the Scheme Document or, if the Offer is implemented by way of a Takeover Offer, the offer document is not posted to shareholders of HWSIL within the permitted period under the Code or as otherwise agreed with the Panel. The irrevocable undertaking given by Investec will cease to be binding if the Scheme Document or, if the Offer is implemented by way of a Takeover Offer, the offer document is not posted to shareholders of HWSIL within 28 days of 22 July 2020.

All six irrevocable undertakings will cease to be binding if:

- the Scheme Document or, if the Offer is implemented by way of a Takeover Offer, the offer document has not become effective or been declared unconditional in all respects in accordance with the requirements of the Code (as the case may be) prior to the Long Stop Date; or
- the Scheme Document or, if the Offer is implemented by way of a Takeover Offer, the offer document has lapsed or been withdrawn and no new, revised or replacement Scheme or Takeover Offer has been announced by Bidco in accordance with the requirements of the Code at the same time.

Save for the irrevocable undertaking given by Invesco, these irrevocable undertakings will cease to be binding if any competing offer for the issued and to be issued ordinary share capital of HWSIL is made which is declared unconditional in all respects or otherwise becomes effective.

The irrevocable undertaking given by Invesco will also cease to be binding:

- if Bidco publicly announces, with the consent of the Panel and before the Scheme Document is published, that it does not intend to proceed with the Offer; or
- in the event of any switch between a Scheme and a Takeover Offer unless: (a) in Invesco's reasonable opinion, such switch will not result in an extension of the period during which the irrevocable undertaking will be binding or result in any consequences adverse to Invesco's interests or to the interests of Invesco's funds; or (b) Bidco obtains Invesco's prior written consent to the contrary.

In addition, Invesco has a right, but not an obligation, to terminate its irrevocable undertaking with immediate effect if:

- Bidco waives or amends any condition contained in the Offer Document or Scheme Document (as applicable) which Invesco reasonably believes to be material to the Offer, HWSIL or Bidco; or
- the level of acceptances to the Takeover Offer are such that it is likely that HWSIL will not become a wholly owned subsidiary of Bidco.

The irrevocable undertaking given by Premier Miton will also cease to be binding in relation to such shares as are required to be sold to: (a) meet redemption requests; or (b) ensure Premier Miton remains in compliance with its investment and borrowing limits set out under the FCA's Collective Investment Schemes Sourcebook, provided Premier Miton has used all reasonable endeavours to explore other options to meet such regulatory obligations.

The irrevocable undertaking given by Investec will also cease to be binding if:

- there is a material difference between: (a) the draft 2.7 announcement attached to the irrevocable undertaking; and (b) this Announcement, the Scheme Document or, if the Offer is implemented by way of a Takeover Offer, the offer document; or
- Bidco announces that it does not intend to proceed with the Offer.

APPENDIX IV DEFINITIONS

Announcement means this announcement made pursuant to Rule 2.7 of the Code, including its Appendices;

Appendices means the appendices to this Announcement and the Appendix has a corresponding meaning;

Articles means the articles of incorporation of HWSIL from time to time;

Bidco means Cubitt Trade Holdings LLC, a limited liability company incorporated in Delaware with registered number 7929658;

Bidco Group means Bidco and its parent undertakings and its and such parent undertakings' subsidiary undertakings and, where the context permits, each of them;

Biomass Investees means Biomass Premium Fuels Limited (a company incorporated in England and Wales with company no 11707332) and Biomass Optimum Fuels Limited (a company incorporated in England and Wales with company no 11707050);

Business Day means a day, (other than a Saturday, Sunday, public or bank holiday) on which banks are generally open for business in London and Guernsey;

Closing Price means the closing middle market quotation of a share derived from the Daily Official List of the London Stock Exchange;

CMA means the U.K. Competition and Markets Authority (or any successor body or bodies carrying out the same functions in the United Kingdom from time to time);

CMA Phase 2 Reference means a reference pursuant to sections 33, 45 or 62 of the Enterprise Act 2002 of the Offer to the chair of the CMA for the constitution of a group under Schedule 4 to the Enterprise and Regulatory Reform Act 2013;

Code means the City Code on Takeovers and Mergers;

Companies Act means the U.K. Companies Act 2006;

Companies Law of Guernsey means The Companies (Guernsey) Law, 2008;

Conditions means the conditions to the Offer set out in Part A of Appendix I;

Confidentiality Agreement means the confidentiality agreement entered into between PETRA Group Holdings Limited, PETRA Management Limited and HWSIL dated 16 June 2020;

Court means the Royal Court of Guernsey;

Court Hearing means the Court hearing at which HWSIL will seek an order sanctioning the Scheme;

Court Meeting means the meeting or meetings of the Scheme Shareholders to be convened by order of the Court pursuant to section 107 of the Companies Law of Guernsey for the purpose of considering and, if thought fit, approving the Scheme (with or without amendment approved or imposed by the Court and agreed to by Bidco and HWSIL) including any adjournment, postponement or reconvention of any such meeting, notice of which shall be contained in the Scheme Document;

CREST the computerised settlement system (as defined in the CREST Regulations) operated by Euroclear UK & Ireland Limited which facilitates the transfer of title to shares in uncertificated form;

CREST Regulations means the Uncertificated Securities (Guernsey) Regulations, 2009, including (i) any enactment or subordinate legislation which amends or supersedes those regulations and (ii) any applicable rules made under those regulations or any such enactment or subordinate legislation for the time being in force;

Disclosed means the information disclosed by or on behalf of HWSIL: (i) in the annual report and accounts of the HWSIL Group for the financial year ended 30 June 2019; (ii) in the interim report and condensed unaudited consolidated financial statements of HWSIL Group for the six month period ended 31 December 2019; (iii) in any other public announcement made by Regulatory Information Service by HWSIL before the date of this Announcement; (iv) in this Announcement; or (v) as otherwise fairly disclosed by or on behalf of HWSIL to Bidco (or its officers, employees, agents or advisers) before the date of this Announcement;

Effective means:

- (a) if the Offer is implemented by way of the Scheme, the Scheme having become effective in accordance with its terms; or
- (b) if the Offer is implemented by way of a Takeover Offer, the Takeover Offer having been declared or become unconditional in all respects in accordance with the requirements of the Code;

Effective Date means the date on which the Offer becomes Effective;

FCA means the Financial Conduct Authority;

finnCap means finnCap Limited;

Forms of Proxy means the form of proxy in connection with the Court Meeting and the form of proxy in connection with the General Meeting, each of which shall accompany the Scheme Document;

General Meeting means the general meeting of the HWSIL Shareholders (including any adjournment thereof) to be convened for the purpose of considering, and if thought fit, approving the Special Resolution, notice of which shall be contained in the Scheme Document;

GFSC means the Guernsey Financial Services Commission;

Guernsey means the Island of Guernsey;

HWSIL or the Company means HWSI Realisation Fund Limited, a non-cellular company limited by shares incorporated in Guernsey with registered number 61955;

HWSIL Board means the board of HWSIL Directors;

HWSIL Directors means the directors of HWSIL as at the date of this Announcement or, where the context so requires, the directors of HWSIL from time to time;

HWSIL Group means HWSIL and its subsidiary undertakings and, where the context permits, each of them;

HWSIL Shareholders means the holders of HWSIL Shares from time to time;

HWSIL Shares means the ordinary shares of no par value in the capital of HWSIL;

Irrevocable Undertakings mean the irrevocable undertakings to vote or instruct the exercise of votes and use all reasonable endeavours to procure votes in favour of the Scheme at the Court Meeting and in favour of the Special Resolution at the General Meeting (or in the event that the Offer is implemented by way of a Takeover Offer, to accept or procure acceptance of the Takeover Offer) as detailed in Section 8 of this Announcement;

London Stock Exchange means London Stock Exchange plc;

Long Stop Date means 30 November 2020, or such later date (if any) as Bidco and HWSIL may agree, with the consent of the Panel, and (if required) the Court may allow;

Meetings means the Court Meeting and the General Meeting;

Net Asset Value or NAV means the net asset value of HWSIL in total or (as the context requires) per HWSIL Share calculated in accordance with HWSIL's valuation policies;

Offer means the proposed acquisition by Bidco (or its nominee(s)) of the entire issued and to be issued ordinary share capital of HWSIL, to be implemented by means of the Scheme as described in this Announcement (or, should Bidco so elect, by a Takeover Offer under certain circumstances described in this Announcement);

Offer Period means the period commencing on the date of this Announcement and ending on (i) the earlier of the date on which the Scheme becomes Effective and/or the date on which the Scheme lapses or is withdrawn (or such other date as the Panel may decide) or (ii) the earlier of the date on which the Takeover Offer has become or has been declared unconditional as to acceptances and/or the date on which the Takeover Offer lapses or is withdrawn (or such other date as the Panel may decide), in each case other than where such lapsing or withdrawal is a result of Bidco exercising its right to implement the Offer by way of a Takeover Offer;

Official List means the official list maintained by the U.K. Listing Authority pursuant to Part 6 of the Financial Services and Markets Act 2000;

Opening Position Disclosure means an announcement containing details of interests or short positions in, or rights to subscribe for, any relevant securities of a party to the offer if the person concerned has such a position, as defined in Rule 8 of the Code;

Overseas Shareholders means HWSIL Shareholders who have a registered address in a jurisdiction outside the U.K. or Guernsey, or whom Bidco reasonably believes to be citizens, residents or nationals of a jurisdiction outside the U.K. or Guernsey;

Panel means the U.K. Panel on Takeovers and Mergers;

PETRA Group means BlueCompass Management Partners LP and any body corporate which is owned or controlled directly or indirectly by BlueCompass Management Partners LP, including Bidco;

Phase 2 Proceedings means proceedings initiated by the European Commission under Article 6(1)(c) of Council Regulation 139/2004/EC in respect of an offer or possible offer;

Regulation means Council Regulation (EC) No 139/2004;

Regulatory Information Service means a regulatory information service as defined in the FCA's handbook of rules and guidance as amended from time to time;

Relevant Authority means any central bank, ministry, governmental, quasi-governmental, supranational (including the European Union), statutory, regulatory or investigative body, authority or tribunal (including any national or supranational antitrust, competition or merger control authority, any sectoral ministry or regulator and any foreign investment review body), national, state, municipal or local government (including any subdivision, court, tribunal, administrative agency or commission or other authority thereof), any entity owned or controlled by them, any private body exercising any regulatory, taxing, importing or other authority, trade agency, association, institution or professional or environmental body in any jurisdiction;

Restricted Jurisdiction means any jurisdiction where local laws or regulations may result in a significant risk of civil, regulatory or criminal exposure if information concerning the Offer is sent or made available to HWSIL Shareholders in that jurisdiction;

Scheme means a Court-sanctioned scheme of arrangement pursuant to which the Offer is to be made under Part VIII of the Companies Law of Guernsey;

Scheme Document means the document to be dispatched to HWSIL Shareholders including, among other things, the Scheme, an explanatory statement in compliance with Part VIII of the Companies Law of Guernsey and the notices convening the Court Meeting and the General Meeting;

Scheme Record Time means the time and date specified in the Scheme Document by reference to which the entitlements of Scheme Shareholders under the Scheme will be determined, expected to be 6.00 pm on the Business Day before the Scheme becomes Effective;

Scheme Shareholder means the holders of Scheme Shares from time to time;

Scheme Shares means the HWSIL Shares:

- (a) in issue at the date of the Scheme Document;
- (b) issued after the date of the Scheme Document and before the Voting Record Time; and
- (c) issued at or after the Voting Record Time and before the Scheme Record Time, either on terms that the original or any subsequent holders of such shares are to be bound by the Scheme or in respect of which their holders are, or shall have agreed in writing to be, bound by the Scheme,

and, in each case, remaining in issue at the Scheme Record Time but excluding any HWSIL Shares held as treasury shares at any relevant date or time and any HWSIL Shares registered in the name of or beneficially owned by Bidco or its nominees or any other member of the Bidco Group at any relevant date or time;

SEC means the US Securities and Exchange Commission;

Significant Interest means, in relation to an undertaking, a direct or indirect interest of 20 per cent. or more of: (i) the total voting rights conferred by the equity share capital (as defined in section 548 of the Companies Act) of such undertaking or (ii) the relevant partnership interest;

Special Resolution means the special resolution to be proposed by HWSIL at the General Meeting in connection with, among other things, the approval of the Scheme and the alteration of the Articles and such other matters as may be necessary to implement the Scheme and the delisting of the HWSIL Shares;

Takeover Offer means, if the Offer is implemented by way of a takeover offer (which shall be an offer for the purposes of section 337 of the Companies Law of Guernsey), the offer to be made by or on behalf of Bidco to acquire the entire issued and to be issued ordinary share capital of HWSIL including, where the context admits, any subsequent revision, variation, extension or renewal of such offer;

Third Party means any government or governmental, quasi-governmental, supranational, statutory, regulatory, administrative, environmental, professional or investigative body, court, trade agency, association, institution, any entity owned or controlled by any relevant government or state, or any similar body or person whatsoever in any jurisdiction;

U.K. means the United Kingdom of Great Britain and Northern Ireland;

U.K. Listing Authority means the FCA as the authority for listing in the U.K. when it is exercising its powers under Part 6 of the Financial Services and Markets Act 2000;

U.S. means the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia;

U.S. Exchange Act means the U.S. Securities Exchange Act of 1934;

Voting Record Time means the time and date specified in the Scheme Document by reference to which entitlement to vote at the Court Meeting will be determined, expected to be 6.00 p.m. on the day two days prior to the Court Meeting or any adjournment thereof (as the case may be), excluding any date that is not a Business Day;

Wider Bidco Group means Bidco and its parent undertakings and its and such parent undertakings' subsidiary undertakings and associated undertakings and any other body corporate partnership, joint venture or person in which Bidco and all such undertakings (aggregating their interests) have a Significant Interest (other than any member of the Wider HWSIL Group);

Wider HWSIL Group means HWSIL and its subsidiaries, subsidiary undertakings, associated undertakings and any other body corporate, partnership, joint venture or person in which HWSIL and all such undertakings (aggregating their interests) have a Significant Interest; and

Winterflood means Winterflood Securities Limited.

For the purposes of this Announcement, "subsidiary", "subsidiary undertaking" and "undertaking" have the respective meanings given by the Companies Act.

All references to GBP, pence, Sterling, Pounds sterling, p or £ are to the lawful currency of the United Kingdom.

All references to statutory provision or law or to any order or regulation shall be construed as a reference to that provision, law, order or regulation as extended, modified, replaced or re-enacted from time to time and all statutory instruments, regulations and orders from time to time made thereunder or deriving validity therefrom.

All the times referred to in this Announcement are London times unless otherwise stated. References to the singular include the plural and vice versa.

