

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. IF YOU ARE IN ANY DOUBT AS TO WHAT ACTION YOU SHOULD TAKE, YOU SHOULD IMMEDIATELY CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER INDEPENDENT PROFESSIONAL ADVISER DULY AUTHORISED UNDER THE FINANCIAL SERVICES AND MARKETS ACT 2000 IF YOU ARE RESIDENT IN THE UNITED KINGDOM OR, IF NOT, ANOTHER APPROPRIATELY AUTHORISED INDEPENDENT FINANCIAL ADVISER.**

This document and the accompanying form of election (the “**Election Form**”) should be read in conjunction with the Offer Document dated 21 August 2020 (the “**Offer Document**”) setting out, amongst other things, the terms of the recommended cash offer made by BDB Nominee Company Limited (formed at the direction of Harwood Capital LLP) for the issued and to be issued share capital of HML Holdings plc (“**HML**”) (the “**Offer**”) and, unless the context otherwise requires, terms capitalised or otherwise defined in the Offer Document shall have the same meaning when used in this document and in the Election Form.

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**Proposals to certain holders of options granted under the HML Holdings plc  
Unapproved Share Option Plan (the “USOP”)**

**in connection with the  
RECOMMENDED CASH OFFER**

**by**

**BDB NOMINEE COMPANY LIMITED (FORMED AT THE DIRECTION OF  
HARWOOD CAPITAL LLP) for the entire issued and to be issued ordinary  
share capital of**

**HML HOLDINGS PLC**

(incorporated in England and Wales with registered number 05728008)

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Please note that if you wish to take advantage of the proposals described in this document you must **complete, sign and return the enclosed Election Form in the manner detailed in this document and the Election Form so as to be received by the HR department at HML by 5.00 p.m. London time on 12 September 2020 (the “Return Deadline”).**

The release, publication or distribution of this document and any accompanying documentation in or into certain jurisdictions other than the United Kingdom may be restricted by law. Persons who are not resident in the United Kingdom or who are subject to the laws of other jurisdictions should inform themselves of, and observe, any applicable legal and regulatory requirements. Any failure to comply with the applicable requirements may constitute a violation of the laws and/or regulations of any such jurisdiction.

This document and the Election Form will be available, subject to certain restrictions relating to persons resident in Restricted Jurisdictions, free of charge for inspection on HML’s website at <https://www.hmlgroup.com/takeover-documentation/>.

If you have any questions on this document, or would like a copy of the Rules of the USOP, you should contact James Howgego, Director and Company Secretary at HML, on 020 8439 8529.

## IMPORTANT INFORMATION

### Responsibility

The BDB Nominee Directors, being Jeremy Brade and Timothy Sturm, both accept responsibility for the information contained in this document (including any expressions of opinion), other than the information (and expressions of opinion) contained in this document for which responsibility is taken by the HML Directors or by the Harwood Responsible Persons as referred to below. To the best of the knowledge and belief of the BDB Nominee Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document for which they accept responsibility is in accordance with the facts and does not omit anything likely to affect the import of such information.

The persons from Harwood Capital, being Jeremy Brade and Timothy Sturm, (the “**Harwood Responsible Persons**”), both accept responsibility for the information contained in this document (including any expressions of opinion) relating to Harwood Capital, the Harwood Capital Management Group and HPE V, the directors, partners and members of each of them and their close relatives, related trusts and companies, and other connected persons and persons acting, or deemed to be acting, in concert with Harwood Capital and HPE V (as such term is used in the Code). To the best of the knowledge and belief of the Harwood Responsible Persons (who have taken all reasonable care to ensure that such is the case), the information (including any expressions of opinion) contained in this document for which they are responsible is in accordance with the facts and does not omit anything likely to affect the import of such information.

The HML Directors (being Alec Guthrie, Richard Smith, James Howgego, Geoffrey Griggs, Elizabeth Holden and Anand Verma) each accept responsibility for the information contained in this document (including any expressions of opinion attributed to them) relating to the HML Group, the HML Directors and their close relatives and related trusts and companies and other connected persons and persons acting, or deemed to be acting, in concert with HML (as such term is used in the Code). To the best of the knowledge and belief of the HML Directors (who have taken all reasonable care to ensure that such is the case), the information for which they accept responsibility is in accordance with the facts and does not omit anything likely to affect the import of such information.

### Advisers

Strand Hanson Limited (“**Strand Hanson**”), which is authorised and regulated in the United Kingdom by the Financial Conduct Authority, is acting exclusively as financial adviser to BDB Nominee and Harwood Capital and no-one else in connection with the Offer and other matters described in this document and will not be responsible to anyone other than BDB Nominee and Harwood Capital for providing the protections afforded to its clients or for providing advice in relation to the Offer, the contents of this document or any other matter referred to herein. Strand Hanson has given, and not withdrawn, its consent to the inclusion in this document of the references to its name in the form and context in which it appears.

finnCap Ltd (“**finnCap**”), which is authorised and regulated in the United Kingdom by the Financial Conduct Authority, is acting exclusively as financial adviser, nominated adviser and broker to HML and no-one else in connection with the Offer and other matters described in this document and will not be responsible to anyone other than HML for providing the protections afforded to clients of finnCap or for providing advice in relation to the Offer, the contents of this document or any other matter referred to herein. finnCap has given, and not withdrawn, its consent to the inclusion in this document of the references to its name in the form and context in which it appears.

### Information

The statements contained in this document are made as at the date of this document, unless some other time is specified in relation to them, and service of this document shall not give rise to any implication that there has been no change in the facts set out in this document since such date. No person is authorised to give any information or to make any representations with respect to any matters

other than the information or representations contained in this document and, if given or made, such information or representations must not be relied upon as having been authorised by BDB Nominee or HML.

In the event of any conflict between the information contained in this document and the Election Form and the Rules of the USOP or the relevant legislation, the Rules of the USOP and/or the relevant legislation (as the case may be) will prevail.

## PART 1

### LETTER FROM HML HOLDINGS PLC AND BDB NOMINEE COMPANY LIMITED

#### HML HOLDINGS PLC

Registered Office:  
9-11 The Quadrant  
Richmond  
Surrey  
TW9 1BP

#### BDB NOMINEE COMPANY LIMITED

Registered Office:  
6 Stratton Street  
London  
W1J 8LD

21 August 2020

#### *To holders of certain share options (“USOP Options”) granted under the USOP*

Dear USOP Optionholder,

#### 1. INTRODUCTION

You are receiving this document as you hold certain USOP Options which have not yet been exercised and which have an exercise price per HML Share of less than 37.5 pence.

In accordance with Rule 15(a) of the Code, BDB Nominee must make appropriate proposals to the holders of such USOP Options to ensure that their interests are safeguarded. Equality of treatment as between the holders of such USOP Options is required.

Any USOP Options that you currently hold that were granted on 8 October 2015 have an exercise price of in excess of 37.5 pence per HML Share (“**Underwater Options**”). Such Underwater Options are not dealt with in this document on the basis that such exercise price is in excess of the Offer Price (as defined below). Any Underwater Options have no “see through” value based on such Offer Price and no appropriate proposals are required to be made by BDB Nominee to you in relation to such Underwater Options in line with guidance relating to Rule 15 of the Code.

The purpose of this document is to set out in detail the effect of the Offer on your outstanding USOP Options which have an exercise price of less than 37.5 pence per HML Share, to make appropriate proposals to you and to summarise the courses of action which are available to in relation to those USOP Options.

#### 2. THE OFFER

On 30 July 2020 the HML Directors and the BDB Nominee Directors announced that they had reached agreement on the terms of a recommended cash offer pursuant to which BDB Nominee will acquire the entire issued and to be issued share capital of HML. The Offer Price of 37.5 pence per HML Share values the existing issued and to be issued share capital of HML at approximately £19.01 million on a fully diluted basis and represents a premium of approximately:

- (i) 27.12 per cent. to the Closing Price of 29.50 pence per HML Share on 29 July 2020 (being the last Business Day prior to the commencement of the Offer Period); and

- (ii) 44.52 per cent. to the volume weighted average price of 25.95 pence per HML Share over the three-month period ended on and including 29 July 2020 (being the last Business Day prior to the commencement of the Offer Period).

The Offer is being effected by means of a contractual takeover offer under Part 28 of the Companies Act. BDB Nominee reserves the right to elect, with the consent of the Panel, to implement the Offer by way of a Scheme of Arrangement, as an alternative to the Offer. In such event, the Offer will be implemented on the same terms or, if BDB Nominee so decides, on such other terms being no less favourable, so far as applicable, as those which would apply to the Offer, subject in each case to appropriate amendments to reflect the change in method of effecting the Offer.

The Offer can only become unconditional if the Acceptance Condition has been satisfied together with the other Conditions in Part A of Appendix I of the Offer Document having been satisfied or waived, where possible.

This letter should be read in conjunction with the accompanying Offer Document. The Offer Document is also available free of charge on HML's website at: [www.hmlgroup.com/takeover-documentation/](http://www.hmlgroup.com/takeover-documentation/).

### **3. EFFECT OF THE OFFER ON YOUR USOP OPTIONS**

This document only deals with the effect of the Offer on your USOP Options (other than any Underwater Options) and, as noted above, the proposals under this document are being made by BDB Nominee in respect of such USOP Options only.

You are strongly recommended to read this document and the accompanying Election Form and then take the relevant action you choose in order to secure the benefit of your USOP Options.

#### ***Exercisability of USOP Options***

Some or all of your USOP Options may already be exercisable (without the Offer becoming declared wholly unconditional) under the Rules of the USOP. In such a case, you can still exercise your USOP Options and accept the Offer to the extent that it then remains open for acceptance. Please note, however, that any such USOP Options that have not been exercised will cease to be exercisable at the expiry of 40 days of the date on which the Offer becomes or is declared unconditional in all respects, in accordance with Rule 10.1 of the Rules of the USOP (unless such period is extended under Rule 10.2 of the Rules of the USOP as referred to further below).

Any USOP Options which are not currently exercisable will become exercisable and may be exercised within 40 days of the date on which the Offer becomes or is declared unconditional in all respects, in accordance with Rule 10.1 of the USOP. Please note that, in relation to any of your USOP Options which are not otherwise already exercisable under the Rules of the USOP, those USOP Options will only become exercisable if the Offer becomes or is declared unconditional in all respects, which has not yet occurred.

The period of 40 days for exercise will be extended under Rule 10.2 of the USOP in the event that BDB Nominee exercises any rights within that 40-day period to compulsorily acquire any HML Shares pursuant to the provisions of Part 28 of the Companies Act. In such case, the period for exercise will be extended to the period during which BDB Nominee remains entitled to acquire HML Shares. At the expiry of either such periods your USOP Options will lapse.

If the Offer is not declared or does not become unconditional in all respects, your USOP Options may only be capable of exercise to the extent that they were otherwise already exercisable in accordance with the Rules of the USOP.

If you wish to exercise any USOP Options you will need to give a notice of exercise to HML, pay the exercise price for the USOP Options that you wish to exercise over, return your Option Agreement to HML and enter into arrangements with HML to reimburse any income tax and employees' NIC that arises on exercise of the USOP Options.

Nothing in this document or the Offer Document extends the exercise period for any USOP Option. Any USOP Options that have already lapsed or would otherwise lapse prior to the Offer becoming unconditional will not be or become exercisable as a result of the Offer and the Cash Cancellation Proposal (as detailed below) will not apply to any such USOP Options.

***The proposal under this document/the Election Form***

There are various courses of action available to you as detailed below and you are free to take whatever course of action you choose. However, the specific proposal being offered to you pursuant to this document and the accompanying Election Form is that you will be able to cancel and surrender **all** of your USOP Options (other than any Underwater Options) in exchange for a cash payment from BDB Nominee. Further details on this proposal are contained below.

***Reasons for the cash cancellation proposal***

In order to ease the administrative steps and burden on both you and HML, while allowing you to take the same economic benefit as if you had exercised your USOP Options and sold the resultant HML Shares pursuant to the Offer, BDB Nominee is offering holders of USOP Options (other than in respect of any Underwater Options) the opportunity to cancel all such USOP Options in exchange for a cash payment. You should note that you can only accept the proposal in respect of **all** of your USOP Options (excluding the Underwater Options) and not in part.

The amount being offered by BDB Nominee under the proposal is equal to the Offer Price of 37.5 pence per HML Share less the relevant exercise price of your USOP Options (the “**Cash Cancellation Proposal**”). The Cash Cancellation Payment (as defined below) is equal to the see through value of the USOP Options for the purposes of Rule 15 of the Code.

Any payment due to you will also be subject to relevant withholdings and deductions as are required by law in respect of tax and social security contributions. You will therefore receive the net sum after such deductions and withholdings have been made by HML/your employer.

Please note that the Cash Cancellation Proposal is subject to and conditional upon the Offer becoming wholly unconditional. In the event that the Offer does not become wholly unconditional, the Cash Cancellation Proposal and any acceptance of such proposal by you will be void and of no effect. If accepted by you and the Offer does become wholly unconditional (or has already become wholly unconditional), the Cash Cancellation Proposal will take effect at the Effective Time (as defined below).

In the event that the Offer becomes wholly unconditional (or has already become wholly unconditional) and if you agree to the Cash Cancellation Proposal, the Cash Cancellation Payment (as defined below) will be paid by BDB Nominee to HML/your employing company (if different) who will arrange for payment to be made to you via payroll but subject to any deductions in respect of tax and social security contributions. Further details of the Cash Cancellation Proposal are set out in the terms and conditions contained in the Election Form accompanying this document and in paragraph 4 of this document.

**4. CASH CANCELLATION PROPOSAL**

As noted above, BDB Nominee is offering you the opportunity to cancel all your rights under your outstanding USOP Options (other than any Underwater Options) in exchange for an amount equal to the Cash Cancellation Payment (as defined below). The Cash Cancellation Payment will be paid to you via payroll and will only become due if the Offer becomes or is declared wholly unconditional.

The amount you actually receive from the Cash Cancellation Proposal will be an amount equal to the Offer Price (37.5 pence per HML Share) multiplied by the total number of HML Shares subject to your USOP Options (other than any Underwater Options) less the exercise price for such USOP Options (the “**Cash Cancellation Payment**”). As noted above, the Cash Cancellation Payment will be subject to any deductions and withholdings in respect of tax and social security contributions (including employees’ National Insurance Contributions) arising on the Cash Cancellation Payment. You will therefore receive

a net payment equal to the Cash Cancellation Payment less those relevant deductions and withholdings.

If you validly accept the Cash Cancellation Proposal your acceptance will take effect at whichever of the following times applies to you (the “**Effective Time**”):

- where your duly completed Election Form is received by HML by the Return Deadline and before the Offer becomes or is declared unconditional in all respects, immediately following the Offer becoming or being declared unconditional in all respects; or
- where your duly completed Election Form is received by HML by the Return Deadline but after the Offer becomes or is declared unconditional in all respects and before your USOP Options lapse, as soon as reasonably practicable after receipt of your Election Form provided that the Offer remains open for acceptance at that time.

If you accept the Cash Cancellation, you may not exercise your USOP Options which are the subject to these proposals with effect from the Effective Time and your rights under those USOP Options will be cancelled and cease to be of any effect.

Any Underwater Options you hold will remain subject to the Rules of the USOP and will normally lapse following the period of 40 days after the Offer becomes wholly unconditional, subject to BDB Nominee exercising within the 40-day period any rights to compulsorily acquire any HML Shares pursuant to the provisions of Part 28 of the Companies Act. In such case, the period for exercise will be extended to the period during which BDB Nominee remains entitled to acquire HML Shares.

Further details of the Cash Cancellation Proposal are set out in the terms and conditions contained in the Election Form.

If you wish to accept the Cash Cancellation Proposal, you must sign the Election Form and either return it in hard copy to the HR department at HML or send a pdf or picture of the signed Election Form to [hr@hmlgroup.com](mailto:hr@hmlgroup.com) to be received, in either case, **no later than 5.00 p.m. (London time) on 12 September 2020**. HML and BDB Nominee reserve the right, at their absolute discretion, to accept an Election Form which is incorrectly completed and/or received after this time but there is no guarantee that they will do so.

If you return the Election Form duly signed and completed by the Return Deadline and the Offer becomes wholly unconditional (or has already become wholly unconditional) the amount of the Cash Cancellation Payment (after the deduction of relevant withholdings/deductions) will be paid into your relevant bank account as soon as practicable thereafter and in any event by no later than 14 days after the Effective Time.

The Cash Cancellation Proposal is not conditional upon a minimum level of acceptance by the holders of USOP Options to the proposal itself.

## **5. AVAILABLE COURSES OF ACTION**

The courses of action available to you in relation to any of your USOP Options are as follows:

- i) accept the Cash Cancellation Proposal; or
- ii) exercise your USOP Options (whether currently exercisable or becoming exercisable on the Offer becoming wholly unconditional) in accordance with the procedure set out in the Rules of the USOP. You can then decide whether to accept the Offer in relation to your resulting HML Shares; or
- iii) do nothing and, if the Offer becomes wholly unconditional, your USOP Options will normally lapse on the expiry of the period of 40 days after the Offer becomes wholly unconditional unless during that period BDB Nominee exercises any rights to compulsorily acquire any HML Shares pursuant to the provisions of Part 28 of the Companies Act. In such case, the period for exercise will be

extended to the period during which BDB Nominee remains entitled to acquire HML Shares. At the end of such period(s) your USOP Options will lapse.

### ***Accept the Cash Cancellation Proposal***

Details on the Cash Cancellation Proposal are included above and in the Election Form.

To accept the Cash Cancellation Proposal, you must complete the accompanying Election Form in accordance with the instructions contained in the Election Form. As noted above this proposal is subject to the Offer becoming or being declared wholly unconditional.

### ***Exercise your USOP Options***

You may hold USOP Options that are already exercisable in accordance with the USOP. Furthermore, USOP Options which are not already exercisable will become exercisable upon the Offer becoming wholly unconditional.

You may not exercise your USOP Options to the extent that you accept the Cash Cancellation Proposal.

If you do not wish to accept the Cash Cancellation Proposal and in order to be able to exercise your USOP Options, you will need to lodge a notice of exercise in writing (in the form prescribed by the HML Board). You will also need to pay the exercise price for such USOP Options and lodge the Option Agreement relating to such USOP Options with HML.

Furthermore, the notice of exercise will need to be accompanied by evidence satisfactory to the HML Board that arrangements have been made to ensure that any income tax, employees' National Insurance Contributions or any other taxes arising in connection with such exercise will be reimbursed to your employer. In the absence of such arrangements, HML has the right to retain out of the aggregate number of HML Shares to which you would otherwise be entitled on exercise, such number of HML Shares as will enable HML to sell and to pay over to your employer sufficient monies out of the net proceeds of sale to satisfy such liabilities.

If you wish to exercise your USOP Options, you should request a notice of exercise from James Howgego at HML. You should note that as part of the process for exercise you will need to fund the exercise price for the USOP Options out of your own resources as a condition of such exercise taking effect.

Once you have exercised your USOP Options, you may be able to sell the resulting HML Shares pursuant to the Offer if the Offer then remains open for acceptance.

If the Offer becomes or is declared unconditional in all respects, BDB Nominee intends to procure the making of an application by HML for the cancellation of the admission to trading of HML Shares on AIM.

You should also note that if you do exercise your USOP Options but do not sell the resulting HML Shares pursuant to the Offer and BDB Nominee receives acceptances under the Offer in respect of, or otherwise acquires, 90 per cent. or more of the HML Shares to which the Offer relates and 90 per cent. or more of the voting rights carried by HML Shares to which the Offer relates, BDB Nominee intends to exercise its rights pursuant to the provisions of Part 28 of the Companies Act to compulsorily acquire the remaining HML Shares in respect of which the Offer has not been accepted on the same terms as the Offer.

In this event, you may receive the proceeds of sale for your HML Shares later than if you accept the Cash Cancellation Proposal by completing the Election Form.

It is also intended that, following the Offer becoming unconditional in all respects and after HML Shares' admission to trading on AIM is cancelled, HML will be re-registered as a private limited company.

Such cancellation and re-registration would significantly reduce the liquidity and marketability of any HML Shares in respect of which the Offer has not been accepted at that time and their value may be affected as a consequence. Any remaining HML Shareholders (unless their HML Shares are acquired

by BDB Nominee pursuant to the provisions of Part 28 of the Companies Act) would become minority shareholders in a majority controlled private limited company and may therefore be unable to sell their HML Shares. There can be no certainty that HML would pay any further dividends or other distributions or that such minority HML Shareholders would again be offered an opportunity to sell their HML Shares on terms which are equivalent to or no less advantageous than those under the Offer.

### ***Take no action in relation to your USOP Options***

If you take no action in relation to your USOP Options and the Offer becomes wholly unconditional, your USOP Options will normally cease to be capable of exercise and lapse on the 41st day after the Offer becomes unconditional. If you take no action and the Offer does not become wholly unconditional your USOP Options will continue in accordance with and subject to the Rules of the USOP.

## **6. TAXATION**

If you accept the Cash Cancellation Proposal, the amount of the Cash Cancellation Payment will be taxed as employment income in the United Kingdom.

The Cash Cancellation Payment will be paid via payroll and your employer will withhold and deduct from the Cash Cancellation Payment the required amount of income tax and employees' National Insurance Contributions. Your employer will then remit these amounts to the relevant tax authorities. The amount you will therefore receive will be the amount of the Cash Cancellation Payment **less** any such withholdings/deductions.

Please note that the information in this paragraph represents an understanding of the tax treatment of the Cash Cancellation Payment as at the date of this document and has been provided for general information purposes only. **IF YOU ARE IN ANY DOUBT AS TO YOUR TAX POSITION OR YOU ARE SUBJECT TO TAXATION IN A JURISDICTION OTHER THAN THE UK YOU SHOULD CONSULT YOUR OWN PROFESSIONAL TAX ADVISER IMMEDIATELY.**

## **7. HOW TO ACCEPT THE CASH CANCELLATION PROPOSAL**

If you wish to accept the Cash Cancellation Proposal in respect of your USOP Options (other than the Underwater Options), you should complete the accompanying Election Form and send the Election Form in the manner described in the Election Form to the HR department at HML **to be received by no later than 5.00 p.m. London time on 12 September 2020**. HML and BDB Nominee reserve the right, at their absolute discretion, to accept any Election Form which is incorrectly completed and/or received after this time but there is no guarantee that they will do so.

## **8. RECOMMENDATION**

The HML Directors, who have been so advised by finnCap as to the financial terms of the Offer, consider the terms of the proposals described in this document to be fair and reasonable. In providing its advice to the HML Directors, finnCap has taken into account the commercial assessments of the HML Directors.

Accordingly, the HML Directors unanimously recommend that holders of USOP Options (other than Underwater Options) should accept the Cash Cancellation Proposal in respect of their relevant USOP Options.

If you are in any doubt as to the action you should take, you should seek your own independent advice immediately.

## **9. FURTHER INFORMATION**

Your attention is drawn to the further information contained in the Election Form which should be read in conjunction with this document.

If you have any queries in relation to this document or how to complete the Election Form, you should contact James Howgego at HML on 020 8439 8529 without delay. However, please note that neither James Howgego, HML, BDB Nominee nor any of their respective advisers will be able to provide you with any legal, financial, tax planning or investment advice on the merits of any particular course of action by you or on the Offer itself. You are reminded that if you fail to take any action and the Offer becomes unconditional, your USOP Options will lapse in due course and cease to be of any value.

Please also note that nothing in this letter is intended, nor should it be taken, as any advice as to any course of action you should take. If you are in any doubt as to the action you should take now, you should seek your own financial advice from an appropriate independent professional adviser duly authorised under the Financial Services and Markets Act 2000 if you are in the UK, or if not, from another appropriately authorised financial adviser.

Yours faithfully

**Richard Smith**

**Chairman**, HML Holdings plc

**Timothy Sturm**

**Director**, For and on behalf of BDB Nominee Company Limited

**Notes:**

- (i) In the event of any difference or conflict between this document and/or the Election Form and the Rules of the USOP, the Rules of the USOP will prevail.
- (ii) Accidental omission to despatch this document or the Election Form to, or any failure to receive the same by, any person to whom these proposals are made or should be made, shall not invalidate the Cash Cancellation Proposal in any way.
- (iii) Receipt of documents will not be acknowledged. All documents sent by or to a USOP Optionholder will be sent at the individual's risk.
- (iv) This document and the Election Form shall be governed by and construed in accordance with English law.

