

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document or the action you should take, you are recommended to seek your own independent financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser duly authorised under FSMA, if you are resident in the United Kingdom, or, if not, from another appropriately authorised independent financial adviser.

If you have sold or otherwise transferred all of your Water Hall Shares please send this document, together with the accompanying documents, as soon as possible, 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 and the accompanying documents should not be forwarded or transmitted in or into or from the United States, Canada, Australia or Japan or any other jurisdiction if to do so would constitute a violation of the relevant laws of such jurisdiction. The distribution of this document in jurisdictions other than the United Kingdom may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

Application will be made to the London Stock Exchange for the New Petards Shares to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings for normal settlement in the New Petards Shares will commence on the first business day following the day on which the Offer becomes or is declared unconditional in all respects (save for any condition relating to Admission). The issue of the New Petards Shares is subject, *inter alia*, to the passing of the Resolution to be proposed at the General Meeting.

Beaumont Cornish, which is authorised and regulated in the United Kingdom by the FCA, is acting exclusively for Water Hall and no one else in connection with the Offer and will not be responsible to anyone other than Water Hall for providing the protections afforded to clients of Beaumont Cornish nor for providing advice in relation to the Offer or any other matter or arrangement referred to in this document.

WH Ireland, which is authorised and regulated in the United Kingdom by the FCA, is acting exclusively for Petards and no one else in connection with the Offer and will not be responsible to anyone other than Petards for providing the protections afforded to clients of WH Ireland nor for providing advice in relation to the Offer or any other matter or arrangement referred to in this document.

This document should be read in conjunction with the accompanying Form of Acceptance (in respect of certificated Water Hall Shares). If you are a CREST sponsored member, you should refer to your CREST sponsor, as only your CREST sponsor will be able to send the necessary TTE Instructions to Euroclear.

Recommended Offer
by
Petards Group plc
for
Water Hall Group plc

Your attention is drawn to the letter from the Independent Water Hall Director which is set out in Part I of this document and which contains, *inter alia*, the recommendation of the Independent Water Hall Director to accept the Offer.

To accept the Offer in respect of certificated Water Hall Shares, the Form of Acceptance must be completed, signed, witnessed (in the case of an individual) and returned together with your definitive share certificate(s) and/or other document(s) of title as soon as possible and, in any event, so as to be received by post or (during normal business hours only) by hand by the Share Registrars, Suite E, First Floor, 9 Lion & Lamb Yard, Farnham, Surrey GU9 7LL by no later than 1.00 p.m. on 13 August 2013. A reply-paid envelope for use within the UK accompanies this document for your convenience. The procedure for acceptance of the Offer in respect of certificated Water Hall Shares is set out in paragraph 14(a) of Part II of this document and in the accompanying Form of Acceptance.

To accept the Offer in respect of uncertificated Water Hall Shares, acceptances should be made electronically through CREST so that the TTE Instruction settles not later than 1.00 p.m. on 13 August 2013. The procedure for acceptance of the Offer in respect of uncertificated Water Hall Shares is set out in paragraph 14(b) of Part II of this document.

Unless otherwise determined by Petards or required by the Code and permitted by applicable law and regulation, the Offer is not being made, directly or indirectly, in or into, or by the use of the mails or by any means or instrumentality (including, without limitation, telephonically or electronically) of interstate or foreign commerce, or any facility of a national securities exchange, of a Restricted Jurisdiction (including the United States, Canada, Australia or Japan) and the Offer is not capable of acceptance by any such use, means, instrumentality or facility or from within a Restricted Jurisdiction. Accordingly, copies of this document, the Form of Acceptance (in respect of certificated Water Hall Shares) and any related documents are not being, and must not be, directly or indirectly, mailed or otherwise forwarded, distributed or sent in or into or from a Restricted Jurisdiction and persons receiving such documents (including, without limitation, custodians, nominees and trustees) must not mail or otherwise forward, distribute or send them in or into or from a Restricted Jurisdiction. Doing so may render invalid any purported acceptance of the Offer.

All persons (including, without limitation, nominees, trustees and custodians) who would, or otherwise intend to, forward this document, the Form of Acceptance (in respect of certificated Water Hall Shares) and any related documents to any jurisdiction outside of the United Kingdom should read the further details in this regard which are contained in paragraph 6 of Part B of Appendix 1, paragraph (c) of Part C of Appendix 1 and paragraph (c) of Part D of Appendix 1 to this document before taking any action.

The availability of the Offer to Water Hall Shareholders who are not resident in the United Kingdom may be affected by the laws of the relevant jurisdictions. Water Hall Shareholders who are not so resident should inform themselves of, and observe, any applicable requirements.

US Water Hall Shareholders are excluded from participating in the Offer. Petards reserves the right, however, to include such US Water Hall Shareholders in the Offer.

CONTENTS

PART I	LETTER OF RECOMMENDATION FROM THE INDEPENDENT WATER HALL DIRECTOR	6
PART II	LETTER FROM THE INDEPENDENT DIRECTORS OF PETARDS	12
1.	Introduction	12
2.	The Offer	12
3.	The Convertible Loan Notes	13
4.	Irrevocable undertakings	14
5.	Information on Petards, current trading and prospects	14
6.	Effects of the Offer	15
7.	Information on Water Hall	15
8.	Background to and reasons for making the Offer	15
9.	Management, employees and locations	16
10.	Water Hall Share Option Schemes	16
11.	Disclosure of interests in Water Hall	16
12.	Overseas Shareholders	16
13.	United Kingdom taxation	17
14.	Procedures for acceptance of the Offer	20
15.	Settlement	24
16.	Compulsory acquisition, cancellation of admission to trading and re-registration	25
17.	Further information	25
18.	Action to be taken	25
APPENDIX 1	CONDITIONS AND FURTHER TERMS OF THE OFFER	26
PART A:	CONDITIONS OF THE OFFER	26
PART B:	FURTHER TERMS OF THE OFFER	31
PART C:	FORM OF ACCEPTANCE	42
PART D:	ELECTRONIC ACCEPTANCES	45
APPENDIX 2	FINANCIAL INFORMATION ON PETARDS	48
APPENDIX 3	FINANCIAL INFORMATION ON WATER HALL	49
APPENDIX 4	SUMMARY OF THE PRINCIPAL TERMS OF THE CONVERTIBLE LOAN NOTES	50
APPENDIX 5	ADDITIONAL INFORMATION	53
APPENDIX 6	BASES AND SOURCES	67
APPENDIX 7	DEFINITIONS	68

ACTION TO BE TAKEN TO ACCEPT THE OFFER

- (a) If you hold Water Hall Shares in certificated form (that is, not in CREST), you should:
- (i) complete, sign and have witnessed (in the case of an individual) the Form of Acceptance in accordance with paragraph 14(a) of the Letter from Petards set out in Part II of this document; and
 - (ii) return the completed Form of Acceptance (along with any appropriate share certificate(s) and/or other document(s) of title) using the accompanying reply-paid envelope (for use within the UK only) as soon as possible and, in any event, so as to be received by 1.00 p.m. on 13 August 2013.
- (b) If you hold Water Hall Shares in uncertificated form (that is, in CREST), you should follow the procedures set out in paragraph 14(b) of the Letter from Petards set out in Part II of this document and send a TTE Instruction to settle as soon as possible and, in any event, no later than to 1.00 p.m. on 13 August 2013.

If you have any questions about the Offer, or are in any doubt as to how to complete the accompanying Form of Acceptance or make an Electronic Acceptance, please call Share Registrars on + 44 (0) 1252 821390. Lines are open 9.00 a.m. to 5.00 p.m. (London time) Monday to Friday. Calls to the helpline from inside the UK will be charged at normal network rates and calls outside the UK will be charged at the applicable international rate. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the proposals nor give any financial, legal or tax advice.

Copies of this document sent to persons in electronic form or by means of being published on Water Hall's and Petards' websites and all future documents, announcements and information required to be sent to persons in relation to the Offer may be requested to be received by such persons in hard copy form by writing to Share Registrars, Suite E, First Floor, 9 Lion & Lamb Yard, Farnham, Surrey GU9 7LL, or by calling Share Registrars on the telephone number shown above. Copies of any information incorporated by reference in this document will not be provided unless such a request is made.

THE FIRST CLOSING DATE OF THE OFFER IS 1.00 P.M. ON 13 AUGUST 2013

IMPORTANT DATES AND TIMES

The dates and times set forth in the table in connection with the Offer may change in accordance with the terms and conditions of the Offer, as described in this document.

Announcement of the Offer	1 July 2013
Publication of this document	23 July 2013
Petards General Meeting	8 August 2013
First closing date of the Offer	1.00 p.m. on 13 August 2013
Earliest date the Offer can be closed*	1.00 p.m. on 27 August 2013
Expected date by which the consideration is to be despatched*	27 August 2013
Latest date the Offer can become unconditional as to acceptances	1.00 p.m. on 21 September 2013
Latest date by which all conditions must be satisfied	1.00 p.m. on 12 October 2013
Latest date for consideration to be despatched**	1.00 p.m. on 26 October 2013

* Assuming the Offer is declared wholly unconditional on the first closing date and receipt of acceptances is complete in all respects.

** Assuming the Offer is declared wholly unconditional on the latest possible date and receipt of acceptances is complete in all respects.

These times and dates are indicative only. The period during which the Offer is open for acceptance may be extended by Petards in certain circumstances (see Parts B, C and D of Appendix 1 of this document).

If any of the above terms and/or dates change, the revised times and/or dates will be notified through a Regulatory Information Service in the UK and/or to Water Hall Shareholders.

Dealings Disclosure Requirements of the Code

Under Rule 8.3(a) of the 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 paper 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 paper 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) an offeree company and (ii) any paper 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 paper offeror is first identified. Relevant persons who deal in the relevant securities of offeree company or of a paper offeror prior to the deadline for making an Opening Position Disclosure must instead make a Dealing Disclosure.

Under Rule 8.3(b) of the Code, any person who is, or becomes, interested in 1 per cent. or more of any class of relevant securities of an offeree company or of any paper offeror must make a Dealing Disclosure if the person deals in any relevant securities of the offeree or of any paper 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) an offeree company and (ii) any paper 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 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 paper 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 company 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.

CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

This document contains certain forward looking statements with respect to the financial condition, results of operations and business of Petards and Water Hall or the Water Hall Group and certain plans and objectives of the Petards Board and the Water Hall Board. These forward looking statements can be identified by the fact that they do not relate to historical or current facts. Forward looking statements often use words such as "anticipate", "target", "expect", "estimate", "intend", "plan", "goal", "believe", "will", "may", "should", "would", "could" or the negative form of these terms and similar expressions. These statements are based on assumptions and assessments made by the Petards Board and the Water Hall Board in the light of their experience and their perception of historical trends, current conditions, expected future developments and other factors they believe appropriate. By their nature, forward looking statements involve risk and uncertainty and the factors described in the context of such forward looking statements in this document could cause actual results and developments to differ materially from those expressed in or implied by such forward looking statements.

Should one or more of these risks or uncertainties materialise, or should underlying assumptions prove incorrect, actual results may vary materially from those described in this document. Except as required by the FCA, the London Stock Exchange or any other applicable law, Petards and Water Hall assume no obligation to update or correct the information contained in this document.

PUBLICATION ON WEBSITE

In accordance with Rule 30.4 of the Code, a copy of this document and the Form of Acceptance will be made available, subject to certain restrictions relating to persons resident in any Restricted Jurisdiction, on the websites of Water Hall at www.waterhallgroupplc.com and Petards at www.petards.com until the end of the Offer Period (or, if later, the end of any competition reference period).

For the avoidance of doubt, the content of the website referred to above is not incorporated into and does not form part of this document.

PART I

LETTER OF RECOMMENDATION FROM THE INDEPENDENT WATER HALL DIRECTOR

Water Hall Group plc

(Incorporated and registered in England and Wales under the Companies Act 1929 with registered number 00438328)

Independent Water Hall Director:
Roger Dixon Musson MA FCA (*Director*)

Registered Office:
Parallel House
32 London Road
Guildford
Surrey GU1 2AB

Other Water Hall Director:
Raschid Michael Abdullah (*Chairman*)

23 July 2013

To the holders of Water Hall Shares and, for information only, to the holder of the Water Hall Loan Note, the Water Hall Optionholders and persons with information rights

Dear shareholder,

Recommended Offer by Petards for Water Hall

1. Introduction

Petards and Water Hall announced on 1 July 2013 that the Independent Water Hall Director and the Independent Petards Directors had reached agreement on the terms of the recommended offer to be made by Petards for the entire issued and to be issued ordinary share capital of Water Hall.

This letter contains the details of the formal Offer by Petards and of the procedure for acceptance.

To accept the Offer, if you hold your Water Hall Shares in certificated form, you must return the Form of Acceptance together with your share certificate(s) and/or other document(s) of title as soon as possible and, in any event, so as to be received by no later than 1.00 p.m. on 13 August 2013. The procedures for acceptance are set out in paragraph 14(a) of Part II of this document and in the Form of Acceptance.

If you hold your Water Hall Shares in uncertificated form, you should ensure that an Electronic Acceptance is made in accordance with paragraph 14(b) of Part II of this document and settled as soon as possible but, in any event, by no later than 1.00 p.m. on 13 August 2013.

Mr Raschid Abdullah is a director of Water Hall and also a director and Chairman of the Board of Petards. Upon the Offer becoming or being declared unconditional in all respects, the shareholders of Petards will include Raschid Abdullah. In view of his position as a director of Petards and his prospective interest in Petards, Raschid Abdullah has taken no part in the decision to recommend the Offer.

Accordingly, I am writing to you to explain the background to the Offer and the reasons why I, as the Independent Water Hall Director, having been so advised by Beaumont Cornish, Water Hall's financial adviser, consider the terms of the Offer to be fair and reasonable and recommend that you accept the Offer. In providing financial advice to me as the Independent Water Hall Director, Beaumont Cornish has taken into account my commercial assessments as the Independent Water Hall Director.

In my capacity as the Independent Water Hall Director, I have taken responsibility for considering the Offer on behalf of the Water Hall Shareholders and for making an appropriate recommendation to Water Hall Shareholders.

2. Terms of the Offer

The Offer is contained in the Letter from Petards set out in Part II of this document and is subject, *inter alia*, to the conditions and further terms set out in Appendix 1 to this document and (in respect of certificated Water Hall Shares) the accompanying Form of Acceptance. The Offer is being made on the following basis:

for every 100 Water Hall Shares

12.5 New Petards Shares

and

£2 of Convertible Loan Notes

and so in proportion for any greater or lesser number of Water Hall Shares held.

The Offer values the existing issued and to be issued share capital of Water Hall (assuming full conversion of the Water Hall Loan Note and no exercise of share options under the Water Hall Share Option Schemes) at approximately £3.56 million, assuming a price per Petards Share of 16.5p, the Closing Price per Petards share as at close of business on 28 June 2013 (being the last practicable date prior to the date of the Announcement), and valuing the Convertible Loan Notes at their nominal value of £1 each.

The Offer values each Water Hall Share at approximately 4 pence. At a value of 4 pence, the Offer represents a premium of approximately 100 per cent. to the Closing Price of 2 pence for each Water Hall Share as at close of business on 28 June 2013 (being the last practicable date prior to the date of the Announcement).

Based on the Closing Price of a Petards Share of 12.5p on 19 July 2013, the last practicable date prior to the publication of this document, and valuing the Convertible Loan Notes at nominal value, the Offer values the existing issued and to be issued share capital of Water Hall (assuming full conversion of the Water Hall Loan Note and no exercise of share options under the Water Hall Share Option Schemes) at approximately £3.1 million, and each Water Hall Share at approximately 3.56 pence, which represents a premium of approximately 78 per cent. to the Closing Price of 2 pence for each Water Hall Share as at close of business on 28 June 2013 (being the last practicable date prior to the date of the Announcement).

Fractions of New Petards Shares will not be allotted or issued to accepting Water Hall Shareholders. All fractional entitlements to New Petards Shares will be aggregated and sold in the market as soon as practicable after the relevant date, and the net proceeds of sale for any individual entitlement of less than £5 will be retained for the benefit of the Enlarged Group.

Fractions of the Convertible Loan Notes will also not be issued to accepting Water Hall Shareholders and will be retained in respect of any individual entitlement of less than £5 for the benefit of the Enlarged Group.

The New Petards Shares to be issued pursuant to the Offer will rank *pari passu* with the existing Petards Shares and application will be made for such New Petards Shares to be admitted to trading on AIM.

Assuming acceptance in full of the Offer, full conversion of the Water Hall Loan Note and no exercise of share options under the Water Hall Share Option Schemes, existing Water Hall Shareholders will hold approximately 50.2 per cent. of Petards' enlarged share capital (based on the existing issued ordinary share capitals of Petards and Water Hall as at the date of this document).

On full conversion of the Convertible Loan Notes and assuming acceptance in full of the Offer, full conversion of the Water Hall Loan Note and no exercise of any share options under the Water Hall Share Option Schemes, Water Hall Shareholders will hold approximately 75.2 per cent. of Petards' enlarged share capital (based on the existing issued ordinary share capitals of Petards and Water Hall as at the date of this document).

The Offer is conditional upon, *inter alia*, valid acceptances being received in respect of Water Hall Shares carrying more than 50 per cent. of the voting rights then normally exercisable at a general meeting of Water Hall. Full details of the conditions to which the Offer is subject are set out in Part A of Appendix 1 of this document.

The Offer extends to any Water Hall Shares which are unconditionally allotted or issued fully paid (or credited as fully paid) pursuant to the conversion of the Water Hall Loan Note or exercise of any options granted under the Water Hall Share Option Schemes while the Offer remains open for acceptance or such earlier

date as Petards may announce subject to the Code and in accordance with the conditions and further terms of the Offer set out in Appendix 1 of this document.

The Water Hall Shares will be acquired by Petards pursuant to the Offer fully paid up and free from all liens, equitable interests, charges, encumbrances, rights of pre-emption and other third party interests and rights of whatsoever nature and together with all rights now or hereafter attaching thereto, including voting rights and the right to receive and retain all dividends and other distributions (if any) declared, made or paid by Water Hall on or after such date.

The first closing date of the Offer is 1.00 p.m. on 13 August 2013 and your attention is drawn to the procedures for acceptance of the Offer which is set out in paragraph 14 of Part II of this Document.

3. Convertible Loan Notes

The Convertible Loan Notes will be unsecured and convertible at any time into new Petards Shares at a price of 8p per new Petards Share. The Convertible Loan Notes will be issued in integral multiples of £1 nominal value and will carry a coupon of 7.0 per cent. per annum, which will be paid quarterly in arrear. In order to limit the administrative and other costs in relation to the Convertible Loan Notes, in the event that any entitlement to interest due to a holder of the Convertible Loan Notes on any such quarterly interest payment date is £25 or less, the interest will be carried forward until such time as the amount of interest due to the relevant noteholder exceeds £25. Accordingly, all interest payable on the Convertible Loan Notes to any noteholder holding less than £76 in nominal amount of the Convertible Loan Notes will be carried forward and will only be paid when those Convertible Loan Notes are either redeemed or converted.

The Convertible Loan Notes will, unless otherwise converted into new Petards Shares, be redeemable at par (together with any accrued interest less any tax required to be withheld or deducted therefrom) on the fifth anniversary of the issue of the Convertible Loan Notes. Petards may give notice to redeem the Convertible Loan Notes before the fifth anniversary, but noteholders will be able, if they so wish, to convert all or part of their Convertible Loan Notes instead. No application will be made at this time for the Convertible Loan Notes to be listed or dealt in on any stock exchange.

WH Ireland has advised that, based on market conditions prevailing on 22 July 2013 (the last business day prior to publication of this document), in its opinion, if the Convertible Loan Notes had been in issue on that date, the estimated value of the Convertible Loan Notes would have been approximately 100 pence per £1 nominal value.

A summary of the principal terms of the Convertible Loan Notes is contained in Appendix 4 of this document.

4. Background to and reasons for recommending the Offer

In considering the Offer and my recommendation, I, as the Independent Water Hall Director, have taken into account a number of factors, including Water Hall's current trading and future prospects, its financial position, its current shareholding in Petards, the feasibility of other available options and the interests of shareholders and other stakeholders. In addition, I have taken into account these factors in relation to Petards and, in particular, the fact that it had become apparent to Petards that its Bankers were unlikely to renew their overdraft facilities to Petards when they fell due for renewal on 30 June 2013.

Water Hall currently owns 3,259,933 Petards Shares, representing 29.99 per cent. of Petards' existing ordinary share capital. Water Hall first acquired its equity investment in Petards in November 2007. In November 2012, Water Hall subscribed £337,458 for its full entitlement pursuant to Petard's open offer to shareholders. In May of this year Water Hall decided to invest the balance of its liquid resources in a general portfolio of UK equities and consider a broader range of potential investment opportunities than just Petards. At that time, Water Hall's shareholding in Petards represented approximately 35 per cent. of Water Hall's total equity portfolio.

Water Hall was then subsequently approached during June 2013 by Petards' then existing Bankers, Lloyds TSB Commercial Finance Limited and Bank of Scotland Plc, who asked whether Water Hall would be prepared to make an offer to acquire the outstanding working capital and receivables finance facilities provided by the Bankers to Petards and the related security. Water Hall concluded that the purchase of the Petards Bank Debt was, in certain circumstances, an appropriate and potentially attractive investment opportunity for Water Hall while also providing a means of stabilising Petards' financial position should the Bankers not renew the facilities on the review date of 30 June 2013. On 28 June 2013, Water Hall announced

that it had completed the purchase of the Petards Bank Debt. The aggregate consideration paid by Water Hall to the Bankers for the amount then owed by Petards of approximately £1.15 million under the Petards Bank Debt (including other associated trading and transaction costs) was £664,557 in cash, funded from Water Hall's existing cash balances.

As the Board of Water Hall believed that the outlook for the development of Petards' business would be substantially improved by additional equity funding, the Board of Water Hall made a proposal to the Board of Petards that Petards should acquire Water Hall on the basis of the terms and conditions set out in this document.

While the Board of Water Hall is confident of its ability to source potentially attractive investment opportunities for Water Hall as a stand-alone entity, there is no certainty that an alternative and acceptable investment opportunity would present itself and, in such circumstances, there is the risk that Water Hall's cash resources would otherwise be simply diminished over time by the day-to-day administrative costs of running Water Hall as a small, independent AIM-traded company with no operating business.

Accordingly, I believe that the Offer provides an attractive opportunity to enable Water Hall Shareholders to acquire a substantial direct interest in Petards while at the same time saving the corporate expenses of running Water Hall as an independent public company with its shares traded on AIM.

5. Information on Petards

Petards is an AIM-traded developer of advanced security and surveillance systems with a market capitalisation as at 28 June 2013 of approximately £1.8 million. Water Hall is a 29.99 per cent. shareholder in Petards. In its report and accounts for the year ended 31 December 2012, Petards reported a profit before tax of £0.2 million on revenue of £9.0 million.

6. Current trading and prospects

As announced on 1 July 2013, for the financial year ended 31 December 2012 Water Hall reported total revenues from continuing operations of £nil (2011: £nil) and a loss before taxation of £1,473,000 (2011: £876,000 loss) after charging £1,091,000 (2011: £nil) for the impairment of its investment in Petards. The loss before and after tax for the year ended 31 December 2012 was £878,000 (2011: £753,000) after profit for the year from discontinued operations of £595,000 (2011: £123,000). As at 31 December 2012, Water Hall had net assets of £1,777,000 (2011: £2,135,000).

Water Hall does not hold any tangible operating assets. In addition to its cash balances, Water Hall has two investments as at the date of this document as follows:

- The Water Hall Facility Agreement pursuant to which Water Hall has agreed to continue to make a working capital facility of up to £1.65 million available to Petards (subject to security being granted by the Petards Group), on broadly similar terms to the Petards Bank Debt; and
- 3,259,933 Petards Shares representing 29.99 per cent. of the existing issued share capital of Petards. As at 19 July 2013, the last practicable date prior to the publication of this document, the value of Water Hall's holding of Petards Shares was approximately £407,492.

In addition to the above investments, Water Hall has the potential for recovery of monies should an industry driven class action claim against HMRC in respect of the Aggregates Levy prove successful. Water Hall's claim is for £539,000 plus interest. While Water Hall has been advised that its claim has merit, the class action is likely to be a lengthy process and Water Hall will therefore continue to monitor progress in this matter. No value has been attributed to this claim in the audited results for the year ended 31 December 2012.

7. Water Hall Loan Note

The outstanding and unsecured Water Hall Loan Note is convertible into a maximum of 8,000,000 ordinary shares of 1p each in Water Hall at an exercise price of 2.5p at any time on or before the third anniversary of the date of issue (being 15 October 2015). Accordingly, the Water Hall Loan Note holder is able to exercise and accept the Offer should such holder choose so to do.

The Independent Water Hall Director, having been so advised by Beaumont Cornish, considers the terms of the proposed Offer to be fair and reasonable in respect of the Water Hall Loan Note. In providing advice to the Independent Water Hall Director, Beaumont Cornish has taken into account the commercial

assessments of the Independent Water Hall Director. Accordingly the Independent Water Hall Director recommends that the Water Hall Loan Note holder exercises the conversion rights under the Water Hall Loan Note to enable the holder to accept the Offer.

8. Irrevocable undertakings

Irrevocable undertakings to accept the Offer have been provided by each of the Water Hall Directors together with Osman Abdullah, a senior employee of Water Hall, in respect of their entire beneficial holdings of, in aggregate, 19,733,829 Water Hall Shares, representing, in aggregate, approximately 24.78 per cent. of the existing issued share capital of Water Hall. Certain other Water Hall Shareholders who in aggregate hold 23,556,739 Water Hall Shares, representing approximately 29.58 per cent. of the existing issued share capital of Water Hall, have also provided irrevocable undertakings to accept the Offer.

Petards has therefore received irrevocable undertakings to accept (or procure the acceptance of) the Offer in respect of, in aggregate, 43,290,568 Water Hall Shares representing approximately 54.36 per cent. of the existing issued share capital of Water Hall.

Further details of the Irrevocable Undertakings referred to above are set out in paragraph 4 of Part II and paragraph 6.8 of Appendix 5 to this Document.

9. Share Options

The Offer will extend to any Water Hall Shares which are issued or unconditionally allotted fully paid (or credited as fully paid) while the Offer remains open for acceptance (or such earlier date as Petards may, subject to the Code, and in accordance with the terms and conditions of the Offer, decide) including any such shares unconditionally allotted or issued pursuant to the exercise of options under the Water Hall Share Option Schemes.

Appropriate proposals will be made to Water Hall Optionholders in accordance with the Code in respect of any options not exercised in full which will include a proposal whereby Water Hall Optionholders will be offered the opportunity to exchange their existing options for new options over Petards Shares on the same terms as their existing options. The rollover proposal (if accepted by all such optionholders) would result in new options being granted by Petards over up to 9.92 per cent. of Petards' enlarged share capital (assuming acceptance in full of the Offer, full conversion of the Water Hall Loan Note and no conversion of any of the Convertible Loan Notes).

10. Management and employees

The Water Hall Directors have discussed with the Petards Board its plans for Water Hall.

Petards has given assurances to the Water Hall Board that, on the Offer becoming or being declared unconditional in all respects, the existing contractual employment rights of all management and employees of Water Hall will be honoured and any pension obligations complied with. Furthermore, Petards has indicated that it does not currently intend to make material changes to the terms and conditions of employment of Water Hall's employees. Petards intends to keep Water Hall's administrative office in Guildford. In due course, Petards may decide to sell Water Hall's holding of Petards Shares, the proceeds of which together with the balance of Water Hall's cash balances, could be used to provide additional working capital for Petards' operating business.

Following the Offer becoming or being declared unconditional in all respects, Raschid Abdullah and I will remain as directors of Water Hall.

11. Compulsory acquisition and cancellation of trading on AIM

Your attention is drawn to paragraph 16 of the Letter from Petards set out in Part II of this document in relation to Petards' intentions as regards, *inter alia*, the compulsory acquisition and cancellation of trading of Water Hall Shares on AIM following the Offer becoming or being declared unconditional in all respects.

12. Taxation

Your attention is also drawn to paragraph 13 of the Letter from Petards set out in Part II of this document. If you are in any doubt as to your own tax position, or if you are subject to taxation in a jurisdiction outside of the United Kingdom, you should immediately consult an appropriately qualified independent professional adviser.

13. Overseas Shareholders

Overseas Shareholders should refer to paragraph 6 of Part B, paragraph (c) of Part C and paragraph (c) of Part D of Appendix 1 to this document which contains important information for such shareholders.

14. Action to be taken by shareholders

Your attention is drawn to paragraph 14 of the letter from Petards set out in Part II of this document and to Parts A, B, C and D of Appendix 1 to this document and, in respect of certificated Water Hall Shares, to the Form of Acceptance, which, together, set out the procedure for acceptance of the Offer.

In order to accept the Offer in respect of Water Hall Shares held in certificated form (that is, not in CREST) you should complete, sign, have witnessed (in the case of an individual) and return the accompanying Form of Acceptance together with your definitive share certificate(s) and/or other document(s) of title as soon as possible but in any event so as to be received by Share Registrars, Suite E, First Floor, 9 Lion & Lamb Yard, Farnham, Surrey GU9 7LL, or by hand only (during normal business hours only) to Share Registrars, no later than 1.00 p.m. on 13 August 2013. A reply-paid envelope accompanies this document for your use within the United Kingdom. Water Hall share certificates which refer to shares of 10p each remain valid following the reorganisation which resulted in the creation of the current Water Hall Shares and should be sent with the Form of Acceptance.

In order to accept the Offer in respect of Water Hall Shares held in uncertificated form (that is, in CREST), you should ensure that an Electronic Acceptance is made by you, or on your behalf, by no later than 1.00 p.m. on 13 August 2013. You should NOT complete a Form of Acceptance in respect of such Water Hall Shares.

Your decision as to whether to accept the Offer will depend, *inter alia*, upon your individual circumstances. If you are in any doubt as to the action you should take, you should seek your own independent financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under FSMA, if you are in the United Kingdom, or, if not, from another duly authorised independent financial adviser.

15. Further Information

Your attention is drawn to the Letter from Petards set out in Part II of this document and to Appendix 1 to this document, and, for those Water Hall Shareholders holding Water Hall Shares in certificated form, to the accompanying Form of Acceptance.

Water Hall Shareholders and persons with information rights should note that Petards may request details of addresses, electronic addresses and other information provided to Water Hall for the receipt of documents, announcements and other information in hard copy form or electronic form (as the case may be).

16. Recommendation

As the Independent Water Hall Director, having been so advised by Beaumont Cornish, I consider the terms of the Offer to be fair and reasonable. In providing its advice to me, Beaumont Cornish has taken into account my commercial assessments.

Accordingly, I recommend that Water Hall Shareholders accept the Offer and I have irrevocably undertaken to accept the Offer in relation to my own beneficial holding of 419,312 Water Hall Ordinary Shares, representing approximately 0.53 per cent. of Water Hall's existing issued share capital.

In addition, having been so advised by Beaumont Cornish, I consider the terms of the proposed Offer to be fair and reasonable in respect of the Water Hall Loan Note. In providing its advice to me, Beaumont Cornish has taken into account my commercial assessments. Accordingly I recommend the Water Hall Loan Note holder to exercise the conversion rights under the Water Hall Loan Note and accept the Offer.

Yours faithfully

Roger Musson
Independent Water Hall Director

PART II

LETTER FROM THE INDEPENDENT DIRECTORS OF PETARDS

PETARDS GROUP PLC

Terry Connolly (*Non-Executive Director*)
Bill Conn (*Non-Executive Director*)
Andy Wonnacott (*Finance Director*)

Registered office:
390 Princesway
Team Valley
Gateshead
NE11 0TU

23 July 2013

To all Water Hall Shareholders and, for information only, Water Hall Optionholders and persons with information rights

Dear shareholder,

Recommended Offer by Petards for Water Hall

1. Introduction

On 1 July 2013 the Independent Petards Directors and the Independent Water Hall Director announced that they had agreed the terms of a recommended offer for the entire issued and to be issued share capital of Water Hall.

Your attention is drawn to the letter from the Independent Water Hall Director set out in Part I of this document, which explains why the Independent Water Hall Director, who has been so advised by Beaumont Cornish, considers the terms of the Offer to be fair and reasonable and why the Independent Water Hall Director is recommending all Water Hall Shareholders to accept the Offer.

This letter contains the terms of the formal Offer by Petards and the procedure for acceptance.

To accept the Offer, if you hold your Water Hall Shares in certificated form you must return the Form of Acceptance together with your share certificate(s) and/or other document(s) of title as soon as possible and, in any event, so as to be received by no later than 1.00 p.m. on 13 August 2013. The procedures for acceptance are set out in paragraph 14(a) below and in the Form of Acceptance.

If you hold your Water Hall Shares in uncertificated form, you should ensure that an Electronic Acceptance is made in accordance with paragraph 14(b) below and settles as soon as possible but, in any event, by no later than 1.00 p.m. on 13 August 2013.

2. The Offer

Petards hereby offers to acquire, on the terms of and subject to the conditions set out or referred to in this document and (in respect of Water Hall Shares held in certificated form only) in the accompanying Form of Acceptance, all the issued and to be issued ordinary share capital of Water Hall on the following basis:

for each 100 Water Hall Shares

12.5 New Petards Shares

and

£2 of Convertible Loan Notes

and so in proportion for any greater or lesser number of Water Hall Shares held.

The Offer values the entire issued and to be issued share capital of Water Hall (assuming full conversion of the Water Hall Loan Note and no exercise of share options under the Water Hall Share Option Schemes) at approximately £3.56 million, assuming a price per Petards Share of 16.5p, the closing mid market price as

at close of business on 28 June 2013 (being the last practicable date prior to the date of the Announcement), and valuing the Convertible Loan Notes at their nominal value of £1 each.

At 4 pence per Water Hall Share, the Offer represents:

- a premium of approximately 100 per cent. to the Closing Price of 2 pence for each Water Hall Share on 28 June 2013, being the last business day prior to the commencement of the Offer Period; and
- a premium of approximately 78 per cent. to the Closing Price of 2.25 pence for each Water Hall Share on 19 July 2013, being the last practicable date prior to the publication of this document.

Fractions of New Petards Shares will not be allotted or issued to accepting Water Hall Shareholders. All fractional entitlements to New Petards Shares will instead be aggregated and sold in the market as soon as practicable after the relevant date, and the net proceeds of sale for any individual entitlement of less than £5 will be retained for the benefit of the Enlarged Group.

Fractions of the Convertible Loan Notes will also not be issued to accepting Water Hall Shareholders and will be retained in respect of any individual entitlement of less than £5 for the benefit of the Enlarged Group.

Water Hall Shares will be acquired by Petards pursuant to the Offer fully paid and free from all liens, equities, charges, equitable interests, encumbrances, rights of pre-emption and other third party rights and/or interests of any nature whatsoever and together with all rights attached to them, now or in the future, including the right to receive and retain dividends, interest and other distributions declared, paid or made on or after the date of this document.

The New Petards Shares to be issued pursuant to the Offer will rank *pari passu* with the existing Petards Shares and application will be made for such New Petards Shares to be admitted to trading on AIM.

Assuming acceptance in full of the Offer, full conversion of the Water Hall Loan Note and no exercise of share options under the Water Hall Share Option Schemes, existing Water Hall Shareholders will hold approximately 50.2 per cent. of Petards' enlarged share capital (based on the existing issued ordinary share capitals of Petards and Water Hall as at the date of this document).

On full conversion of the Convertible Loan Notes and assuming acceptance in full of the Offer, full conversion of the Water Hall Loan Note and no exercise of any share options under the Water Hall Share Option Schemes, Water Hall Shareholders will hold approximately 75.2 per cent. of Petards' enlarged share capital

The Offer is conditional upon, *inter alia*, valid acceptances being received in respect of Water Hall Shares carrying more than 50 per cent. of the voting rights then normally exercisable at a general meeting of Water Hall. Petards intends to acquire a minimum of 50 per cent. of the Water Hall Shares (whether pursuant to the Offer or otherwise) and a maximum of 100 per cent. of the Water Hall Shares to which the Offer relates. Full details of the conditions to which the Offer is subject are set out in Part A of Appendix 1 of this document.

3. The Convertible Loan Notes

The Convertible Loan Notes will be unsecured and convertible at any time into new Petards Shares at a price of 8p per new Petards Share. The Convertible Loan Notes will be issued in integral multiples of £1 nominal value and will carry a coupon of 7.0 per cent. per annum, which will be paid quarterly in arrear. In order to limit the administrative and other costs in relation to the Convertible Loan Notes, in the event that any entitlement to interest due to a holder of the Convertible Loan Notes on any such quarterly interest payment date is £25 or less, the interest will be carried forward until such time as the amount of interest due to the relevant noteholder exceeds £25.

The Convertible Loan Notes will, unless otherwise converted into new Petards Shares, be redeemable at par (together with any accrued interest less any tax required to be withheld or deducted therefrom) on the fifth anniversary of the issue of the Convertible Loan Notes. Petards may give notice to redeem the Convertible Loan Notes before the fifth anniversary, but noteholders will be able, if they so wish, to convert all or part of their Convertible Loan Notes instead. No application will be made at this time for the Convertible Loan Notes to be listed or dealt in on any stock exchange.

WH Ireland has advised that, based on market conditions prevailing on 22 July 2013 (the last business day prior to publication of this document), in its opinion, if the Convertible Loan Notes had been in issue on that date, the estimated value of the Convertible Loan Notes would have been approximately 100 pence per £1 nominal value.

A summary of the principal terms of the Convertible Loan Notes is contained in Appendix 4 of this document.

4. Irrevocable undertakings

Irrevocable undertakings to accept the Offer have been provided by each of the Water Hall Directors together with Osman Abdullah, a senior employee of Water Hall, in respect of their entire beneficial holdings of, in aggregate, 19,733,829 Water Hall Shares, representing, in aggregate, approximately 24.78 per cent. of the existing issued share capital of Water Hall. Certain other Water Hall Shareholders who in aggregate hold 23,556,739 Water Hall Shares, representing approximately 29.58 per cent. of the existing issued share capital of Water Hall, have also provided irrevocable undertakings to accept the Offer.

Petards has therefore received irrevocable undertakings to accept (or procure the acceptance of) the Offer in respect of, in aggregate, 43,290,568 Water Hall Shares representing approximately 54.36 per cent. of the existing issued share capital of Water Hall.

Appropriate proposals will be made to Water Hall Optionholders in accordance with the Code in respect of any options not exercised in full which will include a proposal whereby Water Hall Optionholders will be offered the opportunity to exchange their existing options for new options over Petards Shares on the same terms as their existing options. The rollover proposal (if accepted by all such optionholders) would result in new options being granted by Petards over up to 9.92 per cent. of Petards' enlarged share capital (assuming acceptance in full of the Offer, full conversion of the Water Hall Loan Note and no conversion of any of the Convertible Loan Notes).

Further details of the irrevocable undertakings are set out in paragraph 6.8 of Appendix 5 to this document.

5. Information on Petards, current trading and prospects

Petards is an AIM traded developer of advanced security and surveillance systems with a market capitalisation as at 28 June 2013 of approximately £1.8 million. It should be noted that Water Hall is a 29.99 per cent. shareholder in Petards. In addition, Raschid Abdullah, the Chairman of Petards, is also Chairman of, and a significant shareholder in, Water Hall. Osman Abdullah, a Non Executive Director of Petards, is also a significant shareholder, in and employee of, Water Hall. For this reason, the fair and reasonableness of the Offer from the perspective of the Petards shareholders has been considered by the Independent Petards Directors, having been advised by WH Ireland.

The chairman's statement for the year ended 31 December 2012 dated 28 June 2013 included the following statement regarding the Company's trading outlook:

"Petards' customer base comprises many leading international train builders, the UK train operating companies, police and other government agencies, including the UK Ministry of Defence.

That Petards has consistently produced quality technical products that satisfy the exacting requirements of "blue chip" customers against a background of an under-capitalised balance sheet, speaks highly for the Company's intellectual property, its personnel and their dedication to the business.

While necessary to maintain Petards' market position, the timing of the decision to increase its presence in the new build train market was shortly followed by sustained weakness in the UK and other major global economies. In turn, this has impacted on the speed with which orders have been placed by its customers such that after achieving forecast revenue in the first quarter, revenue in the second quarter has suffered sharply.

While in recent weeks there have been signs of some recovery in the order intake, the Group's performance for 2013 will be highly dependent upon the order inflow for the balance of 2013 and upon the Group's ability to translate those into invoiced sales within the year. However, the move towards increasing Petards

presence in the new build trains market means that revenues from its transport products will in future benefit from improved forward visibility.”

Further information regarding financial information relating to Petards is set out in Appendix 2 of this document.

6. Effects of the Offer

On a pro forma basis and assuming that the Offer had become or was declared unconditional in all respects on 31 December 2012, the Enlarged Group would have had net assets of £3.294 million (based on the net assets of Petards as at 31 December 2012 and Water Hall as at 31 December 2012).

The Petards Directors believe that the Offer will be earnings dilutive in the financial year ending 31 December 2013. This statement does not constitute a profit forecast and should not be taken to imply that the reported earnings for the Enlarged Group for the financial year ending 31 December 2013 will be higher or lower than Petards' reported earnings for the previous financial year. Based on the Closing Price on 19 July 2013 (being the latest practicable date prior to the publication of this document), the Enlarged Group would have had a combined market capitalisation of approximately £5.47 million, assuming full acceptance of the Offer, full conversion of the Water Hall Loan Note and no exercise of share options under the Water Hall Share Option Schemes.

Neither Petards nor Water Hall proposes to pay a dividend for their respective years ended 31 December 2012 and accordingly acceptance of the Offer will not have an effect on the income position of a Water Hall Shareholder.

7. Information on Water Hall

Water Hall is an AIM traded investing company with a market capitalisation of approximately £1.5 million as at 28 June 2013. At present its assets comprise the Water Hall Facility Agreement, cash, a 29.99 per cent. shareholding in Petards together with a possible claim for recovery of Aggregates Levy of £539,000 plus interest in a class action against HMRC.

In its report and accounts for the year ended 31 December 2012, Water Hall reported a loss for the year of £878,000, after charging a £1.091 million provision for the impairment of its investment in Petards.

8. Background to and reasons for making the Offer

It recently became apparent to Petards that its Bankers were unlikely to renew its overdraft facilities amounting to £1.65 million when they fell due for renewal on 30 June 2013. On 28 June 2013 Water Hall announced that it had acquired the Petards Bank Debt.

In conjunction with this acquisition, Water Hall agreed to continue to make a working capital facility of up to £1.65 million available to Petards subject to security being granted by the Petards Group. In the absence of the Water Hall Facility, Petards would not be able to continuing trading as alternatives sources of finance were not available in the necessary timeframe.

In view of Water Hall's 29.99 per cent. shareholding in Petards and because it now owns Petards Bank Debt, and in the absence of any credible alternative in the time available, the Independent Petards Directors and the Independent Water Hall Director agreed the Offer as the most realistic means of securing Petards' future.

The Offer provides Petards with access to the Water Hall Facility and, if completed, will allow Petards effectively to acquire its own debt, 29.99 per cent. of its existing issued share capital, and the remaining cash balances of Water Hall.

9. Management, employees and locations

The Petards Directors have discussed with the Water Hall Board their plans for Water Hall.

Petards has given assurances to the Water Hall Board that, on the Offer becoming or being declared unconditional in all respects, the existing contractual employment rights of all management and employees of Water Hall will be honoured and any pension obligations complied with. Furthermore, Petards has indicated that it does not currently intend to make material changes to the terms and conditions of employment of Water Hall's employees. Petards intends to keep Water Hall's administrative office in Guildford. In due course, Petards may decide to sell Water Hall's holding of Petards Shares, the proceeds of which together with the balance of Water Hall's cash balances, could be used to provide additional working capital for Petards' operating business.

Following the Offer becoming or being declared unconditional in all respects, Raschid Abdullah and Roger Musson will remain as directors of Water Hall.

10. Water Hall Share Option Schemes

The Offer will extend to any Water Hall Shares which are issued or unconditionally allotted and fully paid (or credited as fully paid) while the Offer remains open for acceptance (or such earlier date as Petards may, subject to the Code, and in accordance with the terms and conditions of the Offer, decide) including any such shares unconditionally allotted or issued pursuant to the exercise of options under the Water Hall Share Option Schemes.

Appropriate proposals will be made to Water Hall Optionholders in accordance with the Code in respect of any options not exercised in full which will include a proposal whereby Water Hall Optionholders will be offered the opportunity to exchange their existing options for new options over Petards Shares on the same terms as their existing options. The rollover proposal (if accepted by all such optionholders) would result in new options being granted by Petards over up to 9.92 per cent. of Petards' enlarged share capital (assuming acceptance in full of the Offer, full conversion of the Water Hall Loan Note and no conversion of any of the Convertible Loan Notes).

11. Disclosure of interests in Water Hall

Save for Raschid Abdullah and Osman Abdullah who own 9,648,942 and 9,665,575 Water Hall Shares respectively which represent 12.12 per cent and 12.14 per cent. respectively of Water Hall's existing issued share capital and in addition options under the Water Hall Share Option Schemes (as set out in paragraph 4.6 of Appendix 5 of this document), as at the date of publication of the Announcement and this document, neither Petards nor any of Petards' Directors, their immediate families or related trusts, nor so far as Petards is aware, any party acting in concert with Petards, has any interest in or right to subscribe in respect of any relevant securities of Water Hall or has any short positions in respect of relevant securities of Water Hall, or has borrowed or lent any relevant security of Water Hall.

12. Overseas Shareholders

The attention of Overseas Shareholders, or other Water Hall Shareholders who would, or otherwise intend to, forward this document and the accompanying documents to any jurisdiction outside the UK, is drawn to paragraph 14 of Part II, paragraph 6 of Part B, paragraph (c) of Part C and paragraph (c) of Part D of Appendix 1 of this document.

The availability of the Offer to persons not resident in the UK may be affected by the laws of the relevant jurisdiction. Persons who are subject to the laws of any jurisdiction other than the UK should inform themselves about, or observe any applicable requirements.

The Offer referred to in this document and the accompanying Form of Acceptance is not being made, directly or indirectly, in, into or by use of the mails of, or by any means or instrumentality (including, without limitation, telephonically or electronically) of interstate or foreign commerce of, or any facilities of a national securities exchange of, the United States, Canada, Australia, Japan or any other jurisdiction if to do so would constitute a violation of the relevant laws of such jurisdiction. This document does not constitute an offer in the United States, Canada, Australia, Japan or any other such jurisdiction and the Offer will not be capable of acceptance by any such use, means, instrumentality or facilities or otherwise from or within the United States, Canada, Australia, Japan or any other such jurisdiction. Accordingly, neither this document nor the accompanying document are being, nor should be, mailed, transmitted or otherwise distributed, in whole

or in part, in or into or from the United States, Canada, Australia, Japan or any other such jurisdiction. Doing so may render invalid any purported acceptance of the Offer.

All Water Hall Shareholders (including, without limitation, nominees, trustees or custodians) who intend to forward this document and the accompanying document to any jurisdiction outside the UK should read paragraph 14 of Part II, paragraph 6 of Part B, paragraph (c) of Part C and paragraph (c) of Part D of Appendix 1 of this document and seek appropriate advice before taking any action.

Accordingly, accepting Water Hall Shareholders who hold their shares in certificated form and are unable to give the representations and warranties set out in paragraph (c) (i) and (ii) of Part C of Appendix 1 of this document and who put "No" in Box 4 of the Form of Acceptance will be deemed not to have validly accepted the Offer and accepting Water Hall Shareholders who hold their shares in uncertificated form and are unable to give the representations and warranties set out in paragraph (c) (i) and (ii) of Part D of Appendix 1 of this document will (subject to paragraph 14 of Part II) also be deemed not to have validly accepted the Offer.

13. United Kingdom taxation

The comments set out below are based on the Petards Directors' understanding of current United Kingdom tax law and HMRC practice as at the date of this document, which may be subject to change. The comments are intended as a general guide and apply only to Water Hall Shareholders who are issued New Petards Shares pursuant to the Offer, who are resident and in the case of an individual, domiciled, for tax purposes in the United Kingdom and to whom "split-year" treatment does not apply, who hold Water Hall Shares and New Petards Shares as an investment and who are the absolute beneficial owners of their shares. It does not address all possible tax consequences relating to an investment in the New Petards Shares and the Convertible Loan Notes. Certain categories of shareholders, such as traders, brokers, dealers, banks, financial institutions, insurance companies, investment companies, collective investment schemes, tax-exempt organisations, persons connected with Water Hall, Petards or members of either of their groups, shareholders who are not domiciled in the United Kingdom, shareholders who have (or are deemed to have) acquired their shares by virtue of an office or employment or pursuant to the Enterprise Investment Scheme, may be subject to specific tax regimes and/or different rules of relief. This summary does not apply to such shareholders. In addition, the summary below does not apply to any shareholder who, either alone or together with one or more associated persons, control, directly or indirectly, at least 10 per cent. of the voting rights of any class of share capital in Water Hall or Petards.

Shareholders who are in any doubt about their tax position, or who are resident or otherwise subject to taxation in a jurisdiction outside the United Kingdom, should consult their own professional advisers immediately.

Special tax provisions may apply to Water Hall Shareholders who acquire their New Petards Shares and Convertible Loan Notes by exercising options or awards under the Water Hall Share Option Schemes, including provisions imposing a charge to income tax. This summary does not apply to such Water Hall Shareholders and such Water Hall Shareholders are advised to seek independent professional advice.

Tax consequences of the transfer of the Water Hall Shares and the issue of the New Petards Shares and Convertible Loan Notes

For the purposes of a liability to UK capital gains tax and corporation tax on chargeable gains ("CGT") the transfer of the Water Hall Shares and the issue of New Petards Shares and Convertible Loan Notes should be treated as an exchange of securities falling within section 135 Taxation of Chargeable Gains Act 1992 ("TCGA"). A Water Hall Shareholder who does not (either alone or together with any connected person) hold more than five per cent. of any class of shares in or debentures of Water Hall, should for the purposes of CGT, be treated as having made no disposal of his Water Hall Shares. Instead, the New Petards Shares and Convertible Loan Notes will be treated as the same asset as those Water Hall Shares in respect of which he received the New Petards Shares and Convertible Loan Notes, acquired at the same time and for the same consideration as those Water Hall Shares. On any disposal or repayment of the New Petards Shares or the Convertible Loan Notes, any CGT arising will be determined by reference to the market value of the assets disposed of and retained at the date of the disposal.

Any Water Hall Shareholder who holds (either alone or together with persons connected with him) more than five per cent. of any class of shares in or debentures of Water Hall is advised that clearance under

Section 138 of the TCGA in respect of the Offer has been sought and provided such clearance is granted any such shareholder should be treated in the manner described in the preceding paragraph.

It is expected that the Convertible Loan Notes will not be treated as qualifying corporate bonds for the purposes of section 117 TCGA.

Tax consequences in respect of New Petards Shares and Convertible Loan Notes

Taxation of Dividends on New Petards Shares

Petards will not be required to withhold amounts on account of United Kingdom tax at source when paying dividends on New Petards Shares.

A United Kingdom resident individual who receives a dividend in respect of New Petards Shares will be entitled to a tax credit. The tax credit will be equal to 10 per cent. of the aggregate of the dividend and tax credit (the "gross dividend"), which is also equal to one-ninth of the cash dividend received. The tax credit is set against an individual shareholder's tax liability on the gross dividend. Such an individual shareholder who is liable to income tax at the basic rate will be subject to tax on the dividend at the rate of 10 per cent. of the gross dividend, so that the tax credit will satisfy in full such shareholder's liability to income tax on the dividend. In the case of such an individual shareholder who is liable to income tax at the higher rate, the tax credit will be set against but not fully match the shareholder's tax liability on the gross dividend and such shareholder will have to account for additional income tax equal to 22.5 per cent. of the gross dividend (which is also equal to 25 per cent. of the cash dividend received) to the extent that the gross dividend, when treated as the top slice of the shareholder's income, falls about the threshold for higher rate income tax. In the case of an individual shareholder who is subject to income tax at the additional rate, the tax credit will also be set against, but not fully match, the shareholder's liability on the gross dividend and such shareholder will have to account for additional income tax equal to 27.5 per cent. of the gross dividend (which is also equal to approximately 30.6 per cent. of the cash dividend received) to the extent that the gross dividend, when treated as the top slice of the shareholder's income, falls above the threshold for additional rate income tax.

A United Kingdom resident individual Petards Shareholder who is not liable to income tax in respect of the gross dividend and other United Kingdom resident taxpayers who are not liable to United Kingdom tax on dividends, including pension funds and charities, will not be entitled to claim repayment of the tax credit attaching to dividends.

Petards Shareholders who are within the charge to corporation tax will be subject to corporation tax on dividends paid by Petards, unless (subject to special rules for such shareholders that are small companies) the dividends fall within an exempt class and certain other conditions are met. Each Petards' Shareholder's position will depend on its own individual circumstances, although it would normally be expected that the dividends paid by Petards would fall within an exempt class. Such corporate shareholders will not be able to claim repayment of tax credits attaching to dividends.

Non-United Kingdom resident Petards Shareholders will not generally be able to claim repayment from HMRC of any part of the tax credit attaching to dividends paid. A shareholder resident outside the United Kingdom may also be subject to foreign taxation on dividend income under local law. Petards Shareholders who are not resident for tax purposes in the United Kingdom should obtain their own tax advice concerning tax liabilities on dividends received from Petards.

Taxation of Capital Gains on New Petards Shares

Petards Shareholders who are individuals resident in the United Kingdom, or who cease to be resident in the United Kingdom for a period of less than five years of assessment, may depending on their circumstances (including the availability of exemptions or reliefs), be liable to United Kingdom taxation on chargeable gains in respect of gains arising from a sale or other disposal of New Petards Shares.

For Petards Shareholders within the charge to UK corporation tax on chargeable gains, indexation allowance should be available to reduce the amount of chargeable gain released on a disposal of New Petards Shares (but not to create or increase any loss).

For Petards Shareholders who are subject to UK CGT, such as individuals, trustees and personal representatives, an annual exemption is available, such that capital gains tax is chargeable only on gains arising from all sources during the tax year in excess of this figure. The annual exemption is £10,900 for the tax year 2013-2014 (£5,450 for most trustees). Capital gains tax will be chargeable at the rate of 18 per cent. (for basic rate taxpayers) and 28 per cent. (for higher and additional rate taxpayers, trustees and personal representatives) during the tax year 2013-2014.

A Petards Shareholder who is not UK resident will not be subject to UK tax on a gain arising on a disposal of New Petards Shares unless (i) the Petards Shareholder carries on a trade, profession or vocation in the UK through a branch, agency or permanent establishment and, broadly, holds the New Petards Shares for the purposes of the trade, profession, vocation, branch, agency or permanent establishment or (ii) the Petards Shareholder falls within the anti-avoidance rules applying to individuals who are temporarily not resident in the UK.

Inheritance Tax in respect of New Petards Shares

New Petards Shares will be assets situated in the United Kingdom for the purposes of United Kingdom inheritance tax. A gift of such assets by, or the death of, a Petards Shareholder may (subject to certain exemptions and reliefs) give rise to a liability to United Kingdom inheritance tax, even if the holder is neither domiciled in the United Kingdom nor deemed to be domiciled here (under certain rules relating to long term residence or previous domicile). Generally, United Kingdom inheritance tax is not chargeable on gifts to individuals if the transfer is made more than seven complete years prior to death of the donor. For inheritance tax purposes, a transfer of assets at less than full market value may be treated as a gift and particular rules apply to gifts where the donor reserves or retains some benefit. Special rules also apply to close companies and to trustees of settlements who hold New Petards Shares bringing them within the charge to inheritance tax. Petards Shareholders should consult an appropriate professional adviser if they make a gift of any kind or intend to hold any New Petards Shares through such a company or trust arrangement. They should also seek professional advice in a situation where there is potential for a double charge to United Kingdom inheritance tax and an equivalent tax in another country or if they are in any doubt about their United Kingdom inheritance tax position.

Petards Shares are currently admitted to trading on AIM and, subject to certain conditions being met by both Petards and any holder of Petards Shares, business property relief (a relief from UK inheritance tax) may be available in respect of New Petards Shares.

Stamp Duty and Stamp Duty Reserve Tax ("SDRT") in respect of New Petards Shares

The statements in this section are intended as a general guide to the current United Kingdom stamp duty and SDRT position in respect of New Petards Shares. Investors should note that certain categories of person are not liable to stamp duty or SDRT and others may be liable at a higher rate or may, although not primarily liable for tax, be required to notify and account for SDRT under the Stamp Duty Reserve Tax Regulations 1986.

General

Except in relation to depositary receipt systems and clearance services (to which special rules may apply), no stamp duty or SDRT will arise on the issue of shares in registered form by Petards.

An agreement to transfer New Petards Shares will normally give rise to a charge to SDRT at the rate of 0.5 per cent. of the amount or value of the consideration payable for the transfer. SDRT is, in general, payable by the purchaser.

An instrument transferring New Petards Shares will generally be subject to stamp duty at the rate of 0.5 per cent. of the amount or consideration given for the transfer (rounded up to the nearest £5). The purchaser normally pays the stamp duty.

If a duty stamped transfer instrument completing an agreement to transfer New Petards Shares is produced within six years of the date on which the agreement is made (or, if the agreement is conditional, the date on which the agreement becomes unconditional) any SDRT paid is generally repayable, normally with interest, and otherwise the SDRT charge is cancelled.

CREST

Paperless transfers of New Petards Shares within the CREST system will generally be liable to SDRT, rather than stamp duty, at the rate of 0.5 per cent. of the amount or value of the consideration payable. CREST is obliged to collect SDRT on relevant transactions settled within the CREST system. Deposits of shares into CREST will not generally be subject to SDRT or stamp duty, unless the transfer into CREST is itself for consideration.

Taxation of Convertible Loan Notes

Interest payable on the Convertible Loan Notes will generally be payable subject to deduction of UK income tax at source (a “withholding”) at a rate of 20 per cent. Certain holders of the Convertible Loan Notes which are companies resident in the UK or who are resident in a jurisdiction with which the UK has concluded a double tax treaty which contains an “interest article” may be entitled to receive interest subject to no withholding or to a reduced rate of withholding. Such holders should consult with their tax adviser to determine the conditions and procedure for claiming a reduced rate of withholding.

The Independent directors of Petards have been advised that the term of the Convertible Loan Notes are reasonably comparable to the terms of issue of convertible loan notes listed on a recognised stock exchange and accordingly interest paid on the Loan Notes is not expected to be treated as a distribution for UK tax purposes.

Convertible Loan Note holders who are subject to corporation tax

The tax position of a Convertible Loan Note holder within the charge to UK corporation tax on the Convertible Loan Notes will depend on the accounting treatment adopted in respect of the Convertible Loan Notes in the holder’s accounts (including those cases where the accounting treatment requires the rights and liabilities under the Convertible Loan Notes to be bifurcated into a loan relationship and an embedded derivative). In general, profits and losses will be the same as the profit or loss as shown in such accounts but in certain circumstances (depending on the exact accounting treatment of the Convertible Loan Note), profits and losses recognised in respect of the embedded derivative may be brought into account as chargeable gains or allowable losses. The UK tax treatment of a disposal or conversion of Convertible Loan Notes will also depend on, among other things, the accounting treatment of the Convertible Loan Notes.

Convertible Loan Note holders who are not subject to UK corporation tax

UK resident individuals who convert their Convertible Loan Notes into Petards Shares should generally be deemed not to have made a disposal of their Convertible Loan Notes for the purposes of CGT. Instead, they should be treated as having acquired their Petards Shares at the same time and for the same base cost as their original Water Hall Shares.

A disposal of a Convertible Loan Note by a Convertible Loan Note holder may give rise to a capital gain or allowable loss for the purposes of UK CGT depending on the individual circumstances. The rate of CGT is 18 per cent. for basic rate taxpayers and 28 per cent. for higher and additional rate taxpayers.

A disposal or conversion of a Convertible Loan Note may also give rise to a UK income tax charge in respect of any amount treated as arising under the rules known as the “accrued income scheme” (contained in Chapter 2 of Part 12 Income Tax Act 2007) as representing interest accrued on the Convertible Loan Notes at the time of disposal or conversion.

14. Procedures for acceptance of the Offer

Holders of Water Hall Shares in certificated form (that is, not in CREST) may only accept the Offer in respect of such shares by completing, signing and returning a Form of Acceptance in accordance with the procedure set out in sub-paragraph 14(a) below.

If you hold Water Hall Shares in certificated form but under different designations, you should complete a separate Form of Acceptance in respect of each designation.

Additional Forms of Acceptance can be obtained from Share Registrars on + 44 (0) 1252 821390. Lines are open 9.00 a.m. to 5.00 p.m. (London time) Monday to Friday. Calls to the helpline from inside the UK

will be charged at normal network rates and calls outside the UK will be charged at the applicable international rate. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the proposals nor give any financial, legal or tax advice.

Holders of Water Hall Shares in uncertificated form (that is, in CREST) may only accept the Offer in respect of such shares by TTE Instruction in accordance with the procedure set out in sub-paragraph 14(b) below.

If you hold Water Hall Shares in uncertificated form under different member account IDs, you should send, or procure to be sent, a separate TTE Instruction for each member account ID.

You should note that if you hold Water Hall Shares in both certificated and uncertificated form, you should complete a Form of Acceptance for the shares held in certificated form in accordance with sub-paragraph 14(a) below and the shares held in uncertificated form should be dealt with in accordance with sub-paragraph 14 (b) below.

If your Water Hall Shares are in the course of being converted from uncertificated to certificated form, or from certificated to uncertificated form, please refer to sub-paragraph 14(d) below.

(a) Water Hall Shares in certificated form (that is, not in CREST)

If all your Water Hall Shares are in uncertificated form (that is, in CREST), you need not read this sub-paragraph 14(a).

To accept the Offer, you must complete, sign and return the Form of Acceptance together with your share certificate(s) and/or other document(s) of title in accordance with these instructions and the instructions printed on the Form of Acceptance which form part of the terms of the Offer. Water Hall share certificates which refer to shares of 10p each remain valid following the reorganisation which resulted in the creation of the current Water Hall Shares and should be sent with the Form of Acceptance. Your attention is also drawn to Parts A, B and C of Appendix 1 of this document.

- (i) To accept the Offer in respect of some or all of your Water Hall Shares, complete Box 1 and sign Box 2 of the accompanying Form of Acceptance in the presence of a witness, who should also sign in accordance with the instructions printed on the Acceptance Form.

Your attention is also drawn to Boxes 3 to 5 (inclusive).

- (ii) Return of Form of Acceptance

To accept the Offer, the Form of Acceptance must be completed, signed and returned together with the relevant share certificate(s) and/or other documents of title.

The completed and signed Form of Acceptance, together with your share certificate(s) for your Water Hall Shares and/or other document(s) of title, should be sent by post or delivered by hand (during normal business hours only) to Share Registrars, Suite E First Floor, 9 Lion & Lamb Yard, Farnham, Surrey GU9 7LL, as soon as possible but, in any event, so as to be received by no later than 1.00 p.m. on 13 August 2013.

A first class reply-paid envelope is enclosed for your convenience for documents lodged by post from within the United Kingdom. No acknowledgement of receipt of documents will be given. The instructions printed on the Form of Acceptance shall be deemed to form part of the terms of the Offer.

A Form of Acceptance contained in an envelope postmarked in, or otherwise appearing to Petards or its agents to have been sent from, the United States, Canada, Australia, Japan or any other jurisdiction whose laws may be violated or affected by such acceptance will not constitute a valid acceptance of the Offer. For further information see paragraph 12 of this letter, paragraph 6 of Part B, paragraph (c) of Part C and paragraph (c) of Part D of Appendix 1 of this document and the relevant provisions of the Form of Acceptance.

(iii) Share certificates not readily available or lost

If your share certificate(s) and/or other document(s) of title is/are not readily available or is/are lost, the Form of Acceptance should nevertheless be completed, signed and returned as stated above so as to arrive no later than 1.00 p.m. on 13 August 2013, together with any share certificate(s) and/or other document(s) of title that you may have available, accompanied by a letter stating that the balance will follow or that you have lost one or more of your share certificate(s) and/or other document(s) of title. You should then arrange for the relevant share certificate(s) and/or other document(s) of title to be forwarded as soon as possible afterwards.

No acknowledgement of receipt of documents will be given. If you have lost your share certificate(s) and/or other document(s) of title, you should write as soon as possible to Share Registrars asking for a letter of indemnity in respect of lost share certificate(s) and/or other document(s) of title which, when completed in accordance with the instructions given, should be returned to Share Registrars, Suite E, First Floor, 9 Lion & Lamb Yard, Farnham, Surrey GU9 7LL, in the manner referred to in sub-paragraph 14(a) above.

(b) **Water Hall Shares in uncertificated form (that is, in CREST)**

If all your Water Hall Shares are in certificated form (that is, not in CREST), you need not read this sub-paragraph 14(b).

To accept the Offer, you should take (or procure the taking of) the actions set out below to transfer the Water Hall Shares in respect of which you wish to accept the Offer to the appropriate escrow balance(s), specifying Share Registrars as the Escrow Agent, as soon as possible and in any event so that the TTE Instruction settles no later than 1.00 p.m. on 13 August 2013.

Note that settlement cannot take place on weekends or bank holidays (or other times at which the CREST system is non-operational). You should therefore ensure you time the input of any TTE Instructions accordingly. The input and settlement of a TTE Instruction in accordance with this sub-paragraph 14(b) will (subject to satisfying the requirements set out in Parts A, B and D of Appendix 1 of this document) constitute an acceptance of the Offer in respect of the number of Water Hall Shares so transferred to escrow.

If you are a CREST sponsored member, you should refer to your CREST sponsor before taking any action.

Only your CREST sponsor will be able to send the TTE Instruction to Euroclear in relation to your Water Hall Shares. You are recommended to refer to the CREST Manual for further information on the CREST procedures outlined above.

You should note that Euroclear does not make available special procedures in CREST for any particular corporate action. Normal system timings and limitations will therefore apply in connection with a TTE Instruction and its settlement. You should therefore ensure that all necessary action is taken by you (or by your CREST sponsor) to enable a TTE Instruction relating to your Water Hall Shares to settle prior to 1.00 p.m. on 13 August 2013. In this connection you are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

To accept the Offer

To accept the Offer in respect of uncertificated Water Hall Shares, you should send (or if you are a CREST sponsored member, procure that your CREST sponsor sends) a TTE Instruction to Euroclear and which must contain, in addition to the other information that is required for a TTE Instruction to settle in CREST, the following details:

- the number of uncertificated Water Hall Shares in respect of which you wish to accept the Offer and which are to be transferred to an escrow balance;
- your member account ID;
- your participant ID;
- the participant ID of the Escrow Agent. This is 7RA36;

- the member account ID of the Escrow Agent for the Offer in its basic form. This is PGPWHG01;
- the intended settlement date. This should be as soon as possible and in any event no later than 1.00 p.m. on Day 21 of the Offer;
- the corporate action number for the Offer. This is allocated by Euroclear and can be found by viewing the relevant Water Hall corporate action details in CREST;
- the ISIN number for the Water Hall Shares. This is GB0009418194;
- the standard delivery instruction with priority of 80; and
- contact name and telephone number inserted in the shared note field.

After settlement of the TTE Instruction, you will not be able to access the Water Hall Shares concerned in CREST for any transaction or charging purposes. If the Offer becomes or is declared wholly unconditional, the Escrow Agent will transfer the Water Hall Shares concerned to itself in accordance with paragraph (e) of Part D of Appendix 1 of this document.

(c) **General**

Petards will make an appropriate announcement if any of the details contained in sub-paragraph 14(b) alter for any reason.

(d) **Deposits of Water Hall Shares into, and withdrawals of Water Hall Shares from, CREST**

Normal CREST procedures (including timings) apply in relation to any Water Hall Shares that are, or are to be, converted from uncertificated to certificated form, or from certificated to uncertificated form, during the course of the Offer (whether any such conversion arises as a result of a transfer of Water Hall Shares or otherwise). Water Hall Shareholders who are proposing to convert any such shares are recommended to ensure that the conversion procedures are implemented in sufficient time to enable the person holding or acquiring the Water Hall Shares as a result of the conversion to take all necessary steps in connection with an acceptance of the Offer (in particular, as regards delivery of share certificate(s) and/or other document(s) of title or transfers to an escrow balance as described above) as soon as possible and in any event prior to 1.00 p.m. on 13 August 2013.

(e) **Validity of acceptances**

Subject to the provisions of the Code and without prejudice to paragraph 14(a)(iii) of Part II of this document, Petards reserves the right to treat as valid any acceptance of the Offer in respect of Water Hall Shares held in certificated form which is not entirely in order or which is not accompanied by the relevant share certificate(s) and/or other document(s) of title. In that event, no consideration due to Water Hall Shareholders under the Offer will be distributed until after the relevant share certificate(s) and/or other document(s) of title or indemnities satisfactory to Petards or its agents have been received.

A Form of Acceptance which is received in respect of Water Hall Shares held in uncertificated form will not constitute a valid acceptance and will be disregarded. Holders of Water Hall Shares in uncertificated form who wish to accept the Offer should note that a TTE instruction will only be a valid acceptance of the Offer as at the relevant closing date if it has settled on or before that date.

If you are in any doubt as to the procedure for acceptance, please contact Share Registrars on + 44 (0) 1252 821390. Lines are open 9.00 a.m. to 5.00 p.m. (London time) Monday to Friday. Calls to the helpline from inside the UK will be charged at normal network rates and calls outside the UK will be charged at the applicable international rate. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the proposals nor give any financial, legal or tax advice.

You are reminded that, if you are a CREST sponsored member, you should contact your CREST sponsor before taking any action.

15. Settlement

Subject to the Offer becoming or being declared unconditional in all respects, settlement of the consideration to which any Water Hall Shareholder is entitled under the Offer (except as provided in paragraph 6 of Part B of Appendix 1 to this document in the case of an Overseas Shareholder) will be effected (i) in the case of acceptances received, complete in all respects, by the date on which the Offer becomes or is declared unconditional in all respects, within 14 days of such date; or (ii) in the case of acceptances received, complete in all respects, after the date on which the Offer becomes or is declared unconditional in all respects but while it remains open for acceptance, within 14 days of such receipt, in the following manner:

(a) **Water Hall Shares held in certificated form (that is, not in CREST)**

Where an acceptance relates to Water Hall Shares held in certificated form, the New Petards Shares to which the accepting Water Hall Shareholder is entitled will be issued in certificated form.

Definitive certificates for the New Petards Shares (and cheques in respect of any cash resulting from fractional entitlements) will be despatched by first class post (or by such other method as may be approved by the Panel) at the risk of the person(s) entitled thereto to validly accepting Water Hall Shareholders or their appointed agents (but not in or into a Restricted Jurisdiction). All such payments in respect of fractional entitlements will be made in pounds sterling by cheque drawn on a branch of a UK clearing bank.

(b) **Water Hall Shares held in uncertificated form (that is, in CREST)**

Where an acceptance relates to Water Hall Shares held in uncertificated form, the New Petards Shares to which the accepting Water Hall Shareholder is entitled will be issued to such Water Hall Shareholder in uncertificated form. Petards will procure that Euroclear is instructed to credit the appropriate stock account in CREST of the accepting Water Hall Shareholder concerned with such Water Hall Shareholder's entitlement to New Petards Shares pursuant to the Offer. The stock account concerned will be an account under the same participant ID and member account ID as appeared in the TTE Instruction(s) concerned. Any cash consideration due to a Water Hall Shareholder as a result of fractional entitlements to New Petards Shares will be paid by means of a CREST payment by Petards in favour of the accepting Water Hall Shareholder's payment bank, in accordance with the CREST payment arrangements.

Petards reserves the right to settle all or any part of the consideration referred to above, for all or any accepting Water Hall Shareholder(s), in the manner referred to in paragraph (a) above, if, for any reason, it wishes to do so.

(c) **Convertible Loan Notes**

Whether the Water Hall Shares are held in certificated or uncertificated form, definitive certificates for the Convertible Loan Notes will be despatched by first class post (or such other method as may be approved by the Panel) at the risk of the person(s) entitled thereto to validly accepting Water Hall Shareholders or their appointed agents (but not in or into a Restricted Jurisdiction).

(d) **Lapsing of the Offer**

If the Offer does not become or is not declared wholly unconditional and lapses (i) completed Forms of Acceptance, share certificate(s) and/or other document(s) of title will be returned by post (or by such other methods as the Panel may approve) as soon as practicable (and, in any event, within 14 days of the Offer lapsing), at the risk of the Water Hall Shareholder concerned, to the person or agent whose name and address is set out next to Box 1 or inserted in Box 3 or Box 5 of the Form of Acceptance, or, if none is set out, to the first named holder at his or her registered address (in all cases outside the United States, Canada, Australia, Japan, or any other jurisdiction whose rules would or may, in the belief of Petards or its agents, be violated by such posting); and (ii) Share Registrars will, immediately after the lapsing of the Offer (or within such longer period, not exceeding 14 days of the Offer lapsing, as the Panel may approve), give TTE Instructions to Euroclear to transfer all Water Hall Shares held in escrow balances, and in relation to which it is the Escrow Agent for the purposes of the Offer, to the original available balances of the Water Hall Shareholders concerned. All documents sent by, to or from Water Hall Shareholders or their appointed agents will be sent at their own risk.

16. Compulsory acquisition, cancellation of admission to trading and re-registration

If Petards receives acceptances under the Offer in respect of, and/or otherwise acquires, 90 per cent. or more of the Water Hall Shares to which the Offer relates and the Offer becomes or is declared unconditional in all respects, then Petards intends to exercise its rights pursuant to the provisions of sections 974 to 991 (inclusive) of the Companies Act 2006 to acquire compulsorily any outstanding Water Hall Shares not acquired or agreed to be acquired pursuant to the Offer or otherwise.

In addition, as soon as it is appropriate to do so, and subject to the conditions of the Offer having been satisfied or (if capable of waiver) waived and subject to any applicable legal or regulatory requirements, Petards intends to procure that Water Hall cancels the admission of the Water Hall Shares to trading on AIM. The cancellation of the trading of the Water Hall Shares will significantly reduce the liquidity and marketability of any Water Hall Shares not assented to the Offer and their value may be affected in consequence as there will be no market facility for dealing in Water Hall Shares. It is anticipated that, should such an application be made, cancellation of Water Hall's admission to trading will take effect no earlier than 20 business days following the date of posting of the Offer Document (i.e. not before 20 August 2013) and at least 5 business days following the Offer being declared unconditional in all respects. Further details will be announced as appropriate.

Cancellation of admission to trading on AIM would significantly reduce the liquidity and marketability of any Water Hall Shares in respect of which acceptances of the Offer are not submitted.

It is also proposed that following the Offer becoming or being declared unconditional in all respects in due course, Petards will seek to procure the re-registration of Water Hall as a private limited company under the relevant provisions of the Companies Act 2006.

17. Further information

The Offer will remain open for acceptance until 1.00 p.m. on 13 August 2013 or such later time(s) and/or date(s) as Petards may decide in accordance with the provisions contained in paragraph (a) of Part A of Appendix 1 of this document.

Your attention is drawn to the Appendices of this document and (if you hold your Water Hall Shares in certificated form) to the accompanying Form of Acceptance.

18. Action to be taken

If you hold your Water Hall Shares in certificated form (that is, not in CREST), you are urged to complete, sign and return the Form of Acceptance by post or (during normal business hours only) by hand to Share Registrars, Suite E, First Floor, 9 Lion & Lamb Yard, Farnham, Surrey GU9 7LL, as soon as possible but, in any event, so as to be received by no later than 1.00 p.m. on 13 August 2013. Your share certificate(s) and/or other documents of title should be enclosed with your completed Form of Acceptance. A first class reply-paid envelope is enclosed for your convenience if you are posting your documents in the UK. If you hold your Water Hall Shares in uncertificated form (that is, in CREST), you should follow the procedure set out in paragraph 14(b) of this letter and ensure that an Electronic Acceptance is made by you or on your behalf and has settled no later than 1.00 p.m. on 13 August 2013.

Yours faithfully,

The Independent Petards Directors
For and on behalf of Petards Group plc

APPENDIX 1

CONDITIONS AND FURTHER TERMS OF THE OFFER

PART A: CONDITIONS OF THE OFFER

The Offer will be subject to the conditions and terms set out below, in this document and (in respect of certificated Water Hall Shares) in the Form of Acceptance and to the applicable rules and regulations of the London Stock Exchange and the Code and will be governed by English law and subject to the jurisdiction of the courts of England:

- (a) valid acceptances of the Offer being received (and not, where permitted, withdrawn) by not later than 1.00 p.m. on Day 21 or such later time(s) and/or date(s) as Petards may, with the consent of the Panel or subject to the Code, decide in respect of such number Water Hall Shares which, together with Water Hall Shares acquired or agreed to be acquired before or during the Offer Period, whether pursuant to the Offer or otherwise will result in Petards, and any other person acting in concert with Petards, holding in aggregate, Water Hall Shares carrying more than 50 per cent. of the voting rights then normally exercisable at a general meeting of Water Hall, including for this purpose to the extent (if any) required by the Panel, any such voting rights attaching to any Water Hall Shares that may be unconditionally allotted or issued before the Offer becomes or is declared unconditional as to acceptances whether pursuant to the exercise of any outstanding conversion or subscription rights or otherwise. For the purpose of this condition:
 - (i) the expression “Water Hall Shares to which the Offer relates” shall be construed in accordance with sections 974 to 991 (inclusive) of the Companies Act 2006;
 - (ii) Water Hall Shares which have been unconditionally allotted but not issued shall be deemed to carry the voting rights which they will carry on issue; and
 - (iii) valid acceptances shall be treated as having been received in respect of any Water Hall Shares that Petards shall, pursuant to section 979(8) and, if applicable, section 979(9) of the Companies Act 2006, be treated as having acquired or unconditionally contracted to acquire by virtue of acceptances of the Offer;
- (b) the passing at the General Meeting (or at any adjournment thereof) of the Resolution or any other resolution or resolutions which are necessary or, in the opinion of Petards, desirable to approve, effect and implement the Offer and the acquisition of Water Hall and any Water Hall Shares;
- (c) the admission to trading on AIM of the New Petards Shares to be issued in connection with the Offer becoming effective in accordance with the AIM Rules or if Petards and Water Hall so determine (and subject to the consent of the Panel), the London Stock Exchange having acknowledged to Petards or its agent (and such acknowledgement not having been withdrawn) that the New Petards Shares will be admitted to trading on AIM;
- (d) to the extent that the acquisition of Water Hall Shares would constitute a relevant merger within the meaning of section 23 of the Enterprise Act 2002, the Office of Fair Trading indicating, in terms reasonably satisfactory to Petards, that it does not intend to refer the proposed acquisition of Water Hall by Petards, or any aspect of it, to the Competition Commission;
- (e) no central bank, government or governmental, quasi-governmental, supranational, statutory, administrative or regulatory body (save for the Pensions Regulator), or any court, institution, investigative body, association, trade agency or professional or environmental body or any other similar person or body in any jurisdiction (each, a “Relevant Authority”) 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 step or done anything and there not continuing to be outstanding any statute, regulation, decision or order which would or might reasonably be expected to:
 - (i) restrict or restrain, prohibit, delay, impose additional adverse conditions or obligations with respect to, or otherwise interfere with the implementation of, the Offer or the acquisition of any Water Hall Shares by Petards or any matters arising therefrom;

- (ii) result in a delay in the ability of Petards, or render Petards unable, to acquire some or all of the Water Hall Shares;
- (iii) require, prevent or delay the divestiture (or alter the terms envisaged for such divestiture) by any member of the Water Hall Group of all or any portion of their respective businesses, assets or properties or impose any limitation on the ability of any of them to conduct their businesses or own their respective assets or properties or any part thereof;
- (iv) impose any limitation on, or result in a delay in, the ability of Petards to acquire or hold or exercise effectively, directly or indirectly, all or any rights of ownership of shares or other securities of any member of the Water Hall Group or on the ability of any member of the Water Hall Group to hold or exercise effectively, directly or indirectly, all or any rights of ownership of shares or other securities or to exercise management control over any other member of the Water Hall Group;
- (v) require any member of the Water Hall Group to offer to acquire any shares or other securities or rights thereover in any member of the Water Hall Group owned by any third party;
- (vi) make the Offer or its implementation or the proposed acquisition by Petards of any shares or other securities in Water Hall or the acquisition or control of Water Hall or any member of the Water Hall Group, illegal, void or unenforceable in or under the laws of any jurisdiction or directly or indirectly restrict or delay, prohibit or otherwise interfere with the implementation of, or impose additional conditions or obligations with respect to, or otherwise challenge, the Offer or the acquisition of any shares in Water Hall, or control of Water Hall, by Petards;
- (vii) result in any member of the Water Hall Group ceasing to be able to carry on business under any name under which it presently does so, the consequences of which would be material in the context of Water Hall Group taken as a whole;
- (viii) impose any limitation on the ability of Petards or the Water Hall Group to conduct or co-ordinate or integrate its business, or any part of it, with the business of Petards or the Water Hall Group; or
- (ix) otherwise adversely affect the business, assets, prospects or profits of Petards or the Water Hall Group;

and all applicable waiting and other time periods during which any such Relevant Authority could decide to take, institute, implement or threaten any such action, proceeding, suit, investigation, enquiry or reference or otherwise intervene having expired, lapsed or been terminated;

- (f) all authorisations, orders, grants, recognitions, consents, confirmations, clearances, licences, permissions and approvals (“authorisations”) required by law in any jurisdiction for or in respect of the Offer and the proposed acquisition of any shares or securities, directly or indirectly, in, or control of, Water Hall or any member of the Water Hall Group by Petards having been obtained in terms and/or form reasonably satisfactory to Petards from all appropriate Relevant Authorities or (without prejudice to the generality of the foregoing) from any persons or bodies with whom Petards or the Water Hall Group has entered into contractual arrangements and such authorisations together with all authorisations necessary for any member of the Water Hall Group to carry on its business remaining in full force and effect and there being no notice or intimation of any intention to revoke, suspend, materially modify or not to renew the same and all necessary filings having been made, all appropriate waiting and other time periods (including extensions thereto) under any applicable legislation and regulations in any jurisdiction having expired, lapsed or been terminated and all necessary statutory or regulatory obligations in any jurisdiction in respect of the Offer or the proposed acquisition of Water Hall by Petards or of any Water Hall Shares or any matters arising therefrom having been complied with;
- (g) save as Disclosed, there being no provision of any agreement, permit, lease, licence or other instrument to which any member of the Water Hall Group is a party or by or to which it or any of its assets may be bound or subject which, as a consequence of the making or implementation of the Offer or the acquisition by Petards directly or indirectly of Water Hall or because of a change in the control or management of Water Hall or any member of the Water Hall Group, could or might reasonably be expected to result in, to an extent which is material in the context of the Water Hall Group in each case, any of the following:

- (i) any monies borrowed by, or other indebtedness (actual or contingent) of, or grant available to, any member of the Water Hall Group becoming repayable or capable of being declared repayable immediately or earlier than the stated maturity or repayment date or the ability of any member of the Water Hall Group to borrow moneys or incur indebtedness being or becoming capable of being withdrawn or inhibited;
 - (ii) any such agreement, arrangement, permit, lease, licence or other instrument or any right, interest, liability or obligation of any member of the Water Hall Group therein, being terminated or adversely modified or affected or any adverse action being taken or any onerous obligation or liability arising thereunder;
 - (iii) any mortgage, charge or other security interest being created over the whole or any part of the business, property or assets of any member of the Water Hall Group or any such security (whenever arising) becoming enforceable;
 - (iv) the value of any member of the Water Hall Group or its financial or trading position or prospects being prejudiced or adversely affected;
 - (v) any assets or interests of any member of the Water Hall Group being or falling to be charged or disposed of or any right arising under which any such asset or interest could be required to be disposed of or charged otherwise than in the ordinary course of business;
 - (vi) the rights, liabilities, obligations or interests or business of any member of the Water Hall Group in or with any other person, firm or company (or any arrangement relating to such interest or business) being terminated or adversely modified or affected;
 - (vii) any member of the Water Hall Group ceasing to be able to carry on business under any name under which it currently does so; or
 - (viii) the creation of any liability, actual or contingent, by any member of the Water Hall Group;
- (h) since 31 December 2012 (being the date of Water Hall's last published audited financial statements), save as Disclosed, no member of Water Hall Group having:
- (i) (save for Water Hall Shares issued pursuant to the exercise of options granted under Water Hall Share Option Schemes, or issued pursuant to the Water Hall Loan Note or as between Water Hall and wholly-owned subsidiaries of Water Hall ("Intra-Water Hall Group Transactions")) issued or agreed to issue or authorised or proposed the issue of additional shares of any class or securities convertible into or rights, warrants or options to subscribe for or acquire any such shares or convertible securities;
 - (ii) other than to another member of the Water Hall Group, recommended, declared, paid or made or proposed to recommend, declare, pay or make any dividend, bonus or other distribution (whether payable in cash or otherwise) other than dividends lawfully paid to Water Hall or wholly-owned subsidiaries of Water Hall;
 - (iii) save for Intra-Water Hall Group Transactions, merged or demerged with or acquired any body corporate, partnership or business;
 - (iv) save for Intra-Water Hall Group Transactions, acquired, or (other than in the ordinary course of business) disposed of, transferred, mortgaged or charged or created any security interest over any asset or any right, title or interest in any asset (including shares and trade investments) or authorised, proposed or announced any intention to do so which, in any such case, is material in the context of the Water Hall Group taken as a whole;
 - (v) save for Intra-Water Hall Group Transactions, issued or authorised or proposed the issue of any debentures or incurred or increased any indebtedness or contingent liability or made, authorised, proposed or announced an intention to propose any change in its share or loan capital;
 - (vi) entered into or varied or announced its intention to enter into or vary any contract, transaction, commitment or arrangement (whether in respect of capital expenditure or otherwise) which is of a long term or unusual nature or which involves or could involve an obligation of a nature or magnitude which, in any such case, is material in the context of the Water Hall Group taken as a whole or which is or is likely to be restrictive in any material respect on the business of any member of the Water Hall Group or Petards;

- (vii) entered into, implemented, authorised or proposed any reconstruction, amalgamation, scheme of arrangement or other transaction or arrangement otherwise than in the ordinary course of business or announced any intention to do so;
 - (viii) entered into, or varied in any material respect the terms of, any contract or agreement with any of the directors or senior executives of Water Hall or any of its subsidiaries;
 - (ix) taken or proposed any corporate action or had any legal proceedings started or threatened against it or had any petition presented for its winding-up (voluntary or otherwise), dissolution or reorganisation or for the appointment of a receiver, administrator, administrative receiver, trustee or similar officer of all or any of its assets and/or revenues or any analogous proceedings in any jurisdiction;
 - (x) waived or compromised any claim other than in the ordinary course of business;
 - (xi) made any material amendment to its articles of association;
 - (xii) in relation to pension schemes established for its directors and/or other employees and/or their dependents, made or agreed to or consented to any change to: (A) the terms of the trust deeds constituting such pension schemes or to the benefits which accrue; (B) the pensions which are payable under them; (C) the basis on which qualifications for or accrual of or entitlement to such benefits or pensions are calculated or determined; (D) the basis upon which the liabilities (including pensions) of such pension schemes are funded or made; or (E) the trustees of such pension schemes;
 - (xiii) purchased, redeemed or repaid or proposed the purchase, redemption or repayment of any of its own shares or other securities or reduced or made any other change to any part of its share capital;
 - (xiv) been unable or admitted that it is unable to pay its debts 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; and
 - (xv) entered into, varied or modified any contract, commitment or agreement with respect to any of the transactions, matters or events referred to in this condition (h) or announced an intention to do so in each case which is not in the ordinary course of business and is material in the context of the Water Hall Group taken as a whole;
- (i) since 31 December 2012, (being the date of Water Hall's last published audited financial statements), save as Disclosed:
- (i) no litigation, arbitration, prosecution or other legal proceedings having been instituted, announced or threatened or become pending or remaining outstanding by or against any member of the Water Hall Group or to which any member of the Water Hall Group is or may become a party (whether as claimant, respondent or otherwise) and no enquiry or investigation by or complaint or reference to any Relevant Authority or other investigative body having been threatened, announced, implemented or instituted or remaining outstanding against or in respect of any member of the Water Hall Group which, in any such case, would or might reasonably be expected adversely to affect any member of the Water Hall Group to an extent which is material in the context of the Water Hall Group taken as a whole;
 - (ii) no material adverse change having occurred in the business, assets, financial or trading position, profits or prospects of the Water Hall Group, save as regards Water Hall's shareholding and other interests in Petards, taken as a whole;
 - (iii) no contingent or other liability having arisen which might reasonably be expected adversely to materially affect the Water Hall Group taken as a whole;
 - (iv) no investigation by any Relevant Authority having been threatened, announced, implemented or instituted or remaining outstanding which in any case would be likely to have a material adverse effect on the financial position of Water Hall Group taken as a whole;
- (j) save as Disclosed, Petards not having discovered that:
- (i) any business, financial or other information concerning any member of the Water Hall Group publicly disclosed or disclosed to Petards at any time by or on behalf of any member of the Water

Hall Group is misleading, contains a misrepresentation of fact or omits to state a fact necessary to make the information contained therein not misleading which, in any such case, is material in the context of the Water Hall Group taken as a whole;

- (ii) any member of the Water Hall Group is subject to any liability, actual or contingent which is not Disclosed and which is material in the context of the Water Hall Group taken as a whole;

Petards reserves the right to waive all or any of conditions (d) to (j) (inclusive) above, in whole or in part. Conditions (d) to (j) (inclusive) must be fulfilled or waived by midnight on the 21st day after the later of Day 21 and the date on which condition (a) is fulfilled (or such later date as the Panel may agree). Petards shall be under no obligation to waive or treat as fulfilled any of conditions (d) to (j) (inclusive) by a date earlier than the latest date specified above for the fulfilment thereof notwithstanding that the other conditions of 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.

If Petards is required by the Panel to make an offer for Water Hall Shares under the provisions of Rule 9 of the Code, Petards may make such alterations to the conditions as are necessary to comply with the provisions of that Rule.

The Offer (once made) will lapse if, before 3.00 p.m. on the first closing date of the Offer or the date on which the Offer becomes or is declared unconditional as to acceptances (whichever is later), (i) the Offer or any part of it is referred to the Competition Commission; or (ii) following a request to the European Commission under Article 22(3) of the EC Merger Regulation in relation to the Offer or any part of it, which request is accepted by the European Commission, the European Commission initiates proceedings under Article 6(1)(c) of the EC Merger Regulation.

If the Offer (once made) lapses, it will cease to be capable of further acceptance and accepting Water Hall Shareholders and Petards will cease to be bound by acceptances submitted on or before the time when the Offer lapses.

PART B: FURTHER TERMS OF THE OFFER

The following further terms apply, unless the context requires otherwise, to the Offer. Except where the context requires otherwise, any reference in Part B, Part C and Part D of this Appendix 1 and (in respect of certificated Water Hall Shares) in the Form of Acceptance to:

- (i) the “acceptance condition” means the condition set out in paragraph (a) of Part A of this Appendix 1;
- (ii) the “Offer” includes any revision, variation or renewal thereof or extension thereto and also where the context requires include any election or alternative available in connection therewith;
- (iii) the Offer becoming “unconditional” means the acceptance condition becoming or being declared satisfied whether or not any other condition of the Offer remains to be fulfilled and references to “the Offer becoming unconditional as to acceptances” shall be construed accordingly;
- (iv) the “Offer Document” means this document and any other document containing the Offer;
- (v) “Water Hall Shareholders” means holders of Water Hall Shares and includes references to the person or persons (in respect of certificated Water Hall Shares) executing a Form of Acceptance or the person or persons (in respect of uncertificated Water Hall Shares) making an Electronic Acceptance and, in the event of more than one person executing a Form of Acceptance or making an Electronic Acceptance, the provisions of this Part B and, in relation to executing a Form of Acceptance only, Part C of this Appendix 1 and, in relation to making an Electronic Acceptance only, Part D of this Appendix 1 shall apply to them jointly and to each of them. References to the masculine gender shall include the feminine;
- (vi) “acceptances of the Offer” includes deemed acceptances of the Offer;
- (vii) an “extension of the Offer” includes an extension of the date by which the acceptance condition has to be fulfilled;
- (viii) “send”, “sent” or “sending” or a similar expression in relation to any document, announcement or other information shall include distribution in hard copy form or electronic form or publication on a website in such manner as shall be permitted by the Code or otherwise with the Panel’s consent;
- (ix) “Day 21 of the Offer” means 13 August 2013;
- (x) “Day 42 of the Offer” means 4 September 2013;
- (xi) “Day 46 of the Offer” means 7 September 2013; and
- (xii) “Day 60 of the Offer” means 21 September 2013.

1. Acceptance period

- (a) The Offer will initially be open for acceptance until 1.00 p.m. on Day 21 of the Offer. Although no revision is envisaged, if the Offer is revised, a revised offer document will be published and sent to Water Hall Shareholders. On the day of publication, Petards will place the revised offer document on display, make it available on its website and announce that the document has been sent and where it can be inspected and otherwise accessed. If the Offer is revised, it will remain open for acceptance for a period of at least 14 days following the date on which written notification of the revision is sent to Water Hall Shareholders. Except with the consent of the Panel, no such written notification of the revision of the Offer may be sent to Water Hall Shareholders after Day 46 of the Offer or, if later, the date falling 14 days prior to the last date on which the Offer can become unconditional.
- (b) The Offer, whether revised or not, shall not (except with the consent of the Panel) be capable of becoming unconditional after midnight on Day 60 of the Offer (or any earlier time and/or date beyond which Petards has stated that the Offer will not be extended and in respect of which it has not, where permitted, withdrawn that statement) nor of being kept open after that time and/or date unless it has previously become unconditional. However, Petards reserves the right, with the consent of the Panel, to extend the Offer to a later time(s) and/or date(s). Except with the consent of the Panel, Petards may not, for the purpose of determining whether the acceptance condition has been satisfied, take into account acceptances received, or purchases of Water Hall Shares made, in respect of which relevant documents have been received by Share Registrars after 1.00 p.m. on Day 60 of the Offer (or any earlier time and/or date beyond which Petards has stated that the Offer will not be extended and in

respect of which it has not, where permitted, withdrawn that statement) or such later time and/or date as Petards may, with the permission of the Panel, decide. If the Offer is extended beyond midnight on Day 60 of the Offer, acceptances received and purchases made in respect of which relevant documents have been received by Share Registrars after 1.00 p.m. on the relevant date may (except where the Code otherwise permits) only be taken into account with the consent of the Panel.

- (c) If the Offer becomes unconditional, it will remain open for acceptance for not less than 14 days from the date on which it would otherwise have expired. If, however, the Offer is unconditional as to acceptances from the outset, a 14 day extension will not be required. If the Offer has become unconditional and it is stated that the Offer will remain open until further notice or if the Offer will remain open for acceptance beyond the 70th day following the sending of this document, then not less than 14 days' notice will be given prior to the closing of the Offer in writing to those Water Hall Shareholders who have not accepted the Offer.
- (d) If a competitive situation (as determined by the Panel) arises after Petards has made a "no extension" statement or a "no increase" statement (as referred to in the Code), Petards may (if it has specifically reserved the right to do so at the time such statement was made, or otherwise with the consent of the Panel) withdraw such statement provided that it complies with the requirements of the Code and, in particular, that: (i) it announces the withdrawal as soon as possible and in any event within four business days after the announcement of the competing offer or other competitive situation and notifies Water Hall Shareholders to that effect at the earliest opportunity or, in the case of Water Hall Shareholders with registered addresses outside of the United Kingdom or whom Petards reasonably believes to be nominees, custodians or trustees holding Water Hall Shares for such persons, by announcement in the United Kingdom at the earliest opportunity; and (ii) any Water Hall Shareholders who accepted the Offer after the date of such statement are given a right of withdrawal as described in paragraph 3(b) of this Part B. Petards may (if it has reserved the right to do so) choose not to be bound by the terms of a "no increase" statement or a "no extension" statement if it would otherwise prevent the posting of an increased or improved Offer which is recommended for acceptance by Water Hall Board, or in other circumstances permitted by the Panel.
- (e) If a competitive situation arises and is continuing on Day 60 of the Offer, Petards will enable holders of Water Hall Shares in uncertificated form who have not already validly accepted the Offer but who have previously accepted the competing offer to accept the Offer by special form of acceptance to take effect on Day 60 of the Offer. It shall be a condition of such special form of acceptance being a valid acceptance of the Offer that (i) it is received by Share Registrars on or before Day 60 of the Offer; (ii) the relevant Water Hall Shareholder shall have applied to withdraw his acceptance of the competing offer but that Water Hall Shares to which such withdrawal relates shall not have been released from escrow before Day 60 of the Offer by the escrow agent to the competing offer; and (iii) the Water Hall Shares to which the special form of acceptance relates are not transferred to escrow in accordance with the procedure for acceptance set out in the letter from Petards set out in Part II of this document on or before Day 60 of the Offer, but an undertaking is given that they will be so transferred as soon as possible thereafter. Water Hall Shareholders wishing to use such forms of acceptance should apply to Share Registrars on + 44 (0) 1252 821390. Lines are open 9.00 a.m. to 5.00 p.m. (London time) Monday to Friday. Calls to the helpline from inside the UK will be charged at normal network rates and calls outside the UK will be charged at the applicable international rate. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the proposals nor give any financial, legal or tax advice.

2. Announcements

- (a) Without prejudice to paragraph 3(a) of this Part B, by 8.00 a.m. (London time) on the Business Day (the "relevant day") next following the day on which the Offer is due to expire or becomes or is declared unconditional or is revised or extended, as the case may be (or such later time(s) and/or date(s) as the Panel may agree), Petards will make an appropriate announcement and simultaneously inform a Regulatory Information Service of the position. Such announcement will also state (unless otherwise permitted by the Panel):
 - (i) the number of Water Hall Shares and rights over Water Hall Shares (as nearly as practicable) for which acceptances of the Offer have been received, specifying the extent, if any, to which

acceptances have been received from persons acting in concert with Petards or in respect of Water Hall Shares which were subject to an irrevocable commitment or a letter of intent procured by Petards or any person acting in concert with it;

- (ii) details of any relevant securities of Water Hall in which Petards or any person acting in concert with it has an interest or in respect of which any such person has a right to subscribe, in each case specifying the nature of the interests or rights concerned and similar details of any short positions (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, will also be stated;
- (iii) details of any relevant securities of Water Hall in respect of which Petards or any of its associates has an outstanding irrevocable commitment or letter of intent; and
- (iv) details of any relevant securities of Water Hall which Petards or any person acting in concert with it has borrowed or lent, save for any borrowed shares which have been either on-lent or sold,

and will in each case specify the percentages of each class of relevant securities of Water Hall represented by these figures. Any such announcement shall include a prominent statement of the total number of Water Hall Shares which Petards may count towards the satisfaction of the acceptance condition and the percentage of relevant securities of Water Hall represented by the figure.

- (b) Any decision to extend the time and/or date by which the acceptance condition has to be fulfilled may be made by Petards at any time up to, and will be announced not later than, 8.00 a.m. (London time) on the relevant day (or such later time and/or date as the Panel may agree) and the announcement will state the next expiry date (unless the Offer is unconditional in which case a statement may be made that the Offer will remain open until further notice). In computing the number of Water Hall Shares represented by acceptances and/or purchases there may, at the discretion of Petards, be included or excluded for announcement purposes, acceptances and purchases which are not complete in all respects or are subject to verification provided that such acceptances or purchases of Water Hall Shares shall not (unless agreed by the Panel) be included unless they could be counted towards fulfilling the acceptance condition in accordance with paragraph 5(j) of this Part B and the provisions of the Code.
- (c) A copy of any announcement made by or on behalf of Petards in accordance with this paragraph 2 will be available, subject to certain restrictions relating to persons resident in Restricted Jurisdictions, for inspection on Water Hall's website at www.waterhallgroupplc.com as soon as possible after the making of such announcement and in any event by no later than 12 noon (London time) on the following Business Day and will remain on such website while the Offer remains open for acceptances.
- (d) References in this Part B to the making of an announcement by or on behalf of Petards include the release of an announcement by public relations consultants appointed by Petards or by Water Hall to the press, and the delivery by hand or telephone, e-mail, facsimile, telex, the internet or other electronic transmission of an announcement to a Regulatory Information Service. An announcement made otherwise than to a Regulatory Information Service shall be notified simultaneously to a Regulatory Information Service.

3. Rights of withdrawal

- (a) If Petards, having announced the Offer to be unconditional, fails to comply by 3.30 p.m. on the relevant day (or such later time and/or date as the Panel may agree) with any of the other relevant requirements specified in paragraph 2(a) of this Part B, an accepting Water Hall Shareholder may (unless the Panel agrees otherwise) immediately thereafter withdraw his acceptance by written notice (signed by the accepting shareholder or his agent duly appointed in writing and evidence of whose appointment in a form reasonably satisfactory to Petards is produced with the notice) given by post or by hand to Share Registrars, on behalf of Petards. Alternatively, in the case of Water Hall Shares held in uncertificated form, withdrawals can also be effected in the manner set out in paragraph 3(d) of this Part B. Subject to paragraph 1(b) of this Part B, this right of withdrawal may be terminated not less than eight days after the relevant day by Petards confirming, if such be the case, that the Offer is still unconditional and complying with the other requirements specified in paragraph 2(a) of this Part B. If any such confirmation is given, the first period of 14 days referred to in paragraph 1(c) of this Part B will run from the date of such confirmation and compliance.

- (b) If by 3.00 p.m. on Day 42 of the Offer (or such later time and/or date as the Panel may agree) the Offer has not become unconditional, an accepting Water Hall Shareholder may withdraw his acceptance at any time thereafter, in respect of Water Hall Shares held in certificated form, by written notice to Share Registrars on behalf of Petards at either of the addresses and in the manner referred to in paragraph 3(a) of this Part B or, in respect of Water Hall Shares held in uncertificated form, in the manner referred to in paragraph 3(d) of this Part B, before the earlier of: (i) the time when the Offer becomes unconditional and (ii) the final time for lodgement of acceptances of the Offer which can be taken into account in accordance with paragraph 1(b) of this Part B. If Petards withdraws a “no extension” statement or a “no increase” statement in accordance with paragraph 1(d) of this Part B, any Water Hall Shareholder who accepts the Offer after the date of such statement may withdraw his acceptance thereafter, in respect of Water Hall Shares held in certificated form, in the manner referred to in paragraph 3(a) of this Part B or, in respect of Water Hall Shares held in uncertificated form, in the manner referred to in paragraph 3(d) of this Part B, not later than the eighth day after the date on which notice of the withdrawal of such statement is posted to Water Hall Shareholders.
- (c) Except as provided by this paragraph 3 of this Part B, acceptances shall be irrevocable. In this paragraph 3, “written notice” (including any letter of appointment, direction or authority) means notice in writing bearing the original signature(s) of the relevant accepting Water Hall Shareholder(s) or his/their agent(s) duly appointed in writing (evidence of whose appointment in a form reasonably satisfactory to Petards is produced with the notice). E-mail, telex, facsimile, the internet or other electronic transmission, or copies, will not be sufficient to constitute written notice. No notice which is postmarked in, or which otherwise appears to Petards, its agents or advisers to have been sent from, a Restricted Jurisdiction will be treated as valid.
- (d) In respect of Water Hall Shares held in uncertificated form, if withdrawals are permitted pursuant to paragraph 3(a) or 3(b) of this Part B an accepting Water Hall Shareholder may withdraw his acceptance through CREST by sending (or, if a CREST sponsored member, procuring that his CREST sponsor sends) an ESA instruction to settle in CREST in relation to each Electronic Acceptance to be withdrawn. Each ESA instruction must, in order for it to be valid and settle, include the following details:
- the number of Water Hall Shares to be withdrawn;
 - the corporate action ISIN number of Water Hall Shares. This is GB0009418194;
 - the member account ID of the accepting Water Hall Shareholder;
 - the participant ID of the accepting Water Hall Shareholder;
 - the participant ID of the Escrow Agent. This is 7RA36;
 - the member account ID of the Escrow Agent. This is PGPWHG01;
 - the CREST Transaction ID of the Electronic Acceptance to be withdrawn to be inserted at the beginning of the shared note field;
 - input with standard delivery instruction priority of 80;
 - the intended settlement date for the withdrawal; and
 - the corporate action number of the Offer, which is allocated by Euroclear and can be found by viewing the relevant corporate action details in CREST.

Any such withdrawal will be conditional upon Share Registrars verifying that the withdrawal request is validly made. Accordingly, Share Registrars will on behalf of Petards reject or accept the withdrawal by transmitting in CREST a receiving agent reject (AEAD) or receiving agent accept (AEAN) message.

4. Revised Offer

- (a) Although no such revision is envisaged, if the Offer (in its original or any previously revised form(s)) is revised (either in its terms or conditions or in the value or nature of the consideration offered or otherwise) (which Petards reserves the right to do) and such revision represents on the date on which such revision is announced (on such basis as Petards may consider appropriate) an improvement or no diminution in the value of the consideration of the Offer as so revised compared with the value of the consideration previously offered, the benefit of the revised Offer will (subject to this paragraph 4 and paragraph 3 of this Part B) be made available to Water Hall Shareholders who have accepted the

Offer in its original or any previously revised form(s) (hereinafter called "Previous Acceptor(s)"). The acceptance by or on behalf of a Previous Acceptor of the Offer (in its original or any previously revised form(s)) shall, subject as provided in this paragraph 4 and paragraph 5 of this Part B, be deemed to be an acceptance of the Offer as so revised and shall also constitute the irrevocable and separate appointment of any director or person authorised by Petards as his attorney and/or agent with authority to accept any such revised Offer on behalf of such Previous Acceptor.

- (b) Although no such revision is envisaged, if any revised Offer provides for Water Hall Shareholders who accept it to elect for (or accept) alternative forms of consideration, the acceptance by or on behalf of a Previous Acceptor of the Offer (in its original or any previously revised form(s)) shall, subject as provided below, also constitute the irrevocable and separate appointment of any director or person authorised by Petards as his attorney and/or agent to make on his behalf elections for and/or to accept such alternative forms of consideration on his behalf as such attorney and/or agent in his absolute discretion thinks fit and to execute on behalf of and in the name of such Previous Acceptor all such further documents (if any) as may be required to give effect to such acceptances and/or elections. In making any such acceptance or election, such attorney and/or agent shall take into account the nature of any previous acceptances and/or elections made by or on behalf of the Previous Acceptor and such other facts or matters as he may reasonably consider relevant.
- (c) The deemed acceptances and elections referred to in paragraphs 4(a) and 4(b) of this Part B shall not apply and the authorities conferred by paragraphs 4(a) and 4(b) of this Part B shall not be exercised if as a result thereof a Previous Acceptor would (on such basis as Petards may consider appropriate) receive less in aggregate consideration than he would have received as a result of his acceptance of the Offer in the form in which it was originally accepted by him unless such Previous Acceptor has previously otherwise agreed in writing.
- (d) The deemed acceptances and elections referred to in paragraphs 4(a) and 4(b) of this Part B shall not apply and the authorities conferred by paragraphs 4(a) and 4(b) of this Part B shall be ineffective to the extent that a Previous Acceptor: (i) in respect of Water Hall Shares held in certificated form, lodges with Share Registrars, within 14 days of the sending of the document pursuant to which the revision of the Offer referred to in paragraphs 4(a) and 4(b) of this Part B is made available to Water Hall Shareholders, a Form of Acceptance or some other form issued by or on behalf of Petards in which he validly elects to receive the consideration receivable by him under that revised Offer in some other manner or (ii) in respect of Water Hall Shares held in uncertificated form, sends (or, if a CREST sponsored member), procures that his CREST sponsor sends) an ESA Instruction to settle in CREST in relation to each Electronic Acceptance in respect of which an election is to be varied. Each ESA Instruction must, in order for it to be valid and settle, include the following details:
- the number of Water Hall Shares in respect of which the changed election is made;
 - the corporate action ISIN number of Water Hall Shares. This is GB0009418194;
 - the member account ID of the Previous Acceptor;
 - the participant ID of the Previous Acceptor;
 - the participant ID of the Escrow Agent. This is 7RA36;
 - the member account ID of the Escrow Agent included in the relevant Electronic Acceptance. This is PGPWHG01;
 - the CREST Transaction ID of the Electronic Acceptance in respect of which the election is to be changed;
 - the intended settlement date for the changed election;
 - the corporate action number for the Offer;
 - input with standard delivery instruction priority of 80; and, in order that the desired change of election can be effected, it must include:
 - the member account ID of the Escrow Agent relevant to the new election.

Any such change of election will be conditional upon Share Registrars verifying that the request is validly made. Accordingly, Share Registrars will on behalf of Petards reject or accept the requested

change of election by transmitting in CREST a receiving agent reject (AEAD) or receiving agent accept (AEAN) message as appropriate.

- (e) Subject to paragraphs 4(c) and (d) above, the powers of attorney and authorities referred to in this paragraph 4 of this Part B and any acceptance of a revised Offer and/or election pursuant thereto shall be irrevocable unless and until the Previous Acceptor becomes entitled to withdraw his acceptance under paragraph 3 of this Part B and duly and validly does so.
- (f) Petards reserves the right to treat an executed Form of Acceptance or Electronic Acceptance relating to the Offer (in its original or any previously revised form(s)) which is received after the announcement or the issue of the Offer in any revised form as a valid acceptance in respect of the revised Offer and/or a valid election pursuant thereto and such acceptance shall constitute an authority and request in the terms of this paragraph 4 of this Part B *mutatis mutandis* on behalf of the relevant Water Hall Shareholders.

5. General

- (a) Except with the consent of the Panel, the Offer will lapse unless all of the conditions to the Offer as set out in Part A of this Appendix 1 have been fulfilled by or (if capable of waiver) waived by or (where appropriate) have been determined by Petards to be or remain satisfied as at midnight on Day 42 of the Offer or within 21 days after the date on which the Offer becomes unconditional (whichever is the later) or such later date as Petards may, with the consent of the Panel, decide provided that Petards shall be under no obligation to waive or treat as satisfied any condition by a date earlier than the latest date specified above for the satisfaction thereof notwithstanding that the other conditions of 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 such conditions may not be capable of fulfillment. If the Offer is referred to the Competition Commission before Day 21 of the Offer or the date when the Offer becomes unconditional (whichever is the later) the Offer will lapse. If the Offer lapses, for any reason, it shall cease to be capable of acceptance and Petards and the Water Hall Shareholders shall thereupon cease to be bound by prior acceptances.
- (b) No acknowledgement of receipt of any Form of Acceptance, transfer by means of CREST, share certificates or other documents will be given. All communications, notices, certificates, documents of title, other documents and remittances to be delivered by or to or sent to or from Water Hall Shareholders (or their designated agent(s)) or as otherwise directed will be delivered by or to or sent to or from such Water Hall Shareholders (or their designated agent(s)) at their risk.
- (c) The expression "Offer Period" when used in this document means the period commencing on 1 July 2013 and ending on whichever of the following dates shall be the latest:
 - (i) the date on which the Offer (and any other announced offers in relation to Water Hall) is withdrawn or lapses;
 - (ii) the date on which the Offer becomes unconditional; and
 - (iii) the date on which certain other announcements are made in accordance with the rules of the Code.
- (d) All references in this document and, in respect of Water Hall Shares held in certificated form, in the Form of Acceptance to Day 21 of the Offer, shall (except in the definition of "Offer Period" above and where the context otherwise requires), if the expiry date of the Offer shall be extended, be deemed to refer to the expiry date of the Offer as so extended.
- (e) Except with the consent of the Panel, settlement of the consideration to which any Water Hall Shareholder is entitled under the Offer will be implemented in full in accordance with the terms of the Offer without regard to any lien, right of set-off, counterclaim or other analogous right to which Petards may otherwise be, or claim to be, entitled as against such Water Hall Shareholder, and the consideration due to a Water Hall Shareholder who validly accepts the Offer will (subject to paragraph 6 of this Part B below, and except with the consent of the Panel) be made in full not later than 14 days after the later of: (i) the date on which the Offer becomes or is declared unconditional in all respects and (ii) (in respect of certificated Water Hall Shares) the date of receipt of a valid and complete Form of Acceptance and/or

(in respect of uncertificated Water Hall Shares) the date of receipt of a valid TTE Instruction from such Water Hall Shareholder. No consideration will be sent to an address in a Restricted Jurisdiction.

- (f) The instructions, terms, provisions and authorities contained in or deemed to be incorporated in the Form of Acceptance (in respect of certificated Water Hall Shares) constitute part of the terms of the Offer. Words and expressions defined in this document shall, unless the context otherwise requires, have the same meanings when used in the Form of Acceptance (in respect of certificated Water Hall Shares). The provisions of this Appendix 1 shall be deemed to be incorporated in the Form of Acceptance (in respect of certificated Water Hall Shares).
- (g) The Offer, this document, the Form of Acceptance (in respect of certificated Water Hall Shares) and all acceptances thereof and all elections thereunder or pursuant thereto and all contracts made pursuant thereto and action taken or made or deemed to be taken or made under any of the foregoing shall be governed by and construed in accordance with English law. Execution by or on behalf of a Water Hall Shareholder of a Form of Acceptance (in respect of certificated Water Hall Shares) will constitute his irrevocable submission, in relation to all matters arising out of or in connection with the Offer, this document and (in respect of certificated Water Hall Shares) the Form of Acceptance, to the jurisdiction of the Courts of England and his agreement that nothing shall limit the rights of Petards to bring any action, suit or proceeding arising out of or in connection with the Offer, this document and (in respect of certificated Water Hall Shares) the Form of Acceptance in any other manner permitted by law or in any court of competent jurisdiction.
- (h) Any omission to send this document or the Form of Acceptance or any notice required to be given under the terms of the Offer to, or any failure to receive the same by, any person to whom the Offer is made or should be made, shall not invalidate the Offer in any way or create any implication that the Offer has not been made to any such person.
- (i) Subject to paragraph 5(j) of this Part B below, and without prejudice to any other provision of this Appendix 1, Petards reserves the right to treat acceptances of the Offer and/or elections pursuant thereto as valid if received by or on behalf of it at any place or places or in any manner determined by them otherwise than as stated herein or (in respect of certificated Water Hall Shares) in the Form of Acceptance, or (in respect of uncertificated Water Hall Shares) if the relevant TTE Instruction has not been settled.
- (j) Notwithstanding the right reserved by Petards to treat acceptances as valid (even though (in respect of certificated Water Hall Shares) the Form of Acceptance is not entirely in order or not accompanied by the relevant share certificate(s) and/or other document(s) of title), except with the consent of the Panel, an acceptance of the Offer will only be counted towards fulfilling the acceptance condition if the requirements of Note 4 and, if applicable, Note 6 on Rule 10 of the Code are satisfied in respect of it. Except with the consent of the Panel, a purchase of Water Hall Shares by Petards or its nominee(s) (or, if Petards is required to make an offer or offers under the provisions of Rule 9 of the Code, by a person acting in concert with Petards or its nominee(s) for the purpose of such offer(s)) will only be counted towards fulfilling the acceptance condition if the requirements of Note 5 and, if applicable, Note 6 on Rule 10 of the Code are satisfied in respect of it. The Offer may not be accepted, in relation to Water Hall Shares held in certificated form, otherwise than by means of a Form of Acceptance.
- (k) Except with the consent of the Panel, the Offer will not become unconditional until Share Registrars have issued a certificate to Petards (or its agents) which states the number of Water Hall Shares in respect of which acceptances have been received which meet the requirements of Note 4 on Rule 10 of the Code and the number of Water Hall Shares otherwise acquired (whether before or during the Offer Period) which meet the requirements of Note 5 on Rule 10 of the Code and, in each case, if applicable, Note 6 on Rule 10 of the Code. Copies of such certificate will be sent to the Panel and to Beaumont Cornish as soon as possible after it is issued.
- (l) All powers of attorney, appointments of agents and authorities on the terms conferred by or referred to in this Appendix 1 or (in respect of certificated Water Hall Shares) in the Form of Acceptance are given by way of security for the performance of the obligations of Water Hall Shareholders concerned and are irrevocable in accordance with section 4 of the Powers of Attorney Act 1971, except in the circumstances where the donor of such power of attorney, appointment or authority is entitled to withdraw his acceptance in accordance with paragraph 3 of this Part B and duly does so.

- (m) The Offer extends to any Water Hall Shareholders to whom this document, the Form of Acceptance (in respect of certificated Water Hall Shares) and any related documents may not have been sent or by whom such documents may not be received and such Water Hall Shareholders may collect copies of those documents from Share Registrars at Suite E, First Floor, 9 Lion & Lamb Yard, Farnham, Surrey GU9 7LL. Petards reserves the right to notify any matter, including the making of the Offer, to all or any Water Hall Shareholders with a registered address outside of the United Kingdom (or whom Petards knows to be nominees, trustees or custodians for such persons) by announcement in the United Kingdom or paid advertisement in a daily newspaper published and circulated in the United Kingdom, in which event such notice shall be deemed to have been sufficiently given notwithstanding any failure by a Water Hall Shareholder to receive such notice and all references in this document to notice, or the provision of information in writing, by Petards and/or its agents and/or public relations consultants shall be construed accordingly.
- (n) The Offer is made on 23 July 2013 by means of this document and is capable of acceptance from and after that time. Forms of Acceptance (in respect of certificated Water Hall Shares) are available from Share Registrars, Suite E, First Floor, 9 Lion & Lamb Yard, Farnham, Surrey GU9 7LL, from that time.
- (o) If the Offer does not become unconditional in all respects:
 - (i) in respect of Water Hall Shares held in certificated form, Forms of Acceptance, share certificates and other documents of title will be returned by post (or by such other method as may be approved by the Panel) within 14 days of the Offer lapsing to the person or agent whose name and address outside a Restricted Jurisdiction is set out in the relevant Box on the Form of Acceptance or, if none is set out, to the first-named holder at his registered address outside a Restricted Jurisdiction. No such documents will be sent to an address in a Restricted Jurisdiction; and
 - (ii) in respect of Water Hall Shares held in uncertificated form, Share Registrars will, immediately after the lapsing of the Offer (or within such longer period as the Panel may permit, not exceeding 14 days from the lapsing of the Offer), give instructions to Euroclear to transfer all Water Hall Shares held in escrow balances and in relation to which it is the Escrow Agent for the purposes of the Offer to the original available balances of Water Hall Shareholders concerned.
- (p) If sufficient acceptances and voting rights in respect of Water Hall Shares are received and/or are otherwise acquired, Petards intends to apply the provisions of sections 974 to 991 (inclusive) of the Companies Act 2006 to acquire compulsorily any outstanding Water Hall Shares and to apply for cancellation of Water Hall's admission to trading on AIM.
- (q) In relation to any acceptance of the Offer in respect of a holding of Water Hall Shares which is in uncertificated form, Petards reserves the right to make such alterations, additions or modifications as may be necessary or desirable to give effect to any purported acceptance of the Offer, whether in order to comply with the facilities or requirements of CREST or otherwise, provided that such alterations, additions or modifications are consistent with the requirements of the Code or are otherwise made with the consent of the Panel.
- (r) For the purposes of this document, the time of receipt of a TTE Instruction, an ESA Instruction or an Electronic Acceptance shall be the time that the relevant instruction settles in CREST.
- (s) All references in this Appendix 1 to any statute or statutory provision shall include any statute or statutory provision which amends, consolidates or replaces the same (whether before or after the date hereof).

6. Overseas Shareholders

- (a) The making of the Offer in, or to persons resident in, or citizens or nationals of, jurisdictions outside of the United Kingdom or who are nominees of, or custodians, trustees or guardians for, citizens or nationals of such jurisdictions ("**Overseas Shareholders**") may be prohibited or affected by the laws or regulatory requirements of the relevant overseas jurisdiction. No person receiving a copy of this document in any territory other than the UK may treat the same as constituting an offer or invitation to him nor should he in any event use the Form of Acceptance (in respect of certificated Water Hall Shares), unless, in the relevant territory, such an offer or invitation could lawfully be made to him and

such Form of Acceptance (in respect of certificated Water Hall Shares) could lawfully be used without contravention of any registration or other legal or regulatory requirements. Such Overseas Shareholders should inform themselves about and observe any applicable legal requirements. It is the responsibility of any Overseas Shareholder wishing to accept the Offer to satisfy himself as to the full observance of the laws and regulatory requirements of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, the compliance with other necessary formalities needing to be observed and the payment of any issue, transfer or other taxes or duties due in such jurisdiction. Any Overseas Shareholder will be responsible for payment of any issue, transfer or other taxes or other requisite payments due in such jurisdiction by whomsoever payable and Petards and any person acting on its behalf shall be fully indemnified and held harmless by such shareholder for any such issue, transfer or other taxes or other requisite payments as Petards, and any person acting on its behalf may be required to pay.

If you are an Overseas Shareholder and you are in doubt about your position, you should consult your legal adviser in the relevant jurisdiction.

- (b) Unless otherwise determined by Petards and permitted by applicable law and regulation, the Offer is not being made, directly or indirectly, in or into, or by the use of the mails or by any means or instrumentality (including, without limitation, telephonically or electronically) of interstate or foreign commerce, or any facility of a national securities exchange, of a Restricted Jurisdiction (including the United States, Canada, Australia or Japan) and the Offer is not capable of acceptance by any such use, means, instrumentality or facility or from within a Restricted Jurisdiction. Accordingly, copies of this document, the Form of Acceptance (in respect of certificated Water Hall Shares) and any related documents are not being, and must not be, directly or indirectly, mailed or otherwise forwarded, distributed or sent in or into or from a Restricted Jurisdiction and persons receiving such documents (including, without limitation, custodians, nominees and trustees) must not mail or otherwise forward, distribute or send them in or into or from a Restricted Jurisdiction. Doing so may render invalid any purported acceptance of the Offer. Persons wishing to accept the Offer should not use such mails or any such means, instrumentality or facility for any purpose directly or indirectly related to acceptance of the Offer. Envelopes containing Forms of Acceptance, evidence of title or other documents relating to the Offer must not be postmarked in a Restricted Jurisdiction or otherwise dispatched from a Restricted Jurisdiction and all accepting Water Hall Shareholders must provide addresses outside a Restricted Jurisdiction for the (in respect of certificated Water Hall Shares) return of Forms of Acceptance, share certificate(s) and/or other document(s) of title.
- (c) If, in connection with the making of the Offer, notwithstanding the restrictions described above, any persons (including, without limitation, custodians, nominees and trustees), whether pursuant to a contractual or legal obligation or otherwise, forwards this document, the Form of Acceptance or any other documents relating to the Offer in, into or from a Restricted Jurisdiction or uses the mails of, or any means or instrumentality (including without limitation, telephonically or electronically) of interstate or foreign commerce of, or any facilities of a national securities exchange of, a Restricted Jurisdiction in connection with such forwarding, such person should:
- (i) inform the recipient of such fact;
 - (ii) explain to the recipient that such action may invalidate any purported acceptance by the recipient; and
 - (iii) draw the attention of the recipient to this paragraph 6 of this Part B.
- (d) A Water Hall Shareholder will be deemed not to have validly accepted the Offer if:
- (i) he puts "No" in Box 4 of the Form of Acceptance (in respect of certificated Water Hall Shares) and thereby does not give the representation and warranty set out in paragraph (c) of Part C of this Appendix 1;
 - (ii) he completes Box 3 of the Form of Acceptance (in respect of certificated Water Hall Shares) with an address in a Restricted Jurisdiction or has a registered address in a Restricted Jurisdiction and in either case he does not insert in Box 5 of the Form of Acceptance the name and address of a person or agent outside a Restricted Jurisdiction to whom he wishes the consideration to which he is entitled under the Offer to be sent, subject to this paragraph 6 and applicable laws;

- (iii) he inserts in Box 5 of the Form of Acceptance (in respect of certificated Water Hall Shares) the name and address of a person or agent in a Restricted Jurisdiction to whom he wishes the consideration to which he is entitled under or in consequence of the Offer to be sent;
- (iv) any Form of Acceptance (in respect of certificated Water Hall Shares) received from him is received in an envelope postmarked in, or which otherwise appears to Petards or its agents to have been sent from a Restricted Jurisdiction; or
- (v) in respect of uncertificated Water Hall Shares he makes a Restricted Escrow Transfer pursuant to paragraph 6(g) below unless he also makes a related Restricted ESA Instruction which is accepted by Share Registrars.

Petards reserves the right, in its sole discretion, to investigate, in relation to any acceptance, whether the representation and warranty set out in paragraph (c) of Part C of this Appendix 1 or (as the case may be) paragraph (c) of Part D of this Appendix 1 could have been truthfully given by the relevant Water Hall Shareholder and, if such investigation is made and, as a result, Petards cannot satisfy itself that such representation and warranty was true and correct, such acceptance shall not be valid.

- (e) The provisions of this paragraph 6 and/or any other terms of the Offer relating to Overseas Shareholders may be waived, varied or modified as regards specific Water Hall Shareholder(s) or on a general basis by Petards in its absolute discretion. In particular, without limitation, Petards reserves the right: (i) to permit the Offer to be accepted by, and or (in respect of certificated Water Hall Shares) to issue or deliver any share certificate(s) and/or document(s) of title to an Overseas Shareholder, or (in respect of uncertificated Water Hall Shares) the crediting of the appropriate stock account of an Overseas Shareholder (otherwise unable to accept the Offer in accordance with the above) in circumstances in which Petards is satisfied that acceptance by such Water Hall Shareholder and or (in respect of certificated Water Hall Shares) the issue or delivery of any documents of title to, or (in respect of uncertificated Water Hall Shares) the crediting of the appropriate stock account of, such Water Hall Shareholder will not constitute a breach of any securities or other relevant legislation or impose obligations on Petards not contemplated by the Offer (and in any such case, Petards may impose reasonable additional requirements and restrictions on such acceptance and the share certificates and/or documents of title issued and/or crediting appropriate stock accounts); Petards shall have no obligations whatsoever in relation to the timing of such sales or allotments or the price obtained and such sales or allotments may be made individually or together with other shares to which such provisions apply. In such circumstances, any signed Form of Acceptance (in respect of certificated Water Hall Shares) received or any Electronic Acceptance made (in respect of uncertificated Water Hall Shares) pursuant to the Offer shall constitute the irrevocable appointment of Petards or any director of Petards as the relevant Water Hall Shareholder's agent to effect such sale as his agent, with full power (including powers of delegation) to do all such things as may be necessary or desirable for or ancillary to such purpose. Subject thereto, the provisions of this paragraph 6 supersede any terms of the Offer inconsistent herewith.
- (f) Neither Petards nor any agent or director of Petards nor its advisers or any person acting on behalf of any of them shall have any liability to any person for any loss or alleged loss arising from any decision as to the treatment of acceptances of the Offer on any of the bases set out in this paragraph 6 or otherwise in connection therewith.
- (g) If a Water Hall Shareholder holding Water Hall Shares in uncertificated form is unable to give the representation and warranty set out in paragraph (c)(i) or (ii) of Part D of this Appendix 1, but nevertheless can produce evidence satisfactory to Petards that he is able to accept the Offer in compliance with all legal and regulatory requirements, he may only purport to accept the Offer by sending (or if a CREST sponsored member, procuring that his CREST sponsor sends) both:
 - (i) a TTE Instruction to a designated escrow balance detailed below (a "**Restricted Escrow Transfer**"); and
 - (ii) one or more valid ESA Instructions (a "**Restricted ESA Instruction**").

Such purported acceptance will not be treated as a valid acceptance unless both the Restricted Escrow Transfer and the Restricted ESA Instruction settle in CREST and Petards decides in its absolute discretion to exercise its right, described in paragraph 6(e) above to waive, vary or modify the terms of the Offer related to Overseas Shareholders to the extent required to permit such acceptance to be

made in each case during the acceptance period set out in paragraph (a) of Part A of this Appendix 1. If Petards accordingly decides to permit such acceptance to be made, Share Registrars will on behalf of Petards accept the purported acceptance as an Electronic Acceptance on the terms of this document as so waived, varied or modified by transmitting in CREST a receiving agent accept (AEAN) message. Otherwise, Share Registrars will on behalf of Petards reject the purported acceptance by transmitting in CREST a receiving agent reject (AEAD) message.

Each Restricted Escrow Transfer must, in order for it to be valid and settle, include the following details:

- the corporate action ISIN number for Water Hall Shares. This is GB0009418194;
- the number of Water Hall Shares in respect of which you wish to accept the Offer (i.e. the number of Water Hall Shares to be transferred to an escrow balance);
- your participant ID;
- your member account ID;
- the participant ID of the Escrow Agent. This is 7RA36;
- the member account ID of the Escrow Agent specific to a Restricted Escrow Transfer. This is RESTRICT;
- the intended settlement date. This should be as soon as possible and in any event not later than 1.00 p.m on Day 21 of the Offer;
- the corporate action number for the Offer which will be allocated by Euroclear and can be found by reviewing the relevant corporate action details in CREST;
- the standard delivery instruction with priority of 80.

PART C: FORM OF ACCEPTANCE

Without prejudice to the terms of the Form of Acceptance and the provisions of Parts A and B of this Appendix 1, each Water Hall Shareholder who holds Water Hall Shares in certificated form by whom, or on whose behalf, a Form of Acceptance is executed irrevocably undertakes, represents, warrants and agrees to and with Petards and Share Registrars and their respective agents (so as to bind him, his personal representatives and his heirs, successors and assigns) that:

- (a) whether or not any other Boxes of the Form of Acceptance are completed, the execution of a Form of Acceptance shall constitute:
 - (i) an acceptance of the Offer in respect of the number of Water Hall Shares in certificated form inserted or deemed to be inserted in Box 1 of the Form of Acceptance; and
 - (ii) an undertaking to execute any further documents, take further action and give any further assurances which may be required in connection with his acceptance of the Offer;

in each case on and subject to the terms and conditions set out or referred to in this document and the Form of Acceptance and that, subject to the rights of withdrawal set out in paragraph 3 of Part B of this Appendix 1, each such acceptance shall be irrevocable provided that: (i) if no number or "ALL" is inserted in Box 1; or (ii) if the total number of Water Hall Shares in certificated form inserted in Box 1 is greater than the relevant Water Hall Shareholder's registered holding of Water Hall Shares in certificated form; or (iii) if the Form of Acceptance is otherwise completed incorrectly but the Form of Acceptance is signed, it will be deemed to be an acceptance of the terms of the Offer in respect of all of Water Hall Shares in certificated form comprised in the Form of Acceptance;

- (b) Water Hall Shares in certificated form in respect of which the Offer is accepted or deemed to be accepted are sold fully paid and with full title guarantee and free from all liens, charges, encumbrances, equities, rights of pre-emption and any other third party rights of whatsoever nature and together with all rights attaching thereto, including the right to receive all dividends or other distributions declared, paid or made after;
- (c) unless "NO" is inserted or deemed to be inserted in Box 4 of the Form of Acceptance, such Water Hall Shareholder:
 - (i) (if such Water Hall Shareholder is a citizen, resident or national of a jurisdiction outside of the United Kingdom) has observed the laws of the relevant jurisdiction, obtained all requisite governmental, exchange control and other required consents, complied with all other necessary formalities and paid any issue, transfer or other taxes or other requisite payments due in any such jurisdiction in connection with such acceptance and has not taken or omitted to take any action that will or may result in Petards or any other person acting in breach of the legal or regulatory requirements of any such jurisdiction in connection with the Offer or his acceptance thereof; or
 - (ii)
 - (a) is not a person located or resident in a Restricted Jurisdiction, does not hold any Water Hall Shares in respect of which he has accepted the Offer on behalf of any resident of a Restricted Jurisdiction and is not acting on behalf of a resident of a Restricted Jurisdiction for the account or benefit of any resident of a Restricted Jurisdiction or with a view to the offer, sale or delivery, directly or indirectly, of any in or into a Restricted Jurisdiction or to a resident of a Restricted Jurisdiction; and
 - (b) has not received, mailed or otherwise transmitted, forwarded or sent, in whole or in part, copies or originals of this document, the Form of Acceptance or any related offering documents in, into or from a Restricted Jurisdiction and has not utilised in connection with the Offer, directly or indirectly, the mails of, or any means or instrumentality (including, without limitation, e-mail, facsimile, telex, telephone, the internet or other electronic transmission) of interstate or foreign commerce, or any facilities of a national securities exchange, of a Restricted Jurisdiction; and
 - (c) the Form of Acceptance has not been mailed or otherwise sent in, into or from a Restricted Jurisdiction and such Water Hall Shareholder is accepting the Offer from outside a Restricted Jurisdiction;

- (d) in relation to Water Hall Shares held in certificated form, the execution and delivery of the Form of Acceptance constitutes, subject to the Offer becoming unconditional in all respects in accordance with its terms and to the accepting Water Hall Shareholder not having validly withdrawn his acceptance, the irrevocable appointment of each of Petards and/or any of its directors or agents as such Water Hall Shareholder's attorney and/or agent, and an irrevocable instruction to the attorney and/or agent, to:
- (i) complete and execute all or any form(s) of transfer, renunciation and/or other document(s) at the discretion of the attorney and/or agent in relation to the Water Hall Shares referred to in paragraph (a)(i) above in favour of Petards or such other person or persons as Petards or its agents may direct;
 - (ii) deliver any form(s) of transfer, renunciation and/or other document(s) at the discretion of the attorney and/or agent, together with the share certificate(s) and/or other document(s) of title relating to such Water Hall Shares, for registration within six months of the Offer becoming unconditional in all respects; and
 - (iii) execute all such other documents and do all such other acts and things as may in the opinion of such attorney and/or agent be necessary or expedient for the purpose of, or in connection with, the acceptance of the Offer pursuant to the Form of Acceptance and to vest in Petards (or its nominees) the full legal and beneficial ownership of the Water Hall Shares in certificated form referred to in paragraph (a)(i) above;
- (e) in relation to Water Hall Shares held in certificated form, the execution and delivery of the Form of Acceptance constitutes, subject to the Offer becoming unconditional in all respects in accordance with its terms and to the accepting Water Hall Shareholder not having validly withdrawn his acceptance, separate irrevocable authorities and requests to Water Hall or its agents, to procure the registration of the transfer of the Water Hall Shares in certificated form referred to in paragraph (a)(i) above pursuant to the Offer and the delivery of the share certificate(s) and/or other document(s) of title in respect of Water Hall Shares to Petards or as it may direct;
- (f) in relation to Water Hall Shares held in certificated form, the execution of the Form of Acceptance constitutes a separate authority to Petards and the Receiving Agent and their respective directors or agents and the irrevocable appointment of any such director and/or agent as such Water Hall Shareholder's attorney and/or agent within the terms of paragraph 4 of Part B of this Appendix I:
- (g) after the Offer becomes or is declared unconditional in all respects (or if the Offer would become or be declared unconditional in all respects or lapse immediately upon the outcome of the resolution in question or if the Panel otherwise gives its consent) and pending registration:
- (i) Petards shall be entitled to direct the exercise of any votes attaching to any Water Hall Shares held in certificated form in respect of which the Offer has been accepted or is deemed to have been accepted (and in respect of which such acceptance has not been validly withdrawn) and any other rights and privileges attaching to such Water Hall Shares, including the right to requisition a general meeting or separate class meeting of Water Hall, such votes (where relevant) to be cast so far as possible to satisfy any outstanding condition of the Offer; and
 - (ii) the execution of the Form of Acceptance by a Water Hall Shareholder constitutes, with regard to the Water Hall Shares held in certificated form comprised in such acceptance and in respect of which such acceptance has not been validly withdrawn:
 - (a) an irrevocable authority to Water Hall and/or its agents from such Water Hall Shareholder to send any notice, circular, warrant, document or other communication which may be required to be sent to him as a member of Water Hall (including any share certificate(s) or other document(s) of title issued as a result of a conversion of such Water Hall Shares into certificated form) to Petards at its registered office;
 - (b) the irrevocable appointment of Petards or the Receiving Agent or any of their respective directors or agents to sign such documents and do such things as may in the opinion of such person seem necessary or desirable in connection with the exercise of any votes or other rights or privileges attaching to such Water Hall Shares (including, without limitation, an authority to sign any consent to short notice of a general or separate class meeting as his attorney and/or agent and on his behalf and/or to execute a form of proxy in respect of such Water Hall Shares appointing any person nominated by Petards to attend general or separate class meetings of Water Hall or its members or any of them (and any adjournment

thereof) and to exercise the votes attaching to such Water Hall Shares on his behalf), such votes (where relevant) to be cast so far as possible to satisfy any outstanding condition of the Offer; and

- (c) the agreement of such Water Hall Shareholder not to exercise any of such rights without the consent of Petards and the irrevocable undertaking of such Water Hall Shareholder not to appoint a proxy or representative for or to attend any such meetings;
- (h) he will deliver, or procure the delivery of, to Share Registrars, Suite E, First Floor, 9 Lion & Lamb Yard, Farnham, Surrey GU9 7LL, his share certificate(s) and/or other document(s) of title in respect of Water Hall Shares referred to in sub-paragraph (a)(i) above (which are held in certificated form), or an indemnity acceptable to Petards in lieu thereof, as soon as possible and in any event within six months of the Offer becoming unconditional in all respects;
- (i) the terms and conditions of the Offer shall be deemed to be incorporated into and form part of the Form of Acceptance, which shall be read and construed accordingly;
- (j) if he accepts the Offer, he shall do all such acts and things as shall be necessary or expedient to vest in Petards or its nominees or such other persons as it may decide Water Hall Shares as aforesaid;
- (k) he agrees to ratify each and every act or thing which may be done or effected by Petards or Share Registrars or by any of their respective directors or agents or Water Hall or its agents, as the case may be, in the proper exercise of any of his or its powers and/or authorities conferred by or referred to in Part B or in this Part C of this Appendix 1 and to indemnify each such person against any losses arising therefrom;
- (l) in relation to Water Hall Shares held in certificated form, the execution of the Form of Acceptance constitutes his submission, in relation to all matters arising out of the Offer and the Form of Acceptance, to the jurisdiction of the courts of England and his agreement that nothing shall limit the right of Petards to bring any action, suit or proceeding arising out of or in connection with the Offer or in any other manner permitted by law or in any court of competent jurisdiction; and
- (m) if any provision of Part B or of this Part C of Appendix 1 shall be unenforceable or invalid or shall not operate so as to afford Petards and/or Share Registrars and/or any director or agent of any of them the full benefit of the authorities and powers of attorney expressed to be given therein, he shall with all practicable speed do all such acts and things and execute all such documents as may be required or desirable to enable Petards and/or Share Registrars and/or any director or agent of any of them to secure the full benefit of such authorities and powers of attorney.

On execution, the Form of Acceptance shall take effect as a Deed.

References in this Part C to a Water Hall Shareholder shall include references to the person or persons executing a Form of Acceptance, in relation to Water Hall Shares held in certificated form, and, in the event of more than one person executing a Form of Acceptance, the provisions of this Part C shall apply to them jointly and to each of them. References to the masculine gender shall include the feminine or any legal person as the context may require.

PART D – ELECTRONIC ACCEPTANCES

Without prejudice to the provisions of Parts A and B of this Appendix 1, each Water Hall Shareholder who holds Water Hall Shares in uncertificated form by whom, or on whose behalf, an Electronic Acceptance is made irrevocably undertakes, represents, warrants and agrees to and with Petards and Share Registrars and their respective agents (so as to bind him and his personal or legal representatives, heirs, successors and assigns) that:

- (a) the Electronic Acceptance shall constitute:
- (i) an acceptance of the Offer in respect of the number of Water Hall Shares in uncertificated form to which the TTE Instruction relates;
 - (ii) an undertaking to execute any further documents, take further action and give any further assurances which may be required to enable Petards to obtain the full benefit of the terms of this Part D and/or to perfect any authorities expressed to be given hereunder and otherwise in connection with his acceptance of the Offer,
- in each case on and subject to the terms and conditions set out or referred to in this document and that, subject only to the rights of withdrawal set out in paragraph 3 of Part B of this Appendix 1, such acceptance and/or election shall be irrevocable;
- (b) he is the sole legal and beneficial owner of the Water Hall Shares in uncertificated form in respect of which the Offer is accepted or deemed to be accepted or he is the legal owner of such Water Hall Shares and he has the necessary capacity and authority to execute the Form(s) of Acceptance and to sell and transfer the Water Hall Shares referred to in paragraph (a)(i) above, and that such Water Hall Shares are sold fully paid and with full title guarantee and free from all liens, charges, encumbrances, equities, rights of pre-emption and any other third party rights of whatsoever nature and together with all rights attaching thereto from 1 July 2013 (being the date of the Announcement), including, without limitation, the right to receive all dividends and other distributions declared, made or paid after 1 July 2013;
- (c) such Water Hall Shareholder:
- (i) if such Water Hall Shareholder is a citizen, resident or national of a jurisdiction outside the United Kingdom, he has observed the laws and regulatory requirements of the relevant jurisdiction in connection with the Offer, obtained all requisite governmental, exchange control and other required consents, complied with all other necessary formalities and paid any issue, transfer or other taxes or duties or other requisite payments due in any such jurisdiction in connection with such acceptance and has not taken or omitted to take any action that will or may result in Petards, or any other person acting in breach of any legal or regulatory requirements of any such jurisdiction in connection with the Offer or his acceptance of the Offer; or
 - (ii)
 - (a) is not a person located or resident in a Restricted Jurisdiction, does not hold any Water Hall Shares in respect of which he has accepted the Offer on behalf of any resident of a Restricted Jurisdiction and is not acting on behalf of a resident of a Restricted Jurisdiction; and
 - (b) has not received, mailed or otherwise transmitted, forwarded or sent, in whole or in part, copies or originals of this document or any related offering documents in, into or from a Restricted Jurisdiction and has not utilised in connection with the Offer, directly or indirectly, the mails of, or any means or instrumentality (including, without limitation, email, facsimile, telex, the internet, telephone or other electronic transmission) of interstate or foreign commerce, or any facilities of a national securities exchange, of a Restricted Jurisdiction; and
 - (c) was outside, at the time of the input and settlement of the relevant TTE Instruction, a Restricted Jurisdiction; and no TTE Instruction has been sent in, into or from a Restricted Jurisdiction and such Water Hall Shareholder is accepting the Offer from outside a Restricted Jurisdiction,

provided that the warranties and representations above shall be deemed not be given if the Water Hall Shareholder purports to accept the Offer by sending (or if a CREST sponsored member,

procuring that his CREST sponsor sends) a Restricted Escrow Transfer and a Restricted ESA Instruction pursuant to paragraph 6(f) of Part B of this Appendix 1.

- (d) in relation to Water Hall Shares held in uncertificated form, the Electronic Acceptance constitutes, subject to the Offer becoming unconditional in all respects in accordance with its terms and to the accepting Water Hall Shareholder not having validly withdrawn his acceptance, the irrevocable appointment of each of Petards and/or any of its respective directors or agents as such Water Hall Shareholder's attorney and/or agent, and an irrevocable instruction to the attorney and/or agent to do all such acts and things as may in the opinion of such attorney and/or agent be necessary or expedient for the purpose of, or in connection with, the acceptance of the Offer and to vest in Petards (or its nominees) the full legal and beneficial ownership of the Water Hall Shares (referred to in paragraph (a)(i) of this Part D (the "Electronic Acceptance Shares"));
- (e) in relation to Water Hall Shares held in uncertificated form, the Electronic Acceptance constitutes the irrevocable appointment of the Share Registrars as the accepting Water Hall Shareholder's attorney and/or agent and an irrevocable instruction and authority to the attorney and/or agent:
 - (i) subject to the Offer becoming unconditional in all respects in accordance with its terms and to an accepting Water Hall Shareholder not having validly withdrawn his acceptance, to transfer to itself (or to such other person or persons as Petards or its agents may direct) by means of CREST all or any of Water Hall Shares held in uncertificated form (but not exceeding the number of Water Hall Shares held in uncertificated form in respect of which the Offer is accepted or deemed to be accepted); and
 - (ii) if the Offer does not become unconditional in all respects, to give instructions to Euroclear, immediately after the lapsing of the Offer (or within such longer period as the Panel may permit, not exceeding 14 days of the lapsing of the Offer), to transfer all such Water Hall Shares to the original available balance of the accepting Water Hall Shareholder;
- (f) in relation to Water Hall Shares held in uncertificated form, the Electronic Acceptance constitutes, subject to the Offer becoming unconditional in all respects in accordance with its terms and to an accepting Water Hall Shareholder not having validly withdrawn his acceptance, separate irrevocable authorities and requests to Petards, Share Registrars, WH Ireland or their respective agents to procure the making of a credit to the CREST account in accordance with the CREST settlement arrangements in respect of any consideration to which such accepting Water Hall Shareholder is entitled;
- (g) in relation to Water Hall Shares held in uncertificated form, the Electronic Acceptance constitutes a separate authority to Petards and Share Registrars and any of their respective directors or agents and the irrevocable appointment of any such director and/or agent as such Water Hall Shareholder's attorney and/or agent within the terms of paragraph 4 of Part B of this Appendix 1 in respect of the Electronic Acceptance Shares;
- (h) after the Offer becomes or is declared unconditional in all respects (or if the Offer would become or be declared unconditional in all respects or lapse immediately upon the outcome of the resolution in question) or if the Panel otherwise gives its consent and pending registration:
 - (i) Petards or its agents shall be entitled to direct the exercise of any votes attaching to Water Hall Shares held in uncertificated form in respect of which the Offer has been accepted or is deemed to have been accepted (and in respect of which such acceptance has not been validly withdrawn) and any other rights and privileges attaching to such Water Hall Shares, including the right to requisition a general meeting or separate class meeting of Water Hall, such votes (where relevant) to be cast so far as possible to satisfy any outstanding condition of the Offer: and
 - (ii) an Electronic Acceptance by a Water Hall Shareholder constitutes, with regard to the Water Hall Shares held in uncertificated form comprised in such acceptance and in respect of which such acceptance has not been validly withdrawn:
 - (a) an irrevocable authority to Water Hall and/or its agents from such Water Hall Shareholder to send any notice, circular, warrant, document or other communication which may be required to be sent to him as a member of Water Hall (including any share certificate(s) or other document(s) of title issued as a result of a conversion of such Water Hall Shares into certificated form) to Petards at its registered office;

- (b) the irrevocable appointment of Petards or Share Registrars or any of their respective directors or agents to sign any such documents and do such things as may in the opinion of such person seem necessary or desirable in connection with the exercise of any votes or other rights or privileges attaching to such Water Hall Shares (including, without limitation, an authority to sign any consent to short notice of a general or separate class meeting on his behalf and/or execute a form of proxy in respect of such Water Hall Shares appointing any person nominated by Petards to attend general or separate class meetings of Water Hall or its members or any of them (and any adjournment thereof) and to exercise the votes attaching to such Water Hall Shares on his behalf) such votes (where relevant) to be cast so far as possible to satisfy any outstanding condition of the Offer; and
 - (c) the irrevocable agreement of such Water Hall Shareholder not to exercise any of such rights without the consent of Petards and the irrevocable undertaking of such Water Hall Shareholder not to appoint a proxy or representative for or to attend any such meetings;
- (i) if, for any reason any Water Hall Shares in respect of which a TTE Instruction has been effected in accordance with paragraph 14 of the letter from Petards Directors are converted to certificated form, he will (without prejudice to sub-paragraph (g)(ii)(a) above of this Part D) immediately deliver or procure the immediate delivery of the share certificate(s) or other document(s) of title in respect of all such Water Hall Shares as so converted to the Receiving Agent at Suite E, First Floor, 9 Lion & Lamb Yard, Farnham Surrey GU9 7LL, or to Petards at its registered office or as Petards or its agent may direct and he shall be deemed upon conversion to undertake, represent, warrant and agree in the terms set out in Part C of this Appendix 1 in relation to such Water Hall Shares without prejudice to the application of this Part D so far as Petards deems appropriate;
 - (j) if he accepts the Offer, he shall do all such acts and things as shall be necessary or expedient to vest in Petards or its nominee(s) or such other person as it may decide the Electronic Acceptance Shares and all such acts and things as in the opinion of Petards shall be necessary or expedient to enable Share Registrars to perform its functions as Escrow Agent for the purposes of the Offer;
 - (k) he agrees to ratify each and every act or thing which may be done or effected by Petards or Share Registrars or by any of their respective directors or agents or by Water Hall or its agents, as the case may be, in the proper exercise of any of his or its powers and/or authorities conferred by or referred to in Part B or this Part D of this Appendix 1 and to indemnify each such person against any losses arising therefrom;
 - (l) if any provision of Part B or this Part D of Appendix 1 shall be unenforceable or invalid or shall not operate so as to afford Petards or Share Registrars and any of their respective directors or agents the full benefit of authorities and powers of attorney expressed to be given therein, he shall with all practicable speed do such acts or things and execute all such documents as may be required or desirable to enable Petards or Share Registrars and any of their respective directors or agents or persons authorised by them to secure the full benefit of such authorities and powers of attorney;
 - (m) in relation to Water Hall Shares held in uncertificated form, the making of an Electronic Acceptance constitutes his submission, in relation to all matters arising out of the Offer and Electronic Acceptance, to the jurisdiction of the courts of England and his agreement that nothing shall limit the right of Petards to bring any action, suit or proceeding arising out of or in connection with the Offer and the Electronic Acceptance or in any other manner permitted by law or in any court of competent jurisdiction; and
 - (n) by virtue of Regulation 43 of the Regulations, the making of an Electronic Acceptance constitutes an irrevocable power of attorney by the CREST member accepting the Offer in the terms of the powers and authorities expressed to be given by Part B, this Part D and (where applicable by virtue of paragraph (h) above) Part C of this Appendix 1 to Petards or Share Registrars and any of their respective directors or agents.

References in this Part D to a Water Hall Shareholder shall include reference to the person or persons making an Electronic Acceptance, in relation to Water Hall Shares held in uncertificated form, and, in the event of more than one person making an Electronic Acceptance, the provisions of this Part D shall apply to them jointly and to each of them. References to the masculine gender should include the feminine or any legal person as the context may require.

APPENDIX 2

FINANCIAL INFORMATION ON PETARDS

Audited consolidated accounts of Petards

The audited consolidated accounts of Petards for each of the two financial years ended on 31 December 2011 and 31 December 2012 are incorporated into this document by reference to the annual report and accounts of Petards for the financial years ended on 31 December 2011 and 31 December 2012 which are available free of charge on Petards' website.

If you are reading this document in hard copy form, please enter one of the web addresses below in your web browser to be brought to the relevant document. If you are reading this document in electronic form, please click on the relevant web address below to be brought to the relevant document.

Petards' Annual Report and Accounts for the financial year ended 31 December 2011:
http://www.petards.com/corporate/documents/investors/petards_reports_and_accounts_2011.pdf

Petards' Annual Report and Accounts for the financial year ended 31 December 2012:
http://www.petards.com/corporate/documents/investors/petards_reports_and_accounts_2012.pdf

Copies of the full audited consolidated accounts for each of the two financial years ended 31 December 2011 and 31 December 2012 have been delivered to the Registrar of Companies in England and Wales.

An unqualified audit report within the meaning of section 495 of the Act has been given in respect of each of the audited consolidated accounts for the two financial years ended 31 December 2011 and 31 December 2012 and in each case did not contain a statement under section 498(2) or (3) of the Act.

The above Annual Reports and Accounts of Petards are available in "read-only" format and can be printed from Petards' website. Petards will provide within two business days, without charge, to each person to whom a copy of this document has been sent, upon their written or verbal request, a copy of any information incorporated by reference in this document. Copies of any information incorporated by reference in this document will not be provided unless such a request is made.

Requests for copies of any such document should be directed to Share Registrars, Suite E, First Floor, 9 Lion & Lamb Yard, Farnham, Surrey GU9 7LL or by calling Share Registrars on + 44 (0) 1252 821390. Lines are open 9.00 a.m. to 5.00 p.m. (London time) Monday to Friday. Calls to the helpline from inside the UK will be charged at normal network rates and calls outside the UK will be charged at the applicable international rate. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the proposals nor give any financial, legal or tax advice.

APPENDIX 3

FINANCIAL INFORMATION ON WATER HALL

Audited consolidated accounts of Water Hall

The audited consolidated accounts of Water Hall for each of the two financial years ended on 31 December 2011 and 31 December 2012 are incorporated into this document by reference to the annual report and accounts of Water Hall for the financial years ended on 31 December 2011 and 31 December 2012 which are available free of charge on Water Hall's website.

If you are reading this document in hard copy form, please enter one of the web addresses below in your web browser to be brought to the relevant document. If you are reading this document in electronic form, please click on the relevant web address below to be brought to the relevant document.

Water Hall's Annual Report and Accounts for the financial year ended 31 December 2011:
<http://www.waterhallgroupplc.com/downloads/WaterHallGroupplc-AnnualReport2011.pdf>

Water Hall's Annual Report and Accounts for the financial year ended 31 December 2012:
<http://www.waterhallgroupplc.com/downloads/WHGAnnualReport2012.pdf>.

Copies of the full audited consolidated accounts for each of the two financial years ended 31 December 2011 and 31 December 2012 have been delivered to the Registrar of Companies in England and Wales.

An unqualified audit report within the meaning of section 495 of the Act has been given in respect of each of the audited consolidated accounts for the two financial years ended 31 December 2011 and 31 December 2012 and in each case did not contain a statement under section 498(2) or (3) of the Act.

The above Annual Reports and Accounts of Water Hall are available in "read-only" format and can be printed from Water Hall's website. Water Hall will provide within two business days, without charge, to each person to whom a copy of this document has been sent, upon their written or verbal request, a copy of any information incorporated by reference in this document. Copies of any information incorporated by reference in this document will not be provided unless such a request is made.

Requests for copies of any such document should be directed to Share Registrars, Suite E, First Floor, 9 Lion & Lamb Yard, Farnham, Surrey GU9 7LL or by calling Share Registrars on + 44 (0) 1252 821390. Lines are open 9.00 a.m. to 5.00 p.m. (London time) Monday to Friday. Calls to the helpline from inside the UK will be charged at normal network rates and calls outside the UK will be charged at the applicable international rate. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the proposals nor give any financial, legal or tax advice.

APPENDIX 4

SUMMARY OF THE PRINCIPAL TERMS OF THE CONVERTIBLE LOAN NOTES

The Convertible Loan Notes will be constituted by the Convertible Loan Note Instrument. The Convertible Loan Note Instrument will contain provisions, *inter alia*, to the following effect:

(a) **Form and Status**

The Convertible Loan Notes will be issued in integral multiples of £1 nominal value and will constitute unsecured obligations of Petards. The Convertible Loan Note Instrument will not contain any restriction on borrowing, disposals or charging of assets by the Petards Group.

(b) **Interest**

Interest on the principal amount of the Convertible Loan Notes outstanding from time to time shall accrue at the rate of 7 per cent. per annum (on the basis of a 365 day year) and shall be paid quarterly in arrear to noteholders on 15 January, 15 April, 15 July and 15 October in each year (or if any such day is not a business day, the next succeeding day which is a business day) (each, an "Interest Payment Date") in respect of the immediately preceding quarterly interest period, provided that the Company shall not be required to pay any interest to a noteholder until such noteholder's accumulated entitlement to interest exceeds £25. Any such interest so withheld ("Carried Forward Interest") shall be paid on the next following Interest Payment Date where the aggregate amount of interest due in respect of the immediately preceding quarterly interest period (together with any Carried Forward Interest) exceeds £25. In the event that Convertible Loan Notes are converted in accordance with the provisions of the Convertible Loan Note Instrument, no interest shall be payable in respect of the quarterly interest period in which such conversion is effected. If the Company fails to pay an amount of interest or principal when such amount is due, interest at the applicable rate plus 2 per cent. per annum shall accrue on the unpaid amount from the due date until the actual date of payment, based on the actual number of days elapsed and a 365 day year.

(c) **Redemption**

Unless previously purchased or redeemed as provided below, the Company shall redeem the Convertible Loan Notes then in issue on the fifth anniversary of the first date of issue of Convertible Loan Notes pursuant to the Convertible Loan Note Instrument (the "Principal Redemption Date") at the principal amount together with any accrued but unpaid interest (including any Carried Forward Interest remaining unpaid notwithstanding that such amount is equal to or less than £25), less any tax required by law to be deducted or withheld from such payment.

The Company shall, at any time, be entitled to redeem any of the Convertible Loan Notes prior to the Principal Redemption Date in its sole discretion without incurring any early redemption penalty by serving written notice of early redemption on all noteholders (the "Early Redemption Notice"). In the event of such early redemption, the Company shall redeem the number of Convertible Loan Notes, and on the date, specified in the Early Redemption Notice, pro-rata between all noteholders in proportion to the principal amount of Convertible Loan Notes held by them on the date of the Early Redemption Notice. The date for such early redemption shall not be less than 28 days after the date of service of the Early Redemption Notice.

Each noteholder shall be entitled, on and following receipt of an Early Redemption Notice, to elect to convert all or any of the Convertible Loan Notes held by him in accordance with the terms of the Convertible Loan Note Instrument as set out below.

If any noteholder whose Convertible Loan Notes are liable to be redeemed fails to deliver up the relevant certificates for them at the time and place fixed for their redemption or fails to accept or give a receipt in respect of such redemption monies, the monies payable to such noteholder shall be deposited by the Company in a separate non-interest bearing account on trust for the relevant noteholder. Any amount unclaimed after 12 years from the date of deposit shall revert to the Company.

The principal amount of the Convertible Loan Notes shall immediately become due and payable together with any accrued but unpaid interest (less any tax required by law to be deducted or withheld from such payment) if:

- (i) the Company fails to pay any part of the principal amount when due or makes default for a period of fourteen (14) days in the payment of any interest covenanted to be paid under the Convertible Loan Note Instrument; or
- (ii) any default shall be made by the Company in the performance or compliance of any covenant, condition or obligation (other than the covenant for repayment of the principal amount or payment of interest) binding on the Company under the Convertible Loan Notes; or
- (iii) an administration order is made in relation to the Company or any of its subsidiaries; or
- (iv) an order is made, or an effective resolution is passed, for the winding-up, liquidation, administration or dissolution of the Company or any of its subsidiaries (except for the purpose of reorganisation or amalgamation of the Company or any of its subsidiaries); or
- (v) an encumbrancer takes possession or a receiver is appointed of the whole or the major part of the assets or undertaking of the Company or any of its subsidiaries or if distress, execution or other legal process is levied or enforced or sued out on or against the whole or the major part of the assets of the Company or any of its subsidiaries and is not discharged, paid out, withdrawn or removed within 21 business days; or
- (vi) the Company or any of its subsidiaries stops (or threatens to stop) payment of its debts generally or ceases (or threatens to cease) to carry on its business or a substantial part of its business; or
- (vii) the Company or any of its subsidiaries is deemed for the purposes of section 123 Insolvency Act 1986 to be unable to pay its debts or compounds or proposes or enters into any reorganisation or special arrangement with its creditors generally; or
- (viii) it is or will become unlawful for the Company to perform or comply with any of its obligations under the Notes, or any such obligation is not or ceases to be legal, valid and binding.

(d) **Conversion**

Each noteholder will have the right by notice in writing to the Company's registrars (a "Conversion Notice") at any time following the issue of the Convertible Loan Notes to him to require the Company to allot Petards Shares, fully paid, in exchange for and in satisfaction of the whole or part of the principal amount of the Convertible Loan Notes specified in the Conversion Notice at the rate of one Petards Share for each £0.08 (the "Conversion Price") in nominal amount of the convertible Loan Notes so converted.

Conversion shall be effected on the Relevant Conversion Date (being, in the case of a Conversion Notice in respect of more than 1 per cent. of the nominal amount of all of the Convertible Loan Notes issued by way of consideration for the Offer ("Consideration Notes") or which, when aggregated with all Conversion Notices previously served and which remain outstanding, represents more than 1 per cent. of the nominal amount of the Consideration Notes, the date determined by the Petards Board but no later than 5 business days following the date of receipt of the relevant Conversion Notice, or if such Conversion Notice is in respect of less than 1 per cent. of the nominal amount of the Consideration Notes no later than 20 business days from the date of such receipt). Once given, a Conversion Notice shall not be withdrawn save with written consent of the Company.

No Convertible Loan Notes may be converted by a noteholder to the extent that the allotment and issue of the Petards Shares on conversion would create any obligation for such noteholder or any person acting in concert with such noteholder to make a mandatory offer for the Company pursuant to Rule 9 of the Code.

If the certificate in respect of the relevant Convertible Loan Notes is duly lodged with the Conversion Notice, the Company shall, not later than the Relevant Conversion Date:

- (i) allot and issue the relevant Petards Shares; and
- (ii) procure that application is made promptly for such Petards Shares to be admitted to AIM (or such relevant stock exchange as the Petards Shares are traded on from time to time).

Petards Shares allotted in respect of any Convertible Loan Notes so converted will be credited as fully paid and shall rank *pari passu* in all respects with the Petards Shares in issue on the Relevant Conversion Date except that such new Petards Shares will not rank for any dividend or other distribution declared for payment to holders of Petards Shares on the register at a record date falling before the Relevant Conversion Date.

The Company shall covenant pursuant to the Convertible Loan Note Instrument that, so long as the Convertible Loan Notes remain liable to conversion (otherwise than with the prior sanction of a resolution passed at a meeting of the noteholders duly convened and held in accordance with the provisions of the Convertible Loan Note Instrument and carried by a majority consisting of not less than 75 per cent. of the persons voting at such meeting on a show of hands or, if a poll is demanded, by a majority consisting of not less than 75 per cent. of the votes given on such poll or by a written resolution signed by or on behalf of 75 per cent. of all shareholders):

- (i) the Company will maintain in being a share allotment authority to meet in full its obligation to issue Petards Shares on conversion of the Convertible Loan Notes;
- (ii) the Company will not alter the rights attached to any class of its share capital or attach any special rights, privileges or restrictions thereto;
- (iii) the Company will not make any distribution in specie; and
- (iv) provided that, in the case of any noteholder who is not also a holder of Petards Shares at the relevant time, the relevant noteholder has agreed with the Company for the use of electronic communications by the Company with the noteholder for this purpose, the Company will make available to the noteholders by publication on a website concurrently with the issue to the members of the Company a copy of the annual report and accounts and consolidated accounts of the Company and any subsidiaries (together with all documents required by law to be annexed thereto) and notices of all general meetings of the Company (and the noteholders shall be entitled to attend but not vote (in its capacity of noteholder) at general meetings of the Company during any period(s) when the Company is in default under the terms of the Convertible Loan Note Instrument).

If there is an issue by the Company of equity shares or securities convertible into equity shares by way of capitalisation of profits or reserves or a capital distribution in respect of the share capital of the Company or any shares derived from it or a sub-division, consolidation or reduction of the share capital of the Company or any shares derived from it or any other reconstruction or adjustment or amalgamation relating to the share capital of the Company (or any shares derived from it), the Conversion Price shall be adjusted to take account of such event to such extent (if any) as the auditors for the time being of the Company confirm in writing to be in their opinion fair and reasonable. The certificate of the auditors will, in the absence of manifest error and fraud, be final, binding and conclusive on the Company and the noteholders.

APPENDIX 5

ADDITIONAL INFORMATION

1. Responsibility

- 1.1 The Petards Directors, whose names are set out in paragraph 2.1 below, accept responsibility for the information contained in this document save for the information for which the Independent Petards Directors, the Water Hall Directors and the Independent Water Hall Director accept responsibility in accordance with paragraphs 1.2, 1.3 and 1.4 below. To the best of the knowledge and belief of the Petards Directors (who have taken all reasonable care to ensure that such is the case), the information 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.
- 1.2 The Independent Petards Directors, whose names are set out in paragraph 2.2, below accept responsibility for the recommendation and opinions relating to the Offer set out in Part II of this document. To the best of the knowledge and belief of the Independent Petards 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.
- 1.3 The Water Hall Directors, whose names are set out in paragraph 2.3 below, accept responsibility for the information contained in this document relating to Water Hall Group and the Water Hall Directors, their immediate families, related trusts and connected persons other than the recommendation(s) and opinions of the Independent Water Hall Director relating to the Offer contained in the letter from the Independent Water Hall Director set out in Part I of this document, for which the Independent Water Hall Director accepts sole responsibility as set out below. To the best of the knowledge and belief of Water Hall 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.
- 1.4 The Independent Water Hall Director, whose name is set out in paragraph 2.4 below, accepts responsibility for his recommendation and opinions relating to the Offer contained in the letter from the Independent Water Hall Director set out in Part I of this document. To the best of the knowledge and belief of the Independent Water Hall Director (who has taken all reasonable care to ensure that such is the case), the information contained in this document for which he accepts responsibility, is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. Directors

- 2.1 The Petards Directors and their respective functions are as follows:

Raschid Abdullah	Executive Chairman
Bill Conn	Non Executive Director
Terry Connolly	Non Executive Director
Osman Abdullah	Non Executive Director
Andy Wonnacott	Finance Director

Petards is a public company limited by shares and incorporated in England and Wales with registered number 2990100. The registered office of Petards is 390 Princesway, Team Valley, Gateshead, Tyne & Wear NE11 0TU.

- 2.2 The Independent Petards Directors and their respective functions are as follows:

Bill Conn	Non Executive Director
Terry Connolly	Non Executive Director
Andy Wonnacott	Finance Director

The business address of the Independent Petards Directors is 390 Princesway, Team Valley, Gateshead, Tyne & Wear NE11 0TU.

2.3 The Water Hall Directors and their respective functions are as follows:

Raschid Abdullah Chairman
Roger Musson Director

Water Hall is a public company limited by shares and incorporated in England and Wales under the Companies Act 1929 with registration number 438328. The registered office and principal place of business of the Company is at Parallel House, 32 London Road, Guildford, Surrey GU1 2AB.

2.4 The Independent Water Hall Director and his function is as follows:

Roger Musson Director

The business address of the Independent Water Hall Director is Parallel House, 32 London Road, Guildford, Surrey GU1 2AB.

3. Interests in Petards Shares

3.1 *Interests of Petards Directors in relevant securities of Petards*

As at the close of business on 19 July 2013 (being the latest practicable date prior to the publication of this document), the interests (as defined in section 820 of the Act) of the Petards Directors and their immediate families, related trusts and connected persons (within the meaning of section 252 of the Act), all of which are beneficial unless otherwise stated, in relevant securities of Petards were (with the exception of options in respect of Petards Shares which are set out in paragraph 3.2 below) as follows:

<i>Name</i>	<i>Number of shares</i>	<i>%</i>
Bill Conn	51,201	0.47
Terry Connolly	30,000	0.28
Andy Wonnacott	20,000	0.18

3.2 *Interests of Petards Directors in options over Petards Shares*

As at the close of business on 19 July 2013 (being the latest practicable date prior to the publication of this document), the following options in respect of Petards Shares had been granted to the following Petards Directors for nil consideration and remained outstanding under the Petards Share Option Schemes:

<i>Name</i>	<i>Number of Petards Shares under option</i>	<i>Exercise price (p)</i>	<i>Date first exercisable</i>	<i>Expiry date</i>
Andy Wonnacott	46,100	160	07.03.08	06.03.15
	19,800	100	17.01.09	16.01.16
	30,000	100	27.07.09	26.07.16

3.3 *Interests of persons acting in concert with Petards in relevant securities of Petards*

As at the close of business on 19 July 2013 (being the latest practicable date prior to the publication of this document), there were no persons acting in concert with Petards (other than the Petards Directors) who were interested in the securities of Petards save for WH Ireland whose discretionary clients held 1,031,298 Petards Shares.

3.4 *Interests of persons with whom Petards has an arrangement in relevant securities of Petards*

As at the close of business on 19 July 2013 (being the latest practicable date prior to the publication of this document), there were no persons with whom Petards or any person acting in concert with Petards had an arrangement who was interested in securities of Petards.

3.5 *Interests of Water Hall in relevant securities of Petards*

As at the close of business on 19 July 2013 (being the latest practicable date prior to the publication of this document), Water Hall was interested in 3,259,933 Petards Shares.

3.6 *Interests of Water Hall Directors in relevant securities of Petards*

As at the close of business on 19 July 2013 (being the latest practicable date prior to the publication of this document), the Water Hall Directors and their immediate families, related trusts and connected persons held no interests in relevant securities of Petards.

3.7 *Interests of persons acting in concert with Water Hall in relevant securities of Petards*

As at the close of business on 19 July 2013 (being the latest practicable date prior to the publication of this document), there were no persons acting in concert with Water Hall who had any interest in relevant securities of Petards.

3.8 *Interests of persons with whom Water Hall has an arrangement in relevant securities of Petards*

As at the close of business on 19 July 2013 (being the latest practicable date prior to the publication of this document), there were no persons with whom Water Hall or any person acting in concert with Water Hall (other than the Water Hall Directors) had an arrangement who was interested in relevant securities of Petards.

3.9 *Borrowing or lending of relevant securities of Petards by Petards*

As at the close of business on 19 July 2013 (being the latest practicable date prior to the publication of this document), neither Petards, nor any persons acting in concert with Petards had borrowed or lent (including for these purposes any financial collateral arrangements of the kind referred to in Note 4 to Rule 4.6 of the Code) any relevant securities of Petards.

3.10 *Borrowing or lending of relevant securities of Petards by Water Hall*

As at the close of business on 19 July 2013 (being the latest practicable date prior to the publication of this document), neither Water Hall, nor any persons acting in concert with Water Hall had borrowed or lent (including for these purposes any financial collateral arrangements of the kind referred to in Note 4 to Rule 4.6 of the Code) any relevant securities of Petards.

4. Interests in Water Hall Shares

4.1 *Interests of Water Hall Directors in relevant securities of Water Hall*

As at the close of business on 19 July 2013 (being the latest practicable date prior to the publication of this document), the interests (as defined in section 820 of the Act) of Water Hall Directors and their immediate families, related trusts and connected persons, all of which are beneficial unless otherwise stated, in relevant securities of Water Hall were (with the exception of options in respect of Water Hall Shares which are set out in paragraph 4.2 below) as follows:

<i>Name</i>	<i>Number of shares</i>	<i>%</i>
Raschid Abdullah (note 1)	9,648,942	12.12
Roger Musson (note 2)	419,312	0.53

Notes:

1. Raschid Abdullah holds beneficially 9,648,862 Water Hall Shares registered in the name of WB Nominees Limited of which 9,271,695 are held via a self-invested personal pension plan. The remainder of his holding is held directly.
2. Roger Musson holds beneficially 409,312 Water Hall Shares via a self-invested personal pension plan which are registered in the name of Rathbone Nominees Limited. The remainder of his holding is held directly.

Other than as disclosed in the table above and in paragraph 4.2 below, no Water Hall Director has any interest in the issued share capital of the Water Hall.

4.2 *Interests of Water Hall Directors in options over Water Hall Shares*

The Water Hall Directors have been granted share options/awards under the Water Hall Share Option Schemes that are outstanding as at the close of business on 19 July 2013 (being the latest practicable date prior to the publication of this document), as set out below:

<i>Name</i>	<i>Number of options</i>	<i>Exercise price</i>
Raschid Abdullah	3,500,000	3p
Roger Musson	600,000	3p

4.3 *Interests of persons acting in concert with Water Hall in relevant securities of Water Hall*

As at the close of business on 19 July 2013 (being the latest practicable date prior to the publication of this document), no person acting in concert with Water Hall (other than the Water Hall Directors and Mr. Osman Abdullah, a senior employee of Water Hall, whose interests are set out in paragraph 4.6 below) was interested in any relevant securities of Water Hall.

4.4 *Interests of persons with whom Water Hall has an arrangement in relevant securities of Water Hall*

As at the close of business on 19 July 2013 (being the latest practicable date prior to the publication of this document), no person with whom Water Hall or any person acting in concert with Water Hall (other than the Water Hall Directors) has an arrangement was interested in relevant securities of Water Hall.

4.5 *Interests of Petards in relevant securities of Water Hall*

As at the close of business on 19 July 2013 (being the latest practicable date prior to the publication of this document), Petards had no interests in relevant securities of Water Hall.

4.6 *Interests of Petards Directors in relevant securities of Water Hall*

As at the close of business on 19 July 2013 (being the latest practicable date prior to the publication of this document), the interests (as defined in section 820 of the Act) of Petards Directors and their immediate families, related trusts and connected persons, all of which are beneficial unless otherwise stated, in relevant securities of Water Hall (including options in respect of Water Hall Shares) were as follows:

<i>Name</i>	<i>Number of Water Hall Shares</i>	<i>% of Water Hall issued share capital</i>
Raschid Abdullah <i>(note 1)</i>	9,648,942	12.12
Osman Abdullah <i>(note 2)</i>	9,665,575	12.14

Notes:

1. Raschid Abdullah holds beneficially 9,648,862 Water Hall Shares registered in the name of WB Nominees Limited, of which 9,271,695 are held via a self-invested personal pension plan. The remainder of his holding is held directly.
2. Osman Abdullah holds beneficially 2,151,992 Water Hall Shares via a self-invested personal pension plan which are registered in the name of WB Nominees Limited. The remainder of his holding is held directly.

Raschid Abdullah is interested in 3,500,000 options to subscribe for new ordinary shares of 1 pence each in Water Hall at an exercise price of 3p per share at any time on or before 10 October 2014.

Osman Abdullah is interested in 3,500,000 options to subscribe for new ordinary shares of 1 pence each in Water Hall at an exercise price of 3p per share exercisable at any time on or before 10 October 2014.

4.7 *Interests of persons acting in concert with Petards in relevant securities of Water Hall*

As at the close of business on 19 July 2013 (being the latest practicable date prior to the publication of this document), there were no persons acting in concert with Petards (other than the Petards Directors) who were interested in relevant securities of Water Hall.

4.8 *Interests of persons with whom Petards has an arrangement in relevant securities of Water Hall*

As at the close of business on 19 July 2013 (being the latest practicable date prior to the publication of this document), no person with whom Petards or any persons acting in concert with Petards (other than the Petards Directors) and save for the Irrevocable Undertakings, details of which are set out in paragraph 6.8 below, has an arrangement was interested in any relevant securities of Water Hall.

4.9 *Borrowing or lending of relevant securities of Water Hall by Water Hall*

As at the close of business on 19 July 2013 (being the latest practicable date prior to the publication of this document), Water Hall and persons acting in concert with Water Hall had not borrowed or lent (including for these purposes any financial collateral arrangements of the kind referred to in Note 4 to Rule 4.6 of the Code) relevant securities of Water Hall.

4.10 *Borrowing or lending of relevant securities of Water Hall by Petards*

As at the close of business on 19 July 2013 (being the latest practicable date prior to the publication of this document), neither Petards nor any person acting in concert with Petards had borrowed or lent (including for these purposes any financial collateral arrangements of the kind referred to in Note 4 to Rule 4.6 of the Code) any relevant securities of Water Hall.

5. Significant shareholdings

As at the close of business on 19 July 2013 (being the latest practicable date prior to the publication of this document), Water Hall had been notified of the following substantial interests in Water Hall Shares.

<i>Name</i>	<i>Number of shares</i>	<i>%</i>
El-Khereiji Financial Company WLL	14,974,054	18.80
Charwell Investments Limited	13,556,739	17.02
O Abdullah	9,665,575	12.14
R Abdullah	9,648,942	12.12
M Zahid	5,000,000	6.28
Y Zahid	5,000,000	6.28

El-Khereiji Financial Company WLL is also the sole holder of the Water Hall Loan Note which is convertible, at the holder's option at any time on or before 15 October 2015, into a maximum of 8,000,000 new ordinary shares of 1 pence each in Water Hall at a conversion price of 2.5p per share.

6. Dealings in Water Hall Shares

6.1 *Dealings in relevant securities of Water Hall by Water Hall Directors*

There were no dealings in the relevant securities of Water Hall between the commencement of the Offer Period and the last day of the Disclosure Period by the Water Hall Directors or their immediate families, related trusts and connected persons.

6.2 *Dealings in relevant securities of Water Hall by persons acting in concert with Water Hall*

There were no dealings in the relevant securities of Water Hall between the commencement of the Offer Period and the last day of the Disclosure Period by any person acting in concert with Water Hall.

6.3 *Dealings in relevant securities of Water Hall by persons with whom Water Hall has an arrangement*

There were no dealings in the relevant securities of Water Hall between the commencement of the Offer Period and the last day of the Disclosure Period by persons with whom Water Hall or any person acting in concert with Water Hall has an arrangement.

6.4 *Dealings in relevant securities of Water Hall by Petards and the Petards Directors*

Save as disclosed below, there were no dealings in the relevant securities of Water Hall during the Disclosure Period by Petards, the Petards Directors or their immediate families, related trusts and connected persons.

<i>Name</i>	<i>Date</i>	<i>Nature of transaction</i>	<i>Number of Water Hall Shares</i>	<i>Price per Water Hall Share</i>
Raschid Abdullah	21 December 2012	Purchase of shares	233,285	2.0p
Osman Abdullah	21 December 2012	Purchase of shares	250,000	2.025p
Raschid Abdullah	14 February 2013	Purchase of shares	3,486,417	2.25p
Osman Abdullah	14 February 2013	Purchase of shares	7,513,583	2.25p

6.5 *Dealings in relevant securities of Water Hall by persons acting in concert with Petards*

There were no dealings in the relevant securities of Water Hall during the Disclosure Period by persons acting in concert with Petards.

6.6 *Dealings in relevant securities of Water Hall by persons with whom Petards has an arrangement*

There were no dealings in the relevant securities of Water Hall during the Disclosure Period by persons with whom Petards or any person acting in concert with Petards has an arrangement.

6.7 *Purchases and redemptions of Water Hall Shares*

There were no purchases or redemptions by Water Hall of relevant securities of Water Hall during the Disclosure Period.

6.8 *Irrevocable Undertakings*

Irrevocable undertakings to accept, or procure the acceptance of, the Offer have been received by Petards from the following persons in respect of the following interests in Water Hall Shares:

(a) Water Hall Directors and Mr Osman Abdullah

<i>Name</i>	<i>Number of Water Hall Shares</i>	<i>% of Water Hall issued share capital</i>
Raschid Abdullah (<i>Chairman</i>)	9,648,942	12.12
Roger Musson (<i>Director</i>)	419,312	0.53
Osman Abdullah (<i>Senior Employee</i>)	9,665,575	12.14

Pursuant to the Irrevocable Undertakings, the Water Hall Directors and Mr Osman Abdullah have also agreed that, following the making of appropriate proposals to the holders of options under the Water Hall Share Option Schemes, they will each accept such appropriate proposals within 10 business days of such proposals being made in respect of their holdings of such options as follows:

<i>Name</i>	<i>Number of shares subject to options under the Water Hall Share Option Schemes</i>
Raschid Abdullah (<i>Chairman</i>)	3,500,000
Roger Musson (<i>Director</i>)	600,000
Osman Abdullah (<i>Senior Employee</i>)	3,500,000

(b) Water Hall Shareholders

<i>Name</i>	<i>Number of Water Hall Shares</i>	<i>% of Water Hall issued share capital</i>
Charwell Investments Limited	13,556,739	17.02
Yousuf Zahid	5,000,000	6.28
Majid Zahid	5,000,000	6.28

(c) Further details of Irrevocable Undertakings

All of the undertakings in paragraphs 6.8(a) and (b) above will cease to have effect in the event that (i) the Offer Document has not been posted within 28 days of the date of the Announcement, or such later time as may be agreed by the Panel, or (ii) if the Offer is withdrawn or lapses.

7. Dealings in Petards Shares

7.1 Dealings in relevant securities of Petards by Petards Directors

Dealings in the relevant securities of Petards during the Disclosure Period by the Petards Directors and their immediate families, related trusts and connected persons were as follows:

<i>Name</i>	<i>Date</i>	<i>Nature of transaction</i>	<i>Number of Petards Shares</i>	<i>Price (p)</i>
Andy Wonnacott	22 November 2012	Purchase	20,000	25
Terry Connolly	22 November 2012	Purchase	30,000	25
Bill Conn	22 November 2012	Purchase	21,201	25

7.2 Dealings in relevant securities of Petards by persons acting in concert with Petards

Dealings in the relevant securities of Petards during the Disclosure Period by the following persons acting in concert with Petards (other than the Petards Directors) were as follows:

<i>Name</i>	<i>Date</i>	<i>Nature of transaction</i>	<i>Number of Petards Shares</i>	<i>Price (p)</i>
Discretionary clients of WH Ireland	20 November 2012	Purchase	1,184,000	25

7.3 Dealings in relevant securities of Petards by persons with whom Petards has an arrangement

There were no dealings in relevant securities of Petards during the Disclosure Period by any person with whom Petards (or any person acting in concert with Petards) has an arrangement.

7.4 Dealings in relevant securities of Petards by Water Hall and the Water Hall Directors

There were no dealings in relevant securities of Petards between the commencement of the Offer Period and the last day of the Disclosure Period by Water Hall, the Water Hall Directors and their immediate families, related trusts and connected persons.

7.5 Dealings in relevant securities of Petards by persons acting in concert with Water Hall

There were no dealings in relevant securities of Petards between the commencement of the Offer Period and the last day of the Disclosure Period by any person acting in concert with Water Hall.

7.6 Dealings in relevant securities of Petards by persons with whom Water Hall has an arrangement

There were no dealings in relevant securities of Petards between the commencement of the Offer Period and the last day of the Disclosure Period by any person with whom Water Hall (or any person acting in concert with Water Hall) has an arrangement.

7.7 Purchases and redemptions of Petards Shares

There were no purchases or redemptions by Petards of relevant securities of Petards between the commencement of the Offer Period and the last day of the Disclosure Period .

8. Interests and dealings – General

- 8.1 As at the last day of the Disclosure Period, save as disclosed in this document, neither Petards, nor any of the Petards Directors, nor any member of their immediate families, related trusts or (so far as the Petards Directors are aware) connected persons nor any persons acting in concert with Petards nor any person with whom Petards or any person acting in concert with Petards has an arrangement had an interest in or right to subscribe for any relevant securities of Petards or Water Hall (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 acquire another person to purchase or take delivery, nor had any of the foregoing dealt in any relevant securities of Petards or Water Hall during the Disclosure Period.

- 8.2 As at the last day of the Disclosure Period, save as disclosed in this document, neither Petards nor any person acting in concert with Petards has borrowed or lent (including for these purposes any financial collateral arrangements of the kind referred to in Note 4 to Rule 4.6 of the Code) any relevant securities of Water Hall or Petards.
- 8.3 As at the last day of the Disclosure Period, save as disclosed in this document, neither Water Hall, nor any of Water Hall Directors, nor any member of their immediate families, related trusts nor (so far as Water Hall Directors are aware) connected persons had an interest or right to subscribe for relevant securities of Water Hall or any relevant securities of Petards (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, nor had any of the foregoing dealt in any relevant securities of Water Hall or any relevant securities of Petards from the commencement of the Offer Period until the last day of the Disclosure Period.
- 8.4 As at the last day of the Disclosure Period, save as disclosed in this document, no person acting in concert with Water Hall and no person who has an arrangement with Water Hall had an interest in or right to subscribe for any relevant securities of Water Hall or Petards (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, nor had any of the foregoing dealt in any relevant securities of Water Hall or Petards from the commencement of the Offer Period until the last day of the Disclosure Period.
- 8.5 As at the last day of the Disclosure Period, save as disclosed in this document, neither Water Hall nor any person acting in concert with Water Hall has borrowed or lent (including for these purposes any financial collateral arrangements of the kind referred to in Note 4 to Rule 4.6 of the Code) any relevant securities of Water Hall.
- 8.6 As at the last day of the Disclosure Period, save as disclosed in this document, there were no arrangements between Water Hall or any person acting in concert with Water Hall and any other person.
- 8.7 As at the last day of the Disclosure Period, Water Hall has not redeemed or purchased any Water Hall Shares or any securities convertible into, rights to subscribe for or options in respect of, or derivatives referenced to Water Hall Shares during the Disclosure Period.
- 8.8 As at the last day of the Disclosure Period, Petards has not redeemed or purchased any Petards Shares or any securities convertible into, rights to subscribe for or options in respect of, or derivatives referenced to Petards Shares between the commencement of the Offer Period and the last day of the Disclosure Period.
- 8.9 For the purposes of this Appendix 4:
- (a) “acting in concert” has the meaning set out in the Code;
 - (b) “arrangement” has the meaning set out in Note 11 to the definition of acting in concert;
 - (c) “dealing” or “dealt” includes the following:
 - (i) the acquisition or disposal of securities;
 - (ii) the taking, granting, acquisition, disposal, entering into, closing out, termination, exercise (by either party) or variation of an option (including a traded option contract) in respect of any relevant securities;
 - (iii) subscribing or agreeing to subscribe for relevant securities;
 - (iv) the exercise or conversion, whether in respect of new or existing relevant securities, of any relevant securities carrying conversion or subscription rights;
 - (v) the acquisition of, disposal of, entering into, closing out, exercise (by either party) of any rights under, or variation of, a derivative referenced, directly or indirectly, to relevant securities;
 - (vi) entering into, terminating or varying the terms of any agreement to purchase or sell relevant securities; and

- (vii) any other action resulting, or which may result, in an increase or decrease in the number of relevant securities in which a person is interested or in respect of which he has a short position;
- (d) “derivative” includes any financial product whose value, in whole or in part, is determined directly or indirectly by reference to the price of an underlying security;
- (e) “Disclosure Period” means the period commencing on 1 July 2012 (being the date 12 months prior to the commencement of the Offer Period) and ending on 19 July 2013 (being the latest practicable date prior to the publication of this document);
- (f) “relevant securities of Petards” means Petards Shares and securities convertible into, or rights to subscribe for, options (including traded options) in respect thereof and derivatives referenced thereto;
- (g) “relevant securities of Water Hall” means Water Hall Shares and securities convertible into, or rights to subscribe for, options (including traded options) in respect thereof and derivatives referenced thereto;
- (h) ownership or control of 20 per cent. or more of the equity share capital is regarded as the test of associated company status and “control” means an interest or interests in shares carrying 30 per cent. or more of the voting rights attributable to the share capital of a company which are currently exercisable at a general meeting, irrespective of whether the holding or aggregate holding gives *de facto* control; and
- (i) a person is treated as having an “interest in relevant securities” if he has long economic exposure, whether absolute or conditional, to changes in the price of those securities (and a person who only has a short position in securities is not treated as interested in those securities). In particular, a person is treated as “interested” in securities if:
 - (i) he owns them;
 - (ii) he has the right (whether conditional or absolute) to exercise or direct the exercise of the voting rights attaching to them or has general control of them;
 - (iii) by virtue of any agreement to purchase, option or derivative, he;
 - (A) has the right or option to acquire them or call for their delivery; or
 - (B) is under an obligation to take delivery of them,
 whether the right, option or obligation is conditional or absolute and whether it is in the money or otherwise; or
 - (iv) he is a party to any derivative:
 - (A) whose value is determined by reference to their price; and
 - (B) which results, or may result, in his having a long position in them.

9. Market quotations

The following table shows the Closing Price of a Water Hall Share as derived from the data aggregations services on:

- (a) the first Business Day of each of the six months immediately prior to the date of this document;
- (b) 28 June 2013, being the last Business Day prior to the commencement of the Offer Period; and

(c) 19 July 2013, being the last practicable date prior to the publication of this document:

<i>Date</i>	<i>Price per Water Hall Share (p)</i>	<i>Price per Petards Share (p)</i>
1 February	2	22
1 March	2	22.5
1 April	2	22.5
1 May	1.625	17.5
3 June	1.5	17
28 June	2	16.5
1 July	2.375	14.5
19 July	2.25	12.5

10. Material contracts

10.1 Save for the Water Hall Facility disclosed in paragraph 10.2(d) below, the only contract entered into by Petards otherwise than in the ordinary course of business during the period commencing on 1 July 2011 (the date two years before the commencement date of the Offer Period) and ended on 19 July 2013 (the latest practicable date before the date of this document) which is or may be material for disclosure is a placing agreement entered into on 19 November 2012 between the Company and WH Ireland (the "Placing Agreement") pursuant to which WH Ireland agreed, subject to certain conditions, to act as agent for the Company and to use its reasonable endeavours to procure placees to subscribe for the 1,346,298 Petards Shares not taken up by qualifying shareholders pursuant to an open offer made by the Company on 26 October 2012 (the "Placing Shares") (the "Placing"). The Placing Agreement contained warranties from the Company in favour of WH Ireland in relation to certain matters relating to the Petards Group and its business. In addition, the Company agreed to indemnify WH Ireland in respect of certain liabilities it may incur in respect of the Placing. The Company paid WH Ireland a commission of 5 per cent. on the value of the Placing Shares at the placing price of 25 pence per Placing Share together with any applicable VAT. Additionally, the Company agreed to pay the costs and expenses of the Placing, including the reasonable expenses of WH Ireland (including any applicable VAT).

10.2 Save as disclosed below, there have been no contracts entered into by Water Hall otherwise than in the ordinary course of business during the period commencing on 1 July 2011 (the date two years before the commencement date of the Offer Period) and ended on 19 July 2013 (the latest practicable date before the date of this document) which are or may be material for disclosure:

(a) On 24 April 2012, Water Hall entered into a conditional sale agreement with Lyons 54 Limited (the "Purchaser") relating to the disposal of Water Hall (England) Limited ("WHE"). The disposal was completed on 11 May 2012. The initial consideration under the sale agreement was £1.00, paid at completion, subject to adjustment on the determination of completion accounts. Following finalisation of the completion accounts, an adjustment of approximately £1,500 was made. Water Hall also received repayment of inter-company debt of £1,249,999 in aggregate due by WHE. Water Hall provided customary warranties in respect of WHE (subject to knowledge qualifiers, disclosure and materiality thresholds). Water Hall's liability under the warranties is limited in amount to £250,000 and limited in time to 18 months following completion. The sale agreement contains a tax covenant in favour of the Purchaser which includes customary provisions relating to the tax affairs of WHE as at completion. Water Hall's liability under the tax covenant is for seven years from completion, and is limited to £1,000,000. Water Hall has agreed to indemnify the Purchaser upon the occurrence of certain items including: (i) any landfill tax, costs or expenses due by WHE to HMRC for payment of landfill tax due in respect of a refund of a qualifying contribution made by SQ Environmental Trust Limited; (ii) all and any penalties, costs, fines and expenses incurred by WHE in consequence of any proceedings brought by the Environmental Agency in relation to an underground fire identified on 12 January 2012; and (iii) any costs, reasonably incurred by WHE, in connection with proceedings which Water Hall requires WHE to make in its name against HMRC pursuant to a deed of assignment dated 2 March 2012.

(b) On 21 June 2013, Water Hall realised through the market its entire general portfolio for an amount in aggregate of £562,058 in cash (before expenses). In addition, Water Hall sold on the same date its entire holding of 800,000 ordinary shares in Lloyds Banking Group Plc for £498,399.

- (c) On 27 June 2013, Water Hall entered into a debt purchase agreement (the “Debt Purchase Agreement”) with the Bankers pursuant to which the Bankers assigned to Water Hall their full rights under the working capital facility letters and the receivables finance agreement provided by the Banks to Petards (the “Petards Working Capital Facility”) together with the assignment of the Bankers’ security to Water Hall. The rate of interest payable under the Petards Working Capital Facility on any drawings is charged at the annual rate of 4 per cent. over the Bank of Scotland base rate. The total consideration paid by Water Hall to the Bankers for the amount then owing by Petards under the Petards Working Capital Facility and other associated trading and transaction costs was £664,557 in cash, which was funded from Water Hall’s existing cash balances. The Petards Working Capital Facility, which was secured by a number of debentures and charges over the assets and business of Petards and its subsidiaries, comprising Petards Limited and Petards Joyce-Loebl Limited, had a limit of £1,650,000.
- (d) Pursuant to a facility agreement dated 28 June 2013 (the “Water Hall Facility”), Water Hall has agreed to continue to make a working capital facility for general corporate purposes/working capital of up to £1.65 million available to Petards, on broadly similar terms to the Petards Bank Debt subject to the grant of new security to Water Hall comprising fixed and floating charges over the assets of Petards and its subsidiaries. The Water Hall Facility carries an interest rate of 4 per cent. per annum above Bank of England base rate by reference to monthly interest periods and a default rate of 3 per cent. per annum above the interest rate. The review date for extending the Water Hall Facility is the day before each anniversary of the date of the facility agreement. In addition, under the Water Hall Facility, Water Hall may demand payment of outstanding amounts under the Water Hall Facility and/or cancel the Water Hall Facility if a period of 3 months has elapsed since the date upon which (i) Water Hall determines that (acting in its sole discretion) it is no longer in a position to make the Water Hall Facility available or (ii) Water Hall determines that (acting in its sole discretion) a borrower or the Petards Group has been acquired (in whole or in part), or has merged or amalgamated with any other person. Under the Water Hall Facility, an arrangement fee of £20,625 is to be paid on the first interest payment date.

11. Service Contracts

11.1 Set out below are details of the service agreements of each of the Water Hall Directors:

- (a) Mr Raschid Abdullah is employed as executive chairman of Water Hall pursuant to the terms of a service agreement dated 29 October 2004 (as amended). The agreement is terminable by at least six months’ written notice given by either party to the other or in certain other circumstances including Mr Abdullah becoming bankrupt or of unsound mind, being guilty of fraud or being convicted of any criminal offence (other than a non-custodial road traffic offence). If Mr Abdullah is prevented from working by reason of physical or mental illness or injury for a total of 180 or more days in any 12 consecutive calendar months, Water Hall is entitled to discontinue payment in whole or part of his salary whilst the incapacity continues and also to terminate the agreement forthwith on written notice. Mr Abdullah’s current annual salary under the agreement is £121,000 per annum but, until further notice from Mr Abdullah to Water Hall, he has agreed to accept a reduction in his annual salary to £75,000 per annum with effect from 1 May 2013. In addition to his salary, Mr Abdullah is entitled to be considered for payment of a bonus, after completion of the audit in each year, up to a maximum of 35 per cent. of his basic salary by reference to the previous year’s performance and to be repaid all out of pocket expenses properly incurred by him in the performance of his duties under the agreement. Mr Abdullah is also entitled to a company car, appropriate medical health insurance cover commensurate with his position and life insurance cover equal to four times his annual basic salary. Mr Abdullah is subject to certain obligations to keep confidential information of Water Hall secret (both before and after the termination date of the agreement). Mr Abdullah is also subject to certain non-competition and non-solicitation covenants for a period of six months following termination of his employment. The agreement does not contain an express statement of the governing law.
- (b) Mr Roger Musson is employed as an executive director of Water Hall pursuant to the terms of a service agreement dated 6 June 2001 (as amended). Mr Musson also acts as secretary of Water Hall. The agreement is terminable by at least six months’ written notice given by either party to the other or in certain other circumstances including Mr Musson becoming bankrupt or of unsound mind, being guilty of fraud or being convicted of any criminal offence (other than a non-custodial road traffic offence). If Mr Musson is prevented from working by reason of sickness,

injury or incapacity for a consecutive period of 6 months or for 130 working days in aggregate in any 12 consecutive calendar months, Water Hall is entitled to discontinue payment in whole or part of his salary whilst the incapacity continues and also to terminate the agreement on one month's written notice. Mr Musson's current annual salary under the agreement is £36,000 per annum but, until further notice from Mr Musson to Water Hall, he has agreed to accept a reduction in his annual salary to £15,000 per annum with effect from 1 May 2013. Mr Musson is also entitled to receive all reasonable out of pocket expenses properly incurred by him in the performance of his duties under the agreement. Mr Musson has in previous years received a discretionary performance related bonus at the discretion of the board of Water Hall. Mr Musson is also obliged to keep secret any confidential information of Water Hall (both before and after the termination date of his agreement) and is also subject to certain non-competition and non-solicitation covenants for a period of three months following the termination of his employment. The agreement does not contain an express statement of the governing law.

11.2 Set out below are the details of the service agreement of Mr Osman Abdullah, a senior employee of Water Hall:

Mr Osman Abdullah was originally appointed to be chief executive of Water Hall's then principal operating subsidiary, Water Hall (England) Limited, which was sold in 2012, pursuant to the terms of a service agreement with Water Hall dated 11 June 2004 (as amended). Following such sale, Mr Abdullah has continued as a senior employee of Water Hall under the terms of such agreement. The agreement is terminable by at least six months' written notice given by either party to the other or in certain other circumstances including Mr Abdullah becoming bankrupt or of unsound mind, being guilty of fraud or being convicted of any criminal offence (other than a non-custodial road traffic offence). If Mr Abdullah is prevented from working by reason of physical or mental illness or injury for a total of 180 or more days in any 12 consecutive calendar months, Water Hall is entitled to discontinue payment in whole or part of his salary whilst the incapacity continues and also to terminate the agreement forthwith on written notice. Mr Abdullah's current annual salary under the agreement is £118,000 per annum but, until further notice from Mr Abdullah to Water Hall, he has agreed to accept a reduction in his annual salary to £50,000 per annum with effect from 1 May 2013. In addition to his salary, Mr Abdullah is entitled to be considered for payment of a bonus, after completion of the audit in each year, up to a maximum of 35 per cent. of his basic salary by reference to the previous year's performance and to be repaid all out of pocket expenses properly incurred by him in the performance of his duties under the agreement. Mr Abdullah is also entitled to a company car, appropriate medical health insurance cover commensurate with his position and life insurance cover equal to four times his annual basic salary. Mr Abdullah is subject to certain obligations to keep confidential information of Water Hall secret (both before and after the termination date of the agreement). Mr Abdullah is also subject to certain non-competition and non-solicitation covenants for a period of six months following termination of his employment. The agreement does not contain an express statement of the governing law.

12. Ratings

12.1 As far as Petards is aware, no rating agency has publicly accorded Petard any current credit rating or outlook.

12.2 As far as Water Hall is aware, no rating agency has publicly accorded Water Hall any current credit rating or outlook.

13. Significant change

13.1 Save as disclosed in this document, there has been no significant change in the financial or trading position of Petards since 31 December 2012 (the date to which the latest published audited accounts of Petards were prepared).

13.2 Save as disclosed in this document, there has been no significant change in the financial or trading position of Water Hall since 31 December 2012 (the date to which the latest published audited accounts of Water Hall were prepared).

14. Persons acting in concert

- 14.1 The only person (other than the Petards Directors and members of the Petards Group) acting in concert with Petards in respect of the Offer is WH Ireland, of 24 Martin Lane, London EC4R 0DR which is acting as a connected adviser under the Code.
- 14.2 The only persons (other than the Water Hall Directors and members of the Water Hall Group) acting in concert with Water Hall in respect of the Offer are Mr Osman Abdullah and Beaumont Cornish of Cedar House, Sandbrook Business Park, Sanbrook Way, Rochdale OL11 1LQ which is acting as a connected adviser under the Code.

15. Litigation

15.1 *Petards Group*

There have been no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which Petards is aware) during the 12 months preceding the date of this document which may have, or have had in the recent past, significant effects on the financial position or profitability of Petards and/or the Petards Group nor, so far as Petards is aware, are any such proceedings pending or threatened.

15.2 *Water Hall Group*

There have been no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which Water Hall is aware) during the 12 months preceding the date of this document which may have, or have had in the recent past, significant effects on the financial position or profitability of Water Hall and/or Water Hall Group nor, so far as Water Hall is aware, are any such proceedings pending or threatened.

16. Financing arrangements

It is estimated that full acceptance of the Offer (assuming full conversion of the Water Hall Loan Note and no exercise of options under the Water Hall Share Option Schemes) would require the issue by Petards of a maximum of approximately up to 10,954,844 new Petards Shares and up to £1,752,775 Convertible Loan Notes in Petards.

17. Fees and expenses

17.1 *Petards' fees and expenses*

The following table sets out an estimate of the aggregate fees and expenses (excluding VAT) expected to be incurred by Petards in connection with the Offer (assuming full acceptance).

Estimated cost (£)

Financial and corporate broking advice	£60,000
Legal advice	£43,000
Other costs and expenses	£38,000
Aggregate fees and expenses	£141,000

17.2 *Water Hall's fees and expenses*

The following table sets out an estimate of the aggregate fees and expenses (excluding VAT) expected to be incurred by Water Hall in connection with the Offer.

Estimated cost (£)

Financial and corporate broking advice	£40,000
Legal advice	£30,000
Other costs and expenses	£5,000
Aggregate fees and expenses	£75,000

18. General

- 18.1 Save as disclosed in this document, no agreement, arrangement or understanding (including any compensation arrangement) exists between any member of the Petards Group or any person acting in concert with it for the purpose of the Offer, and any of the directors, recent directors, shareholders or recent shareholders of Water Hall (or any person interested or recently interested in Water Hall Shares) having any connection with or dependence upon the Offer.
- 18.2 Save as disclosed in this document, no proposal exists in connection with the Offer regarding any incentivisation arrangement with members of Water Hall management who are interested in Water Hall Shares that any payment or other benefit be made or given by Petards, or any person acting in concert with Petards to any Water Hall Director as compensation for loss of office or as consideration for or in connection with his retirement from office.
- 18.3 Save as disclosed in this document, there is no agreement, arrangement or understanding by which any of the Water Hall Shares acquired by Petards pursuant to the Offer will be transferred to any other person, save that Petards reserves the right to transfer any such Water Hall Shares acquired to any member of the Petards Group.
- 18.4 There are no agreements or arrangements to which Petards is a party which relate to the circumstances in which it may or may not invoke or seek to invoke a condition of the Offer.
- 18.5 The emoluments of the current Petards Directors will not be affected by the Offer.
- 18.6 WH Ireland has given and has not withdrawn its written consent to the issue of this document with the inclusion herein of the references to its name in the form and context in which it appears.
- 18.7 Beaumont Cornish has given and has not withdrawn its written consent to the issue of this document with the inclusion herein of the references to its name in the form and context in which it appears.
- 18.8 All references to time in this document and the Form of Acceptance are to London time unless the context requires otherwise.

19. Documents on display

- 19.1 A copy of this document is available free of charge at the websites of Water Hall and Petards at (respectively) www.waterhallgroupplc.com and www.petards.com until the end of the Offer Period (or, if later, the end of any competition reference period).
- 19.2 Copies of the following documents have been published on the websites of Water Hall and Petards websites at (respectively) www.waterhallgroupplc.com and www.petards.com and will be available until the end of the Offer Period (or, if later, the end of any competition reference period):
- (a) the Irrevocable Undertakings to accept (or procure the acceptance of) the Offer referred to in paragraph 6.8 above;
 - (b) the articles of association of Petards;
 - (c) the articles of association of Water Hall;
 - (d) the consent letters referred to in paragraph 18 above of WH Ireland and Beaumont Cornish;
 - (e) the material contracts referred to in paragraph 10 above;
 - (f) the Form of Acceptance;
 - (g) the valuation of the Convertible Loan Note;
 - (h) the Convertible Loan Note Instrument; and
 - (i) this document and the Announcement.
- 19.3 For the avoidance of doubt, the content of the websites referred to in paragraphs 19.1 and 19.2 above is not incorporated into and does not form part of this document.

APPENDIX 6

BASES AND SOURCES

Unless otherwise stated in this document:

- (a) financial information relating to Water Hall has been extracted from the audited accounts of Water Hall for the financial year ended 31 December 2012;
- (b) financial information relating to Petards has been extracted from the audited accounts of Petards for the financial year ended 31 December 2012;
- (c) all share prices for Petards Shares and Water Hall Shares are derived from the AIM Appendix to the Daily Official List;
- (d) all prices quoted for Petards Shares and Water Hall Shares are Closing Prices;
- (e) there are 10,866,445 Petards Shares in issue as at the date of this document;
- (f) the Offer value of the entire issued and to be issued share capital of Water Hall of approximately £3.56 million is based on the existing issued share capital of Water Hall of 79,638,755 Water Hall Shares and assuming the issue of a further 8,000,000 new Water Hall Shares on full conversion of the Water Hall Loan Note;
- (g) a maximum of 10,954,844 new Petards Shares in aggregate will be issued assuming full acceptance of the Offer, full conversion of the Water Hall Loan Note, no exercise of any share options under the Water Hall Share Option Schemes and ignoring fractional entitlements to New Petards Shares or Convertible Loan Notes; and
- (h) on full conversion of the Convertible Loan Notes, a maximum of 32,864,532 new Petards Shares in aggregate will be issued assuming full acceptance of the Offer, full conversion of the Water Hall Loan Note, no exercise of any share options under the Water Hall Share Option Schemes and ignoring fractional entitlements to new Petards Shares or Convertible Loan Notes.
- (i) the *pro forma* valuation of Petards referred to in paragraph 6 of Part II is based on full acceptance of the Offer and full conversion of the Water Hall Loan Note.

APPENDIX 7

DEFINITIONS

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

“Act”	the Companies Act 2006 as amended from time to time
“AIM”	a market operated by the London Stock Exchange
“Announcement”	the announcement of the Offer made by Petards on 1 July 2013
“Australia”	the commonwealth of Australia, its states, territories and possessions
“Bankers”	Petards’ former bankers, Lloyds TSB Commercial Finance Limited and Bank of Scotland Plc
“Beaumont Cornish”	Beaumont Cornish Limited, Water Hall’s Rule 3 adviser, authorised and regulated by the FCA
“business day”	any day which is not a Saturday, a Sunday or a public holiday in England and Wales
“Canada”	Canada, its possessions, provinces and territories and all areas subject to its jurisdiction or any political subdivision thereof
“certificated” or “in certificated form”	in relation to a share or other security, not in uncertificated form (that is, not in CREST)
“Closing Price”	the closing middle market quotation on the relevant date of a share as derived from the AIM Appendix of the Daily Official List
“Code”	the City Code on Takeovers and Mergers issued by the Panel
“connected person”	has the meaning given to that term in section 252 of the Act
“Convertible Loan Note Instrument”	the instrument constituting the Convertible Loan Notes, the principal terms of which are summarised in Appendix 4 of this document
“Convertible Loan Notes”	the unsecured convertible redeemable notes of £1 each to be issued by Petards pursuant to the Offer, further details of which are contained in this document
“CREST”	the relevant system (as defined in the Regulations) in respect of which Euroclear is the operator
“CREST Manual”	the manual issued by Euroclear from time to time
“CREST member”	a person who has been admitted by Euroclear as a system-member (as defined in the Regulations)
“CREST participant”	a person who is, in relation to CREST, a system - participant (as defined in the Regulations)
“CREST payment”	has the meaning given to that term in the CREST Manual
“CREST sponsor”	a CREST participant admitted to CREST as a CREST sponsor
“CREST sponsored member”	a CREST member admitted to CREST as a sponsored member

“Daily Official List”	the Daily Official List of the London Stock Exchange
“Day 21”	13 August 2013
“Dealing Disclosure”	the announcement concerning dealings in relevant securities of any party to the Offer required for the purposes of Rule 8 of the Code
“Disclosed”	means (i) as disclosed in Water Hall’s report and accounts for the year ended 31 December 2012; (ii) as publicly announced by Water Hall (by the delivery of an announcement to an authorised Regulatory Information Service prior to 1 July 2013); (iii) as disclosed in this document; or (iv) as otherwise disclosed in writing, or in the documentation or written information provided, to Petards or its advisers by or on behalf of Water Hall prior to 1 July 2013 in the context of the Offer
“EC Merger Regulation”	Council Regulation 139/2004/EC (as amended)
“Electronic Acceptance”	the inputting and settling of a TTE Instruction which constitutes or is deemed to constitute an acceptance of the Offer on the terms set out in this document
“electronic form”	as defined in the Code
“Enlarged Group”	Petards as enlarged by the acquisition of Water Hall pursuant to the Offer
“ESA Instruction”	an Escrow Account Adjustment Input (AESN), transaction type "ESA" (as described in the CREST Manual)
“Euroclear”	Euroclear UK & Ireland Limited
“Form of Acceptance”	the form of acceptance and authority for use by holders of certificated Water Hall Shares in connection with the Offer
“FCA”	the Financial Conduct Authority
“FSMA”	the Financial Services and Markets Act 2000 (as amended)
“General Meeting”	the general meeting of Petards to be convened for 8 August 2013 at which, <i>inter alia</i> , the Resolutions will be proposed
“hard copy form”	as defined in the Code
“HMRC”	HM Revenue & Customs
“Independent Petards Directors”	the directors of Petards other than Raschid Abdullah and Osman Abdullah
“Independent Water Hall Director”	Roger Musson
“Irrevocable Undertakings”	the irrevocable undertakings given by certain Water Hall Shareholders as described in paragraph 6.8 of Appendix 5 of this document
“Japan”	Japan, its cities, prefectures, territories and possessions
“Letter from Petards”	the letter from the Independent Petards Directors set out in Part II of this document
“Listing Rules”	the Listing Rules of the FCA made pursuant to section 73A of FSMA

“London Stock Exchange”	London Stock Exchange plc
“New Petards Shares”	the new Petards Shares to be issued pursuant to the Offer
“Offer”	the recommended offer to be made by Petards, on the terms and subject to the conditions set out in this document and (in respect of certificated Water Hall Shares) the Form of Acceptance to acquire all of the Water Hall Shares (including, where the context requires, any subsequent revision, variation, extension or renewal of such offer)
“Offer Document”	this document
“Offer Period”	the period commencing 1 July 2013 and ending in accordance with the rules of the Code
“Official List”	the Official List of the UK Listing Authority
“Opening Position Disclosure”	the 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 required for the purposes of Rule 8 of the Code
“Overseas Shareholders”	person resident in, or citizens of, jurisdictions outside the UK
“Panel”	the Panel on Takeovers and Mergers
“Participant ID”	the identification code or membership number used in CREST to identify a particular CREST member or other CREST participant
“Petards” or “the Company”	Petards Group plc
“Petards Bank Debt”	the debt formerly owed by Petards to its Bankers
“Petards Directors” or “Petards Board”	the directors of Petards at the date of this document
“Petards Group”	Petards and its subsidiary undertakings at the date of this document
“Petards Shareholder”	a holder of Petards Shares
“Petards Shares”	ordinary shares 1 pence each in the capital of Petards
“persons with information rights”	as defined in the Code
“pounds”, “£” or “pence”	the lawful currency of the United Kingdom
“Regulations”	the Uncertificated Securities Regulations 2001 (S.I. 2001 No. 3755)
“Regulatory Information Service”	any channel recognised as a channel for the dissemination of regulatory information by listed companies as defined in the Listing Rules
“Resolution”	the resolution required to obtain the necessary authorities to allot and issue the New Petards Shares and the Convertible Loan Notes in connection with the Offer to be proposed at the General Meeting
“Restricted Jurisdiction”	the United States, Canada, Australia or Japan or any other jurisdiction where the making of, extension or acceptance of the Offer would violate the law of that jurisdiction

“TTE Instruction”	a transfer to escrow instruction (as defined in the CREST Manual)
“UK Listing Authority”	the FCA acting in its capacity as the competent authority for the purposes of Part VI of FSMA
“uncertificated” or “in uncertificated form”	in relation to a share or other security, recorded on the relevant register in uncertificated form in CREST and title to which, by virtue of the Regulations, may be transferred by means of CREST
“United Kingdom” or “UK”	the United Kingdom of Great Britain and Northern Ireland
“US” or “United States”	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia and all other areas subject to its jurisdiction
“Water Hall”	Water Hall Group plc
“Water Hall Directors” or “Water Hall Board”	the directors of Water Hall at the date of this document
Water Hall Facility Agreement”	the agreement dated 28 June 2013 between, amongst others, Petards and Water Hall regarding the Water Hall Facility
“Water Hall Facility”	the working capital facility of up to £1,650,000 made available pursuant to the Water Hall Facility Agreement
“Water Hall Group”	Water Hall and its subsidiary undertakings at the date of this document
“Water Hall Loan Note”	the £200,000 convertible unsecured loan note issued by Water Hall and dated 6 February 2013
“Water Hall Options”	options or other rights to acquire Water Hall Shares under the Water Hall Share Option Schemes
“Water Hall Optionholders”	holders of Water Hall Options
“Water Hall Shareholders”	holders of Water Hall Shares
“Water Hall Shares”	the existing unconditionally allotted or issued and fully paid (or credited as fully paid) ordinary shares of 1 pence each in the capital of Water Hall and any further such shares which are unconditionally allotted or issued fully paid or credited as fully paid before the date on which the Offer ceases to be open for acceptance (or such earlier date, as Petards may, subject to the Code, decide)
“Water Hall Share Option Schemes”	the Water Hall Group plc Executive Share Option Scheme 2004 comprising an approved scheme, an unapproved scheme and an Enterprise Management Incentive scheme
“WH Ireland”	WH Ireland Limited, nominated adviser and financial adviser to Petards authorised and regulated by the FCA

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