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If you have sold or transferred all of your ordinary shares of 10.0 pence each in the capital of Watchstone Group plc ("**Ordinary Shares**"), please send this document immediately to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee. However, this document should not be forwarded or transmitted in or into any jurisdiction in which such act would constitute a violation of relevant laws. If you have sold or transferred part only of your holding of Ordinary Shares, you are advised to consult your stockbroker, bank or other agent through whom the sale or transfer was effected.

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# **Watchstone Group plc**

*(Incorporated and registered in England and Wales with registered number 05542221)*

## **RESPONSE TO THE FINAL MANDATORY CASH OFFER FOR WATCHSTONE GROUP PLC BY POLYGON GLOBAL PARTNERS LLP**

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The Final Offer is subject to the jurisdiction of the Panel.

Each of WH Ireland and SPARK are authorised and regulated in the United Kingdom by the Financial Conduct Authority and are acting exclusively for Watchstone and no one else in connection with the Final Offer and will not be responsible to anyone other than Watchstone for providing the protections afforded to their clients or for providing advice in relation to the Final Offer, the contents of this document or any other matters referred to in this document.

The statements contained in this document are not to be construed as legal, business, financial or tax advice. If you are in any doubt about the content of this document, you should consult your own legal, financial or tax adviser for legal, business, financial or tax advice.

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 dealer, salesperson or other person is authorised to give any information or to make any representations with respect to the Final Offer other than such 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 Watchstone.

## IMPORTANT NOTICE

### ***Overseas jurisdictions***

The distribution of this document in jurisdictions other than the United Kingdom and the ability of Shareholders who are not resident in the United Kingdom to accept the Final Offer may be affected by the laws of relevant jurisdictions. Therefore, any persons who are subject to the laws of any jurisdiction other than the United Kingdom or Shareholders who are not resident in the United Kingdom will need to inform themselves about, and observe, any applicable legal or regulatory requirements. Any failure to comply with the applicable restrictions may constitute a violation of the securities laws of any such jurisdiction.

The Final Offer is not being, and will not be, made available, directly or indirectly, in or into or by the use of the mails of, or by any other means (including, without limitation, facsimile or other electronic transmission, telex or telephone) or instrumentality of inter-state or foreign commerce of, or any facility of a national state or other securities exchange of any Restricted Jurisdiction, unless conducted pursuant to an exemption from the applicable securities laws of such Restricted Jurisdiction and will not be capable of acceptance by any such use, means or facility or from within any Restricted Jurisdiction.

Accordingly, copies of this document and all other documents relating to the Final Offer are not being, and must not be, directly or indirectly, mailed, transmitted or otherwise forwarded, distributed or sent in, into or from any Restricted Jurisdiction except pursuant to an exemption from the applicable securities laws of such Restricted Jurisdiction and persons receiving this document (including, without limitation, agents, nominees, custodians and trustees) must not distribute, send or mail it in, into or from such jurisdiction. Any person (including, without limitation, any agent, nominee, custodian or trustee) who has a contractual or legal obligation, or may otherwise intend, to forward this document and/or any other related document to a jurisdiction outside the United Kingdom should inform themselves of, and observe, any applicable legal or regulatory requirements of their jurisdiction.

### ***US investors***

The Final Offer is being made for securities in a company incorporated in England and Wales with a listing on AQSE. Shareholders in the United States should be aware that this document and any other documents relating to the Final Offer have been prepared in accordance with English law, the Takeover Code, the Market Abuse Regulation and the Disclosure Guidance and Transparency Rules, format and style, all of which differ from those in the United States. All financial information relating to Watchstone and Polygon that is included in this document or any other documents relating to the Final Offer may not be comparable to financial statements of US companies or companies whose financial statements are prepared in accordance with generally accepted accounting principles in the United States.

Neither the US Securities and Exchange Commission nor any US state securities commission has approved or disapproved the Final Offer, or passed comment upon the adequacy or completeness of this document. Any representation to the contrary is a criminal offence in the United States.

### ***Forward-looking statements***

This document, including information included or incorporated by reference in this document, may contain “forward-looking statements” concerning Watchstone. All statements other than statements of historical fact may be forward-looking statements. Generally, the words “will”, “may”, “should”, “continue”, “believes”, “expects”, “intends”, “anticipates” or similar expressions identify forward looking statements. The forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those expressed in the forward-looking statements. Many of these risks and uncertainties relate to factors that are beyond the relevant persons abilities to control or estimate precisely, such as future market conditions and the behaviours of other market participants and, therefore undue reliance should not be placed on such statements, which speak only as of the date of this document.

No member of the 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 document will actually occur. Other than in accordance with its legal or regulatory obligations, Watchstone is not under any obligation and Watchstone expressly disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Except as expressly provided in this document, no forward-looking or other statements have been reviewed by the auditors of Watchstone. All subsequent oral or written forward-looking statements attributable to any member of the Group, or any of their respective associates, directors, officers, employees or advisers, are expressly qualified in their entirety by the cautionary statement above. No profit forecasts or estimates No statement in this document is intended to constitute a profit forecast for any period, nor should any statements be interpreted to mean that earnings or earnings per Ordinary Share will necessarily be greater or less than those of the preceding financial periods for Watchstone.

### ***Publication on website***

This document, together with those documents listed in paragraph 11 of Part II of this document, and all information incorporated into this document by reference to another source, will be available free of charge, subject to certain restrictions relating to persons resident in Restricted Jurisdictions, on Watchstone’s website at [www.watchstonegroup.com](http://www.watchstonegroup.com), in each case until the Final Offer closes. For the avoidance of doubt, except as expressly provided to this document, the content of such website is not incorporated into, and does not form part of, this document.

### ***Dealing and Opening Disclosure requirements of the Takeover Code***

Under Rule 8.3(a) of the Takeover Code, any person who is interested in 1 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 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 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 Takeover Code, any person who is, or becomes, interested in 1 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(s), save to the extent that these details have previously been disclosed under Rule 8. A Dealing Disclosure by a person to whom Rule 8.3(b) applies must be made by no later than 3.30 p.m. (London time) on the business day following the date of the relevant dealing.

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

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

### ***Availability of hard copies***

You may request hard copies of any document published on Watchstone's website in connection with the Final Offer by contacting Watchstone's registrars, **Link Group, 10<sup>th</sup> Floor Central Square, 29 Wellington Street, Leeds, LS1 4DL (telephone number: 0371 664 0300)**. You may also request that all future documents, announcements, and information to be sent to you in relation to the Final Offer should be in hard copy form.

### ***Rounding***

Certain figures included in this document 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.

### ***Definitions***

Certain words and terms used in this document are defined in Part IV of this document.

### ***Time***

All references to time in this document are references to London time unless otherwise stated.

### ***Date of publication***

The date of publication of this document is 3 September 2021.

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## PART I

### LETTER FROM THE CHAIRMAN OF WATCHSTONE

## WATCHSTONE GROUP PLC

*(Incorporated and registered in England and Wales with registered number 05542221)*

#### Directors:

Richard Rose (Non-Executive Chairman)  
Stefan Borson (Group Chief Executive Officer)  
Lord Howard of Lympne (Senior Non-Executive Director)  
David Young (Non-Executive Director)

#### Registered Office:

Highfield Court Tollgate, Chandler's Ford,  
Eastleigh, Hampshire, SO53 3TY

3 September 2021

Dear Shareholder

#### **Response to the increased final offer by Polygon Global Partners LLP ("Polygon") for Watchstone Group plc ("Watchstone" or "Group") ("Final Offer")**

##### **1. Introduction**

On 1 July 2021, Polygon announced an unsolicited mandatory offer for the Ordinary Shares it does not already own of 34.0 pence in cash per Ordinary Share ("**Initial Offer**") which the Directors recommended Shareholders to reject.

On 9 August 2021, Polygon announced that the Initial Offer was being extended and would remain open for acceptance until 20 August 2021 and that Polygon had received valid acceptances in respect of a total of 474,309 Ordinary Shares, representing approximately 1.03 per cent. of the issued share capital of Watchstone.

On 23 August 2021, Polygon announced that the Initial Offer was being further extended and would remain open for acceptance until 31 August 2021 and that Polygon had received valid acceptances in respect of a total of 560,550 Ordinary Shares, representing approximately 1.21 per cent. of the issued share capital of Watchstone.

On 31 August 2021, Polygon announced that the Initial Offer was being increased to a final offer of 38.0 pence per Ordinary Share ("**Final Offer Price**") representing an increase in offer price of 11.76% over the Initial Offer Price and that Polygon had received valid acceptances in respect of a total of 631,902 Ordinary Shares, representing approximately 1.37 per cent. of the issued share capital of Watchstone.

The Directors do not believe that the Final Offer reflects an adequate premium for control and significantly undervalues Watchstone and its prospects. **Accordingly, the Directors recommend that Shareholders should reject the Final Offer.**

#### **TO REJECT THE FINAL OFFER YOU NEED TO TAKE NO ACTION**

This document sets out the valuation, control and other considerations taken into account by the Directors in reaching their conclusion.

## 2. The Final Offer is opportunistic and undervalues the Group

The Directors believe that the Final Offer still significantly undervalues Watchstone and its prospects, both in respect of the lack of premium to the current share price and the underlying value of the Group's assets. The Final Offer values the entire issued and to be issued share capital of Watchstone at approximately £17.49 million and represents:

- a discount of 6.2 per cent. to the closing price of 40.5 pence per Ordinary Share on 15 July 2021 (being the last Business Day prior to posting of the Initial Offer Document);
- a discount of 15.5 per cent. to the 30-day average closing price to 30 June 2021 (being the last Business Day prior to commencement of the Offer Period);
- a discount of 29.6 per cent. to the 90-day average closing price to 30 June 2021 (being the last Business Day prior to commencement of the Offer Period); and
- no premium to the closing mid-price of 38.0 pence per Ordinary Share on 30 August 2021 (being the last Business Day prior to announcement of the Final Offer).

As detailed in the Group's unaudited interim results for the six months ended 30 June 2021 on 16 August 2021 ("**Interim Accounts**") and in the Group's audited Report and Accounts for the year ended 31 December 2020 ("**FY20 Accounts**"):

- As at 30 June 2021, the Group had cash of £14.3m (31 December 2020: £16.7m) and amounts placed in escrow by the Group as security of costs in respect of certain of its litigation assets, included within Other Receivables of £1.8m (31 December 2020: £1.9m);
- As at 13 August 2021, the Group had cash of £14.1m and £1.8m held in escrow; and
- Litigation in relation to the historic activities of the Group is being pursued including claims against PricewaterhouseCoopers LLP ("**PwC**") and Aviva Canada Inc ("**Aviva Canada**"). The Group also expects to initiate a claim against its former auditor, KPMG LLP ("**KPMG**"), in respect of its audit of the Group's accounts for the year ended 31 December 2013. These give rise to contingent assets which are not recognised within the FY20 Accounts or the Interim Accounts due to the lack of certainty as to the outcome, despite their potential to result in material cash inflows to the Group.

Since 13 August 2021, there have been no announceable developments in respect of the Group's litigation, other assets and liabilities, or operations.

**The Final Offer value is only a 13.6 per cent. premium to the net assets as at 30 June 2021, and does not recognise any significant value for the contingent litigation assets.**

The Directors would expect a price to be paid which reflects the Group's net assets and the potential for cash inflow from its litigation assets, as well as a premium for control. In aggregate, they would expect a meaningful premium to the current share price.

**The Directors believe that the Final Offer undervalues the Company and its prospects and should not be accepted by Shareholders.**

## 3. Implications for Watchstone shareholders of Polygon becoming a majority shareholder

Immediately prior to its latest share purchase, Polygon was Watchstone's largest shareholder, with an aggregate percentage interest in Ordinary Shares of 29.9 per cent. Polygon has stated that it does not intend there to be any effect on Watchstone's broader strategic plans as a result of the Final Offer and it has been a consistent supporter of the actions taken by the Board over the past few years.

However, your Directors wish to highlight that, if Polygon receives sufficient acceptances for the Final Offer to increase its interests to 50 per cent. or more of the voting rights, it could use its voting power as a majority shareholder to take actions that may be to the potential detriment of other Shareholders including passing any ordinary resolution on its own.

Shareholders should also be aware that, if Polygon receives sufficient acceptances for the Final Offer to increase its interests to 75 per cent. or more of the voting rights, following completion of the Final Offer, Polygon's ability to carry the vote and this lack of influence for other Shareholders would extend to any special resolution put to Shareholders. The Directors also draw your attention to the fact that in that scenario, Polygon intends that an application will be made to AQSE to cancel trading in Ordinary Shares on the AQSE Growth Market.

The Directors believe that, while the cancellation of the Company's trading facility on AQSE will save costs in the short term, it is not in the interests of Shareholders for the following reasons:

- it will significantly reduce the liquidity and marketability of Ordinary Shares held by Shareholders who have not accepted the Final Offer, prejudicing their ability to realise (and have access to a readily available valuation of) their investment in the Company;
- Shareholders who have not accepted the Final Offer will own Ordinary Shares in an unlisted company and will not have the benefit of the transparency or the regulatory oversight afforded to companies traded on AQSE; and
- as mentioned above, remaining Shareholders will have limited ability to influence the affairs of the Company by the exercise of their voting rights and will have only limited statutory protection against the conduct of the Company's affairs in a manner which is unfairly prejudicial to their interests.

**If Polygon increases its shareholding to 50 per cent. or more, it will have significantly more influence over the Group and may use that influence to the detriment of the interests of other Shareholders.**

#### **4. Other factors Shareholders should consider**

Shareholders should also consider the following reasons why they may wish to accept the Final Offer:

- The Final Offer represents an opportunity for Shareholders to realise their investment for cash at a price of 38.0 pence per Ordinary Share and without dealing costs;
- Watchstone's remaining assets are legal cases in England and Canada. As with any legal case, even where the advice received by the Board is positive and confidence in prospects is high, there are risks attached. Cases may be unsuccessful, resulting in adverse cost consequences, or the amounts recovered by the Company in damages and/or costs may be lower than anticipated;
- the Company continues to incur significant operating costs in the pursuit of successful case outcomes and in dealing with its legacy issues; and
- there is a risk of claims being brought against the Group in the future, although Shareholders should note that it is now more than 18 months since a threat of new litigation against the Group was last received and in 2020, the SFO notified the Company that its investigation into the Group's historical business and accounting practices was closed.

#### **5. The Directors' views on the effect of the implementation of the Final Offer on Watchstone's interests, employees and locations**

The Code requires the Directors to give their views on the effects of the implementation of the Final Offer on all Watchstone's interests, including, specifically, employment, and their views on Polygon's strategic plans for Watchstone and their likely repercussions on employment and the locations of Watchstone's places of business.

In fulfilling their obligations under the Code, the Directors can only comment on the details provided in the Final Offer Document and the Final Offer Document and, in doing so, have considered, in particular, paragraph 5 of Part 1 of both the Initial Offer Document and the Final Offer Document (which states there has been no material change to Polygon's plans). The Directors note that Polygon has not set out any detailed or considered plans about its intentions for the business of Watchstone, its management or employees following completion of the Final Offer. Without information regarding Polygon's detailed plans for Watchstone, the Directors cannot be certain as to the full repercussions of the Final Offer on the Company's interests and are unable to comment further.

The Directors welcome Polygon's statements that (i) it does not intend to cause Watchstone to effect any material change with regard to the continued employment of its employees and managers and the conditions of employment or balance of skills and functions of the management of Watchstone, in each case as a result of the Final Offer and; (ii) it intends to ensure that, in the event of completion of the Final Offer, the existing statutory employment rights, including any pension rights, of the management and employees of Watchstone will be fully safeguarded.

The Directors also welcome Polygon's statement that it does not intend there to be any effect on Watchstone's broader strategic plans or places of business (including its headquarters and headquarters functions) as a result of the Final Offer and that it intends to support management in its existing objective of generating value through the maximisation of its remaining assets.

However, the Directors note that the foregoing are statements of intention and not undertakings with binding effect under the Code. Accordingly, there can be no certainty that Polygon will not alter the strategy of Watchstone in the future.

## **6. Current trading and Cash position**

In the Interim Accounts, Stefan Borson, Group Chief Executive Officer set out the current status of the Group's contingent assets as detailed in paragraph 7 below. Since that time there have been no announceable developments in respect of its litigation or other assets and liabilities.

In the Interim Results, the net assets of the Group at 30 June 2021 were stated as £15.4m (31 December 2020: £17.1m). This primarily comprised cash of £14.3m (31 December 2020: £16.7m) and amounts placed in escrow by the Group as security for costs in respect of certain of its litigation assets, included within Other Receivables of £1.8m (31 December 2020: £1.9m). As at 13 August 2021, the Group had cash of £14.1m and £1.8m held in escrow.

## **7. Litigation**

The attention of Shareholders is drawn to the Group Chief Executive Officer's update on outstanding legacy matters included in the Interim Accounts in respect of the Group's cases against PwC, Aviva Canada and HMRC and, potentially, KPMG:

*"The first half of 2021 has been occupied with progressing realisation of our remaining litigation assets for the benefit of shareholders.*

*As previously announced, in August 2020, we filed and served a claim against PricewaterhouseCoopers LLP ("PwC") in the High Court. The claim against PwC is for damages or equitable compensation of £63m plus interest and costs. The claim is for breach of contract and/or breach of confidence and/or breach of fiduciary duty and/or unlawful means conspiracy. PwC has filed its defence and the matter is not expected to go to trial before 2023. The first Case Management Conference is scheduled to take place in late September 2021. As stated in those proceedings, we consider that PwC acted contrary to our interests and in breach of the fundamental principles of objectivity and integrity which represent the core of the relationship between a client and its financial adviser. We are satisfied that we have a very strong case and are determined to take the claim to trial, should that prove necessary.*

*The preliminary work for a claim against the former auditor of the Group, KPMG LLP ("KPMG") is advanced and, if not settled, we expect to file the claim before the end of 2021. The claim is in respect of the audit of the Group's accounts for the year ended 31 December 2013 which were restated in the subsequent financial year.*

*Our claim for the recovery of historic VAT paid in the former ingenie business, to which we retain the economic benefits, is expected to go to a Tribunal in December 2021 and finally, our Canadian subsidiary's claim against Aviva Canada Inc. is ongoing."*

The Directors also draw your attention to the following excerpts from the FY20 Accounts which explain why no account is taken of these contingent assets in the Group's accounts or interim accounts:

1. Critical Accounting judgements and key sources of estimation uncertainty – note 4

*“The Group is involved with a number of actual or potential legal cases which, if successful, could result in material cash inflows to the Group. The relative merits of these cases and the assessment of their likely outcome is highly judgemental by nature. Similarly, management recognise the hurdle set by accounting standards to recognise an asset or disclose a contingent asset is very high and therefore neither is recognised or disclosed within these Financial Statements.”*

2. Contingent Assets and Liabilities – note 30

*“Litigation in relation to the historic activities of the Group is being pursued including claims against PricewaterhouseCoopers LLP and Aviva Canada Inc. The Group expects to initiate a claim against its former auditor, KPMG LLP, in respect of its audit of the Group's accounts for the year ended 31 December 2013. These give rise to contingent assets, which are not recognised within the Financial Statements due to lack of certainty as to the outcome, despite an inflow of economic benefit being considered probable.”*

## 8. Recommendation of the Board

Your decision as to whether to accept the Final Offer will depend upon your individual circumstances. If you are in any doubt as to what action you should take, you should seek your own independent professional advice.

However, the Directors, who have been so advised by SPARK as to the financial terms of the Final Offer, consider that the Final Offer undervalues Watchstone and its prospects and, in light of this, and notwithstanding the other considerations outlined above, unanimously recommend that Shareholders reject the Final Offer. SPARK is providing independent financial advice to the Directors for the purposes of Rule 3 of the Code and, in doing so, has taken into account the commercial assessments of the Directors.

Accordingly, the Directors unanimously recommend that **YOU SHOULD TAKE NO ACTION** in relation to the Final Offer and that **YOU SHOULD NOT SIGN ANY DOCUMENT WHICH POLYGON OR ITS ADVISERS SEND TO YOU**.

If you have already accepted the Initial Offer or the Final Offer, there are certain circumstances in which you can withdraw your acceptance and a summary of the rights of withdrawal is set out in paragraph 3 of Appendix 1 Part B of the Final Offer Document.

**The Directors who hold Ordinary Shares do not intend to accept the Final Offer in respect of their own beneficial interests in those Ordinary Shares.**

Yours faithfully

**Richard Rose**  
Non-Executive Chairman

## PART II

### ADDITIONAL INFORMATION RELATING TO WATCHSTONE

#### 1. Initial Circular

This document should be read in conjunction with the Initial Circular which is available on Watchstone's website at [www.watchstonegroup.com](http://www.watchstonegroup.com).

Save as disclosed in this document, as at the Latest Practicable Date, for the purposes of Rule 27.2(a) of the Code, there have been no material changes: (i) in the information contained in the Initial Circular which are material in the context of the Initial Circular; or (ii) to the matters listed in Rule 27.2(c) of the Code since the publication of the Initial Circular, being:

- the Board's opinion on the Initial Offer when compared to the Final Offer and the other matters referred to in Rule 25.2(a) of the Code
- the substance of the independent financial advisers' advice to the Directors in connection with the Offer;
- the financial or trading position of Watchstone since 30 June 2021 (the end of the last financial period for which unaudited interim financial information for Watchstone has been published)
- any interests and dealings in relevant securities;
- the service contracts and letters of appointment of the Directors;
- any arrangements of the kind referred to in Note 11 on the definition of acting in concert in the Code; and
- material contracts.

#### 2. Information on Watchstone

Watchstone is a public company limited by shares in England and Wales with registered number 05542221. Watchstone's ordinary shares are quoted on AQSE with designation GB00BYNBFN51. The principal legislation under which Watchstone operates is the Act and the regulations made thereunder. Watchstone's registered office is at Highfield Court Tollgate, Chandler's Ford, Eastleigh, Hampshire, England, SO53 3TY.

#### 3. Responsibility

The issue of this document has been approved by the Directors. The Directors, whose names appear in paragraph 5 below, accept responsibility for the information contained in this document. To the best of their knowledge and belief (having taken all reasonable care to ensure that such is the case), the information contained in this document (other than any information relating to Polygon, Polygon's directors or their immediate families, related trusts and connected persons) for which they Polygon responsible is in accordance with the facts and does not omit anything likely to affect the import of such information.

#### 4. Interests and dealings

The information contained in paragraph 3 of Part II of the Initial Circular remains the same and there has been no subsequent dealing by Watchstone, the Directors (and their close relatives and related trusts and controlled companies) or any other person acting in concert with Watchstone in relation to the relevant securities in either Watchstone or Polygon.

## 5. Directors

Richard Rose	Non-Executive Chairman
Stefan Borson	Group Chief Executive Officer
Lord Howard of Lympne	Senior Non-Executive Director
David Young	Non-Executive Director

## 6. Bases and sources of information

Unless otherwise stated, the following constitute the bases and sources of information referred to in this document:

- (a) The value attributed to Watchstone's entire issued and to be issued share capital as implied by the Final Offer Price stated in paragraph 3 of Part I of this document is based on 46,038,333 Ordinary Shares in issue (although 112,662 Ordinary Shares are unpaid) as at close of business on 22 July 2021 (being the last dealing day prior to the date of this document) and the Final Offer price of 38.0 pence per Ordinary Share.
- (b) The cash balances as at 30 June 2021 and 13 August 2021 have been extracted from the Interim Accounts.
- (c) All closing prices for Ordinary Shares are closing middle market prices from S&P Capital IQ database which are derived from the London Stock Exchange or Aquis Exchange.
- (d) The International Securities Identification Number for the Ordinary Shares is GB00BYNBFN51.

## 7. General

- (a) WH Ireland has given and has not withdrawn its written consent to the issue of this document with the inclusion of the references to its name in the form and context in which it appears.
- (b) SPARK has given and has not withdrawn its written consent to the issue of this document with the inclusion of the references to its name in the form and context in which it appears.

## 8. Fees and expenses

The estimated aggregate fees and expenses expected to be incurred by Watchstone in connection with the Final Offer are £172,000 (exclusive of VAT and expenses). This aggregate amount comprises the following categories (in each case excluding VAT and expenses):

- (a) financial and corporate broking and Rule 3 advice: approximately £135,000;
- (b) legal advice: approximately £25,000;
- (c) other professional services: n/a; and
- (d) other costs and expenses: £12,000.

## 9. Availability of hard copies

You may request hard copies of any document published on Watchstone's website in connection with the Final Offer by contacting Watchstone's registrar, Link Group, 10th Floor Central Square, 29 Wellington Street, Leeds, LS1 4DL (telephone number: 0371 664 0300). You may also request that all future documents, announcements, and information to be sent to you in relation to the Final Offer should be in hard copy form.

## **10. No incorporation of website information**

Save as may be expressly stated in paragraph 11, neither the Watchstone website, nor the contents of any website accessible from hyperlinks on the Watchstone website, is incorporated into, or forms part of, this document.

## **11. Documents for inspection**

Copies of the documents referred to below will be available, free of charge, for inspection on Watchstone's website [www.watchstonegroup.com](http://www.watchstonegroup.com) while the Final Offer remains open for acceptance:

- (a) the Rule 2.7 announcement of the Initial Offer on 1 July 2021;
- (b) copies of the Company's announcement dated 1 July 2021 and all other announcements related to the Final Offer;
- (c) the Initial Circular;
- (d) this response circular;
- (e) the Final Offer Document and the accompanying Form of Acceptance;
- (f) the Group's audited consolidated financial statements for the financial years ended 30 December 2018, 2019 and 2020;
- (g) the Group's unaudited interim results for the six months ended 30 June 2021;
- (h) the Memorandum and Articles of Association of Watchstone; and
- (i) the written consents of WH Ireland and SPARK referred to in paragraph 7 above.

For the avoidance of doubt, the content of the website referred to above is not incorporated into and, save for the information specifically incorporated by reference into this document, does not form part of this document.

## PART III

### DEFINITIONS

The following definitions and technical terms apply throughout this document, unless the context otherwise requires:

<b>“Act”</b>	means the Companies Act 2006 (as amended);
<b>“AQSE”</b>	the AQSE Growth Market operated by the Aquis Stock Exchange;
<b>“Board” or “Directors”</b>	the board of directors of the Company;
<b>“Code” or “Takeover Code”</b>	the City Code on Takeovers and Mergers;
<b>“Disclosure Date”</b>	being the day prior to the posting of this document being 2 September 2021;
<b>“Disclosure Period”</b>	being the date of commencement of the Initial Offer Period up to the Disclosure Date;
<b>“Group”</b>	the Company and its subsidiaries and subsidiary undertakings;
<b>“Final Offer”</b>	the mandatory cash offer made by Polygon to acquire the entire issued and to be issued share capital of Watchstone not already owned by Polygon or any members of the Polygon Concert Party, as further detailed in the Final Offer Document;
<b>“Final Offer Document”</b>	the document containing the Final Offer sent to Shareholders by Polygon on 31 August 2021;
<b>“Final Offer Price”</b>	38.0 pence in cash, being the consideration payable by Polygon for each Ordinary Share under the terms of the Final Offer;
<b>“Initial Circular”</b>	Watchstone’s response circular dated 16 July 2021 which is available on Watchstone’s website at <a href="http://www.watchstonegroup.com">www.watchstonegroup.com</a> ;
<b>“Initial Offer”</b>	the mandatory cash offer made by Polygon to acquire the entire issued and to be issued share capital of Watchstone not already owned by Polygon or any members of the Polygon Concert Party, as further detailed in the Initial Offer Document;
<b>“Initial Offer Document”</b>	the means the document containing the Initial Offer sent to Shareholders by Polygon on 16 July 2021;
<b>“Initial Offer Price”</b>	34.0 pence in cash, being the consideration payable by Polygon for each Ordinary Share under the terms of the Initial Offer;
<b>“Offer Period”</b>	the period commencing on 1 July 2021 and ending on 14 September 2021, unless extended;
<b>“Ordinary Shares”</b>	the existing issued or unconditionally allotted and paid (or credited as fully paid) Ordinary Shares of 10.0 pence each in the capital of Watchstone and any further Ordinary Shares which are unconditionally allotted or issued fully paid (or credited as fully paid) on or prior to the date on which the Final Offer closes;
<b>“Panel”</b>	the Panel on Takeovers and Mergers;

<b>“Polygon”</b>	Polygon Global Partners LLP incorporated in England and Wales with company number OC343805, in its capacity as discretionary investment manager, acting on behalf of the Polygon Funds;
<b>“Polygon Funds”</b>	Polygon European Equity Opportunity Master Fund and accounts managed by Polygon;
<b>“Restricted Jurisdiction”</b>	subject always to the requirements of Rule 23.2 of the Code in relation to the distribution of offer documentation to jurisdictions outside the UK, any jurisdiction where extension of the Final Offer would violate the law of that jurisdiction;
<b>“Shareholders”</b>	together the registered holders of Ordinary Shares (each individually a <b>“Shareholder”</b> );
<b>“SPARK”</b>	SPARK Advisory Partners Limited, being Rule 3 adviser to the Company;
<b>“UK” or “United Kingdom”</b>	the United Kingdom of Great Britain and Northern Ireland and its dependent territories;
<b>“US” or “United States”</b>	the United States of America, its territories and possessions, any state of the United States of America, the District of Columbia and all other areas subject to its jurisdiction and any political subdivision thereof;
<b>“Watchstone” or “Company”</b>	Watchstone Group plc; and
<b>“WH Ireland”</b>	WH Ireland Limited, being adviser and broker to Watchstone.



