

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the Offer or what action you should take, you are recommended to seek your own personal financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 (as amended) if you are resident in the United Kingdom or, if not, from another appropriately authorised independent financial adviser in the relevant jurisdiction.

This document (and any documents incorporated into it by reference) should be read in conjunction with the accompanying Form of Acceptance (if you hold Phaunos Shares in certificated form). If you hold your Phaunos Shares as a CREST sponsored member, you should refer to your CREST sponsor before complying with the procedures set out in paragraph 13.2 of Part I of this document.

If you have sold or otherwise transferred all of your Phaunos Shares, please forward this document and any accompanying documents (but not any personalised Form of Acceptance and reply-paid envelope if you hold your Phaunos Shares in certificated form) as soon as possible to the buyer or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for delivery to the buyer or transferee. **However, such documents should not be mailed, forwarded, transmitted or distributed, in whole or in part, in, into or from any jurisdiction where to do so would constitute a violation of the relevant law of that jurisdiction (a “Restricted Jurisdiction”).** If you have sold or transferred only part of your holding of Phaunos Shares, you should retain these documents and consult the stockbroker, bank or other agent through whom the sale or transfer was effected.

ALL-CASH OFFER

for

PHAUNOS TIMBER FUND LIMITED

by

MAHOGANY BIDCO LIMITED (“STAFFORD BIDCO”)

a company ultimately controlled by

STAFFORD CAPITAL PARTNERS LIMITED

You should read carefully the whole of this document (and any documents incorporated into it by reference) and, if your Phaunos Shares are held in certificated form, the Form of Acceptance.

The procedure for acceptance of the Offer is set out in paragraph 13 of Part I of this document, in Section C and Section D of Part II of this document and, in respect of Phaunos Shares held in certificated form, in the Form of Acceptance.

The release, publication or distribution of this document in, into or from jurisdictions other than the United Kingdom or Guernsey and the availability of the Offer to Phaunos Shareholders who are not resident in the United Kingdom or Guernsey may be restricted by the laws of those jurisdictions. Therefore, persons into whose possession this document comes should inform themselves about, and observe, any applicable restrictions. Any failure to comply with such restrictions may constitute a violation of the securities law of any such jurisdiction. This document does not constitute an offer to sell or issue, nor the solicitation of an offer to buy or subscribe for, any shares in any jurisdiction in which such offer or solicitation is unlawful.

To accept the Offer in respect of Phaunos Shares held in certificated form, the accompanying Form of Acceptance should be completed, signed and returned as soon as possible and, in any event, so as to be received by post to Computershare at Corporate Actions Project, Bristol, BS99 6AH or by hand to Computershare at The Pavilions, Bridgwater Road, Bristol, BS13 8AE no later than 1.00 p.m. (London time) on 21 August 2018.

To accept the Offer in respect of Phaunos Shares held in uncertificated form, an Electronic Acceptance must be made and must settle as soon as possible and, in any event, by no later than 1.00 p.m. on 21 August 2018. 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 Instruction to Euroclear.

If you have any questions about this document or are in any doubt as to how to complete the Form of Acceptance (if you hold Phaunos Shares in certificated form), or if you want to request a hard copy of this document (and/or any information incorporated into it by reference from another source), please contact the Receiving Agent, Computershare on 0370 707 1011 (from within the UK) or on +44 370 707 1011 (if calling from outside the UK). Lines are open from 8.30 a.m. to 5.00 p.m. (London time) Monday to Friday (excluding UK public holidays). Calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Offer nor give any financial, legal or tax advice.

Capitalised words and expressions used in this document shall have the meanings given to them in Part VI of this document.

This Offer is subject to the jurisdiction of the Panel.

Lancea LLP, which is authorised and regulated by the Financial Conduct Authority in the United Kingdom, is acting exclusively for Stafford and Stafford Bidco and for no one else in connection with the Offer and will not be responsible to anyone other than Stafford and Stafford Bidco for providing the protections afforded to its clients or for providing advice in connection with the Offer.

IMPORTANT NOTICE

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

The statements contained in this document are made as at the date of this document, unless some other time is specified in relation to them, and service of this document shall not give rise to any implication that there has been no change in the facts set out in this document since such date. No dealer, salesperson or other person is authorised to give any information or to make any representations with respect to the Offer other than such information or representations contained in this document and, if given or made, such information or representations must not be relied upon as having been authorised by Stafford or Stafford Bidco.

OVERSEAS SHAREHOLDERS

The Offer is not being, and will not be, made directly or indirectly, in or into any Restricted Jurisdiction, and will not be capable of acceptance from within any Restricted Jurisdiction. Accordingly, copies of this document and the accompanying Form of Acceptance are not being, and must not be, directly or indirectly, mailed, transmitted or otherwise forwarded, distributed or sent in, into or from any Restricted Jurisdiction and persons receiving this document and the accompanying Form of Acceptance (including, without limitation, any agent, nominee, custodian or trustee) must not mail or otherwise forward, distribute or send it in, into or from such jurisdiction. Any person (including, without limitation, any agent, nominee, custodian or trustee) who has a contractual or legal obligation, or may otherwise intend, to forward this document and/or any other related document to a jurisdiction outside the United Kingdom or Guernsey should seek appropriate professional advice before any action and inform themselves of, and observe, any applicable legal or regulatory requirements of their jurisdiction and must not mail, send or otherwise forward or distribute this document and/or any other related document in, into or from any Restricted Jurisdiction. Doing so may render any purported acceptance of the Offer invalid. Such persons should read paragraph 3 of Section C and paragraph 3 of Section D of Part II of this document before taking any action. To the fullest extent permitted by applicable law, the companies and persons involved in the Offer disclaim any responsibility and liability for the violation of such restrictions by any person.

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

All Phaunos Shareholders (including, without limitation, nominees, trustees or custodians) who intend to forward this document and any accompanying documents to any jurisdiction outside the United Kingdom or Guernsey should read paragraph 6 of Section B of Part II of this document and seek appropriate advice before taking any action.

NOTICE TO US HOLDERS OF PHAUNOS SHARES

The Offer is made for securities of a company domiciled in Guernsey and Phaunos Shareholders in the United States should be aware that this document, the Form of Acceptance and any other formal documentation relating to the Offer have been or will be prepared in accordance with English law, Guernsey law and the Code and applicable disclosure requirements, format and style thereunder, all of which differ from those in the United States.

The Offer is being made in the United States pursuant to applicable US tender offer rules, including Regulation 14E under the Exchange Act, and securities laws and otherwise in accordance with the requirements of English law, Guernsey law, the Code, the Panel, the London Stock Exchange, the FCA and the GFSC. Accordingly, the Offer is subject to disclosure and other procedural requirements, including with respect to withdrawal rights, offer timetable, settlement procedures and timing of payments that are different from those applicable under United States domestic tender offer procedures and law. The Offer is made in the United States by Stafford Bidco and no one else.

Neither the US Securities Exchange Commission nor any US state securities commission has approved or disapproved the Offer or passed upon the adequacy or completeness of this document. It may be difficult for US holders of Phaunos securities to enforce their rights under and any claim arising out of the US federal securities laws, since Stafford Bidco and Phaunos are located outside the United States, and some or all of their officers and directors may be resident outside the United States. US Phaunos Shareholders may not be able to sue a non-US company or its officers or directors in a non-US court for violations of the US securities laws. Further, it may be difficult to compel a non-US company and its affiliates to subject themselves to a US court's judgement and a US court may lack jurisdiction over such persons.

The receipt of cash pursuant to the Offer may have tax consequences in the United States and under other applicable tax laws and such consequences, if any, are not described herein. US Phaunos Shareholders are urged to consult with their own legal, tax and financial advisers in connection with making a decision regarding the Offer.

To the extent permitted by applicable law, in accordance with, and to the extent permitted by, the Code and normal UK market practice, Stafford Bidco or nominees or brokers of Stafford Bidco (acting as agents) or their respective affiliates may from time to time make certain purchases of, or arrangements to purchase, Phaunos Shares or other Phaunos securities other than pursuant to the Offer at any time prior to completion of the Offer. These purchases may occur either in the open market at prevailing prices or in private transactions at negotiated prices. Any such purchases, or arrangements to purchase, will comply with all applicable UK and Guernsey rules including the requirements of the Code and the Listing Rules to the extent applicable, and Regulation 14E under the US Exchange Act, including Rule 14e-5, to the extent applicable. To the extent required to be disclosed in accordance with applicable regulatory requirements, information about any such purchases will be disclosed on a next day basis to the Panel and will be available from any Regulatory Information Service, including the Regulatory News Service on the London Stock Exchange website, www.londonstockexchange.com. To the extent that such information is required to be publicly disclosed in the United Kingdom in accordance with applicable regulatory requirements, this information will as applicable also be publicly disclosed in the United States.

CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

This document and other information published by Stafford or Stafford Bidco may contain statements which are, or may be deemed to be, "forward-looking statements". Forward-looking statements are prospective in nature and are not based on historical facts, but rather on current expectations and projections of the management of Stafford or Stafford Bidco (as applicable) about future events, and are therefore subject to risks and uncertainties which could cause actual results to differ materially from the future results expressed or implied by the forward-looking statements.

The forward-looking statements contained in this document include, among others, statements relating to the potential exposure of Phaunos to market risks, and statements expressing management's expectations, beliefs, estimates, forecasts, projections and assumptions.

Although Stafford and Stafford Bidco believe that the expectations reflected in such forward-looking statements are reasonable, they can give no assurance that such expectations will prove to be correct. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by such forward-looking statements. Such

forward-looking statements should therefore be construed in the light of such factors. All forward-looking statements contained in this document are expressly qualified in their entirety by the cautionary notes contained or referred to in this section, and you are cautioned not to place undue reliance on these forward-looking statements.

Neither Stafford nor Stafford Bidco nor any of its or their associates or directors, officers or advisers, provides any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in this document will actually occur.

Other than in accordance with their legal or regulatory obligations, neither Stafford nor Stafford Bidco is under any obligation, and both Stafford and Stafford Bidco expressly disclaim any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

NO PROFIT FORECASTS OR ESTIMATES

Nothing in this document is intended or shall be deemed to be a forecast, projection or estimate of the future financial performance of Stafford or the Wider Stafford Bidco Group or Phaunos or the Wider Phaunos Group and no statement in this document should be interpreted to mean that earnings or earnings per share of Stafford or Phaunos (where relevant) for the current or future financial years would necessarily match or exceed the historical published earnings or earnings per share for Stafford, Stafford Bidco or Phaunos, as appropriate.

OPENING POSITION AND DEALING DISCLOSURE REQUIREMENTS

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

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

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

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

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

PUBLICATION ON WEBSITE AND AVAILABILITY OF HARD COPIES

This document, together with those documents listed in paragraph 11 of Part V and all information incorporated into this document by reference to another source will be available on Stafford's website at www.staffordcp.com as soon as possible and, in any event, by no later than 12 noon (London time) on 1 August 2018. The content of this website is not incorporated into, and does not form part of, this document.

You may request a hard copy of this document (and/or any information incorporated into it by reference from another source), by contacting the Receiving Agent, Computershare, on 0370 707 1011 (from within the UK) or on +44 370 707 1011 (if calling from outside the UK). Lines are open from 8.30 a.m. to 5.00 p.m. (London time) Monday to Friday (excluding UK public holidays). Calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Offer nor give any financial, legal or tax advice.

Copies of this document and any other document relating to the Offer may not be mailed, distributed, forwarded or otherwise transmitted or made available in, into or from any jurisdiction where this would violate applicable law (including by custodians, nominees and trustees).

INFORMATION RELATING TO PHAUNOS SHAREHOLDERS

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

ROUNDING

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

DEFINITIONS

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

DATE OF PUBLICATION

The date of publication of this document is 31 July 2018.

TO ACCEPT THE OFFER

If you hold your Phaunos Shares, or any of them, in certificated form (that is, not in CREST), to accept the Offer, you should complete, sign and return the enclosed Form of Acceptance along with your share certificate(s) and/or any other appropriate documents of title by post to Computershare at Corporate Actions Projects, Bristol, BS99 6AH or by hand (during normal business hours only) to Computershare at The Pavilions, Bridgwater Road, Bristol, BS13 8AE so as to be received by Computershare as soon as possible but, in any event, **by no later than 1.00 p.m. (London time) on 21 August 2018.**

If you are posting in the UK, the enclosed reply-paid envelope has been provided for your convenience.

Further details on the procedures for acceptance of the Offer if you hold any of your Phaunos Shares in certificated form are contained in paragraph 13.1 of the letter from Stafford Bidco set out in Part I of this document.

If you hold your Phaunos Shares, or any of them, in uncertificated form (that is, in CREST), you should follow the procedure for Electronic Acceptance through CREST so that the relevant TTE instruction settles as soon as possible but, in any event, **by no later than 1.00 p.m. (London time) on 21 August 2018.**

If you hold your Phaunos Shares as a CREST sponsored member, you should refer to your CREST sponsor as only your CREST sponsor will be able to send the necessary instructions to Euroclear.

Further details on the procedures for acceptance of the Offer if you hold any of your Phaunos Shares in uncertificated form are contained in paragraph 13.2 of the letter from Stafford Bidco set out in Part I of this document.

**THE FIRST CLOSING DATE OF THE OFFER IS
1.00 P.M. (LONDON TIME) ON 21 AUGUST 2018**

HELPLINE

If you have any questions about this document or are in any doubt as to how to complete the Form of Acceptance (if you hold Phaunos Shares in certificated form), or if you want to request a hard copy of this document (and/or any information incorporated into it by reference from another source), please contact the Receiving Agent, Computershare, on 0370 707 1011 (from within the UK) or on +44 370 707 1011 (if calling from outside the UK). Lines are open from 8.30 a.m. to 5.00 p.m. (London time) Monday to Friday (excluding UK public holidays). Calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Offer nor give any financial, legal or tax advice.

This page should be read in conjunction with the rest of this document (and the information incorporated by reference into it) and, in the case of holders of Phaunos Shares in certificated form, the Form of Acceptance. Your attention is drawn, in particular, to paragraph 13 of the letter from Stafford Bidco contained in Part I of this document, which sets out in detail the procedures for acceptance of the Offer, and to the Conditions and further terms of the Offer set out on Part II of this document and, in the case of Phaunos Shares held in certificated form, in the Form of Acceptance. Phaunos Shareholders are recommended to seek financial advice from their stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 (as amended) if they are resident in the United Kingdom or, if not, from another appropriately authorised independent financial adviser in the relevant jurisdiction.

**ACCEPTANCES OF THE OFFER MUST BE RECEIVED
BY 1.00 P.M. (LONDON TIME) ON 21 AUGUST 2018**

IMPORTANT DATES AND TIMES

The dates and times set out below in connection with the Offer may change in accordance with the terms and Conditions of the Offer, as described in this document.

<u>Event</u>	<u>Time and/or Date</u>
Announcement of the Offer	3 July 2018
Publication of this document	31 July 2018
First Closing Date	1.00 p.m. on 21 August 2018

Future dates are indicative only and are subject to change, in which event details of the new times and dates will be announced via a RIS.

References to times and dates in this document are to London times and dates.

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The Offer values Phaunos's entire issued and to be issued share capital at approximately US\$244.2 million (on a fully diluted basis).

If any dividend, distribution, share repurchase payment or return of capital in respect of the Phaunos Shares is announced, declared, made or paid on or after the date of the Offer Announcement, Stafford Bidco has the right to reduce the Offer Price payable for each Phaunos Share under the terms of the Offer by the amount of such dividend, distribution, share repurchase payment or return of capital.

The Phaunos Shares will be acquired under the Offer fully paid and free from all liens, charges, equitable interests, charges, encumbrances, rights of pre-emption and other third party rights of any nature whatsoever and together with all rights attaching to them as at the date of this document or subsequently attaching or accruing to them, save for the right to receive any other dividend, distribution, share repurchase payment and/or return of capital in respect of which a corresponding reduction has been made to the Offer Price in accordance with paragraph 2.13 of Section A of Part II of this document.

The Offer extends to any Phaunos Shares not already owned, or agreed to be acquired, by Stafford Bidco or any of its concert parties and which are unconditionally allotted or issued fully paid before the Offer closes (or such earlier date as Stafford Bidco may, in accordance with the Conditions and further terms of the Offer, decide).

The Offer is subject to the Conditions and certain further terms set out in Part II of this document and also (in respect of shares held in certificated form) in the Form of Acceptance. In particular, the Offer is conditional upon:

- valid acceptances (which have not been withdrawn) being received in respect of Phaunos Shares which comprise not less than 90 per cent. in value of the Phaunos Shares affected (as calculated in accordance with Part XVIII of the Companies Law), as set out in paragraph 1.1 of Section A of Part II of this document;
- the Matariki Interest not having been disposed of, transferred, mortgaged or charged, nor having had any security interest created over it, nor ceasing to be available to Phaunos, and no right arising under which the Matariki Interest could be required to be disposed of, transferred, mortgaged or charged, or could cease to be available to Phaunos; and
- any consents or approvals required under the New Zealand Overseas Investment Act 2005 or the New Zealand Overseas Investment Regulations 2005 in respect of the Offer having been granted (or being deemed to have been granted in accordance with the relevant law) provided that such consent or approval is on terms satisfactory to Stafford Bidco.

Stafford Bidco confirms that it considers the Condition relating to the Matariki Interest described above to be of material significance to Stafford Bidco in the context of the Acquisition, although it notes that this Condition remains subject to the application of Rule 13.5 of the Code.

The Offer can only become effective if all Conditions to the Offer have been satisfied or, where applicable, waived. Subject to the satisfaction or, where applicable, waiver of the Conditions, it is expected that the completion of the Acquisition will occur before the end of October 2018 following the receipt of clearance from the New Zealand Overseas Investment Office (the "OIO").

Stafford's engagement with the OIO to date has been positive and the OIO has informed Stafford that it intends to process its application for approval on an urgent basis. Accordingly, Stafford continues to believe that the relevant clearance from the OIO will be obtained within the parameters permitted by the Code timetable and remains committed to completing the Acquisition as soon as possible.

3. Background to and reasons for the Offer

Background

At Phaunos's 2017 AGM, the majority of votes submitted were against continuing the Company (the "Continuation Vote"). Phaunos Shareholders subsequently approved an orderly realisation of its assets, and Pöyry were appointed as sales agents on 28 November 2017 to manage this asset realisation process (the "Asset Realisation Process"). The Phaunos Board has indicated that the realisation of the Company's assets pursuant to the Asset Realisation Process may take between 14 and 20 months from the end of April 2018, and has highlighted that this timeline is subject to material uncertainties, which may result in extensions of it. Stafford estimates that the time value of money for the receipt by Phaunos Shareholders of the proceeds from

the Offer relative to the Asset Realisation Process in accordance with the expected timetable could amount to US\$0.03 to US\$0.04 per Phaunos Share.

Stafford understands that indicative offers of interest from prospective purchasers of Phaunos's assets were expected to have been received by now though no announcement has yet been made by Phaunos in this regard. However, Stafford does note the announcement by Phaunos on 29 June 2018 that Phaunos has exercised its rights to initiate a voluntary exit mechanism pursuant to the shareholder agreement relating to the Aurora Forestal asset. Stafford expects that this will result in the incurrence of real estate transfer taxes, appraisal costs and legal costs. Stafford is of the opinion that, following completion of this voluntary exit, the assets which Phaunos will hold will be sub-scale in an over-supplied wood-supply market and so will be difficult to sell.

Stafford acted as the Investment Manager for Phaunos from July 2014 until February 2018, when its contract terminated following Stafford's decision to resign in July 2017 as a result of the outcome of the Continuation Vote. During its tenure as Investment Manager, Stafford was widely recognised for leading a positive turnaround of the Company. This included reducing the percentage of higher risk assets in the portfolio from 36 per cent. to 13 per cent. of the net asset value between June 2014 and December 2016, reducing portfolio debt from approximately 20 per cent. in 2014 to approximately one per cent. of the net asset value in 2016, reducing annual running expenses from US\$21.9 million to US\$7.3 million between 31 December 2013 and 31 December 2016, and increasing the cash and cash equivalents owned by Phaunos from US\$4.9 million at 30 June 2014 to US\$45.6 million at 31 December 2016. In addition, at the time of the Continuation Vote, Stafford supported a five-year continuation of Phaunos which, in Stafford's opinion, would have afforded the opportunity to build on the positive turnaround that had been achieved and potentially to grow the Company's assets further for the benefit of Phaunos Shareholders.

Phaunos Net Asset Value

Stafford notes that the reported net asset value of Phaunos for the year ended 31 December 2017 was US\$0.51 per Phaunos Share (the "**2017 NAV Per Share**"), an approximately 7 per cent. reduction from the US\$0.55 per share net asset value of the Company as at 31 December 2016. However, the expected realisation range stated by the Phaunos Board in the Phaunos 2017 Annual Report was increased from US\$0.42 – US\$0.52 to US\$0.45 – US\$0.57 per share. Stafford notes the 19 per cent. increase in the stated net realisable value of the Company's Matariki Interest between 31 December 2016 and 31 December 2017 respectively (as stated in the applicable Phaunos Annual Report), and believes that corresponding downward adjustments will likely have been made to the net asset value of certain South American assets owned by Phaunos in order to produce the 2017 NAV Per Share figure. Stafford also believes that, in order to realise shareholder returns at a level which would be equivalent to the sale of the Company at a price of US\$0.57 per Phaunos Share, Phaunos would need to dispose of the Matariki Interest at a premium of 27 per cent. to the revised independent valuation of its net asset value whilst achieving an aggregate amount of not less than the stated net asset value of the remaining assets (including the Aurora Forestal asset, the Greenwood Tree Farm Fund and National Timber Partners) in the Phaunos portfolio, or possibly higher depending on liquidation and other running costs of Phaunos.

Based on its extensive industry knowledge and experience and its view that the 2017 NAV Per Share figure already captures the recent increase in New Zealand timberland values, Stafford does not believe that such a high premium will be achieved for the Matariki Interest or that all of the remaining assets will be sold at their respective net asset values within the 14 to 20 months from the end of April 2018 as stated in the Phaunos 2017 Annual Report.

Stafford also notes the currency fluctuations that have occurred since the Company's last published net asset value as at 31 December 2017 of US\$280.3 million (the "**2017 NAV**"), notably in the New Zealand Dollar and the Brazilian Real in relation to which Phaunos has stated that it has a significant exposure. Based on the conversion rates against the United States dollar utilised for these currencies in the Phaunos 2017 Annual Report and their prevailing exchange rates as at 29 June 2018, the New Zealand Dollar and the Brazilian Real have depreciated by approximately 5.1 per cent. and 19.7 per cent. respectively, against the United States dollar in this intervening period. Stafford estimates that the impact of these currency depreciations could have resulted in a decrease in the 2017 NAV of US\$14.1 million and in the 2017 NAV Per Share of US\$0.0282 per Phaunos Share for this period. Were this to have occurred, Stafford's Offer would represent a premium of approximately 1.2 per cent. relative to Stafford's estimate of the prevailing net asset value per Phaunos Share as at 29 June 2018.

The Offer

Stafford believes that the Offer represents an excellent opportunity for Phaunos Shareholders to realise in cash their full investment in the Company at a premium to the prevailing share price of Phaunos Shares prior to the commencement of the Offer Period. It is also Stafford's view that the likelihood of achieving, over time, higher net proceeds than those implied by its Offer is relatively low and is outweighed by the potential downside for Phaunos Shareholders in light of the execution and market risks inherent in the Asset Realisation Process.

Stafford had hoped to receive support from the Phaunos Board for the Offer for the reasons set out above but unfortunately this has not been forthcoming.

Stafford also reiterates its position previously outlined that it is not participating in the Asset Realisation Process and confirms that it does not have any intention to participate in this process in the future.

Urgent questions the Phaunos Board needs to answer

Stafford believes that, in order to be able to make their own assessment of the realisation value of indicative offers received pursuant to the Asset Realisation Process and the likely timing of any subsequent returns of capital to Phaunos Shareholders, Phaunos Shareholders need to receive satisfactory responses to the following questions.

- On 14 June 2018, the Phaunos Board released an announcement stating that it had been preparing for the sale of the asset portfolio since 17 August 2017 and it was anticipated that initial indications of interest ("**Indications of Interest**") would be received on or around 28 June 2018. On 3 July 2018 the Phaunos Board stated that it was assessing these Indications of Interest but has provided no detail to Phaunos Shareholders as to how these Indications of Interest compared with the Offer from Stafford Bidco. **Does the Phaunos Board intend to provide Phaunos Shareholders with any information on the Indications of Interest received, including any conditionality, so as to enable Phaunos Shareholders to compare them with the Offer from Stafford Bidco? In addition, what premium does the Phaunos Board consider necessary to compare these Indications of Interest, which Stafford Bidco considers are likely to be non-binding and subject to due diligence, relative to the Offer from Stafford Bidco, which is fully-funded, not subject to further due diligence and capable of acceptance by Phaunos Shareholders from today?**
- **What will be the timing of cash distributions arising from the sales under the Asset Realisation Process to Phaunos Shareholders? Will there be any cash distribution this year?**
- Phaunos is yet to hold its annual general meeting in 2018. We understand that the Phaunos Board is required to hold this annual general meeting within 15 months of the 2017 AGM, which was held on 19 June 2017. Indeed, Phaunos has held its annual general meeting in June every year for the past five years. **Why therefore has the Phaunos Board delayed this year's annual general meeting and where and when does it expect that it will take place?** Stafford considers this will be an opportunity for direct communication between the Phaunos Board and Phaunos Shareholders about the Offer from Stafford Bidco and the Indications of Interest.
- Other than to describe the Offer as "highly opportunistic", the Phaunos Board has not given a detailed response to Stafford concerning its Offer. **What are the Phaunos Board's views on the Offer and on what substantiated basis does the Phaunos Board believe that it can achieve a significantly higher return for Phaunos Shareholders than the return available from the Offer?**
- **When will Phaunos's net asset value as at 30 June 2018 be published?**
- **Will the Phaunos Board publish its estimates of the general running costs and costs of the Asset Realisation Process through to its completion, including:**
 - > ongoing management and operational costs;
 - > audit, valuation, sales agents and other professional fees;
 - > directors' remuneration, including directors' fees, additional consultancy fees and any other fees, costs or expenses payable to, or incurred by, the Phaunos Board; and what these costs will be if the Offer is accepted; and
 - > liquidators' fees?

- **What are the Phaunos Board’s estimates of the retentions required following the disposals under the Asset Realisation Process and the future cash costs of maintaining those assets not included in this process?**
- **What are the Phaunos Board’s estimates of the timing and costs of the eventual liquidation of Phaunos?**
- **In the event that the Phaunos Board recommends that Phaunos Shareholders reject the Offer, can the Phaunos Board offer Phaunos Shareholders concrete reassurance on valuation and timing of distributions such that they will not be in a worse position by virtue of the Phaunos Board proceeding with the Asset Realisation Process?**

That the Phaunos Board has been unable to provide sufficient information to Phaunos Shareholders to address these questions highlights the level of uncertainty associated with the Asset Realisation Process and reinforces Stafford’s view that the likelihood of the Phaunos Board returning to Phaunos Shareholders, over time, higher net proceeds from the Asset Realisation Process than from acceptance by Phaunos Shareholders of the Offer is relatively low.

In light of these factors, Stafford urges Phaunos Shareholders to accept the Offer which Stafford continues to believe represents an excellent opportunity for Phaunos Shareholders to realise in cash their full investment in the Company at a premium to the prevailing share price of Phaunos Shares prior to the commencement of the Offer Period.

4. Information relating to Stafford, Stafford International Timberland Fund VIII and Stafford Bidco

Stafford

Stafford has US\$5.4 billion under management and advice from over 75 institutional investors in Europe, the United States and Australia, providing investment management and advisory services in alternative assets. Founded in 2000, Stafford has specialist investment teams in agriculture, credit, infrastructure, private equity, sustainable capital, timber and venture capital. The teams are spread across offices in Austin, Boston, Curitiba, Hanover, London, Sydney and Zurich and have a significant global presence. Stafford has adopted the United Nations Principles for Responsible Investment.

Stafford operates as an independent asset management group owned by its management team and is controlled by two of its founders, Richard Bowley and Geoffrey Norman. Stafford is authorised and regulated by the Financial Conduct Authority in the United Kingdom.

Stafford’s timber investment team provides fund management and advisory services to institutions seeking global timberland exposure achieved through pooled investment vehicles and co-investment opportunities in transactions. It has developed a track record of providing timberland exposure through diverse investment opportunities and leverages its extensive timberland experience throughout the investment process.

Stafford International Timberland Fund VIII

In May 2018, Stafford announced the final close of Stafford International Timberland Fund VIII of US\$612.5 million from investors in the UK, Europe and the United States, close to 21 per cent. of which has already been committed to investments. Stafford International Timberland Fund VIII, which is a commingled fund comprising three limited partnerships (two of which are registered in England and one in Delaware) ultimately controlled by Stafford, is a specialist timberland fund providing liquidity to limited partners in existing timberland funds through the secondary market, additional equity for timberland managers through co-investment and separate account opportunities, and equity for new timberland funds. The limited partners of Stafford International Timberland Fund VIII include corporate pension funds, public body pension plans, insurance companies and high net worth individuals.

Stafford Bidco

Stafford Bidco is a company incorporated in England on 28 June 2018 and formed solely for the purposes of implementing the Offer on behalf of Stafford International Timberland Fund VIII. It is wholly-owned by Stafford International Timberland Fund VIII and ultimately controlled by Stafford. The directors of Stafford Bidco are Stephen Addicott, Geoffrey Norman, Angus Whiteley and Vince Cao. Stafford Bidco has not traded since its incorporation, nor has it entered into any obligations other than in connection with the implementation of the Offer.

5. Financial effects of the Acquisition

With effect from the date upon which the Offer becomes, or is declared, wholly unconditional, the earnings, assets and liabilities of the Stafford International Timberland Fund VIII, of which Stafford Bidco is a wholly-owned subsidiary, will include the consolidated earnings, assets and liabilities of Phaunos on such date.

6. No access to non-public information

The information in this document concerning Phaunos has been obtained from publicly available information. Stafford has not had access to due diligence information in connection with the Offer other than limited information received for the purpose of Stafford Bidco's application to the OIO. Although Stafford has no knowledge that would indicate that the information relating to Phaunos is inaccurate or incomplete, Stafford cannot verify it.

7. Information relating to Phaunos

Phaunos is a Guernsey-domiciled authorised closed-ended investment scheme, authorised by the GFSC under section 8 of The Protection of Investors (Bailiwick of Guernsey) Law, 1987 (as amended) and the Authorised Closed-ended Investment Schemes Rules 2008 made thereunder.

Established in 2006, the Company invests in a concentrated, but diversified portfolio of timberland and timber-related investments. It holds a portfolio of timber assets located principally in New Zealand, Brazil and Uruguay.

It was announced on 19 June 2017 that the Company's further continuation resolution at its 2017 AGM had not been passed. Therefore, the Phaunos Board is currently implementing a process for the realisation of its assets, and as a consequence, the Company is now self-managed by the Phaunos Board, supported by a number of executives and service providers within the financial, forestry management and asset sale functions.

As at 31 December 2017, the Company had a stated net asset value of US\$280.3 million and stated a net asset value per Phaunos Share of US\$0.51. The Company has not announced updated net asset value figures since this date.

8. Management, employees and business of Phaunos

As noted above, Stafford has not had engagement with Phaunos's management or been granted access to non-public information to enable it to carry out its own due diligence in connection with the Offer. However based on Stafford's experience during its time as manager of Phaunos, Stafford would seek to manage the assets for the longer term benefit of the investors in Stafford International Timberland Fund VIII which would involve further analysis in order to formulate detailed plans to reflect the expected duration of the Stafford International Timberland Fund VIII, as would be expected of an experienced forestry investment manager.

The Phaunos 2017 Annual Report states that Phaunos has no employees and makes no reference to the operation of any pension schemes. After the Offer becomes, or is declared, wholly unconditional, it is intended that members of the Stafford Bidco team would assume the board positions of Phaunos in place of the existing Phaunos Board and Stafford Bidco would transfer the company secretarial and administration responsibilities from Vistra Fund Services Guernsey Limited to Stafford personnel and the Stafford International Timberland Fund VIII's administrator.

Stafford Bidco is not aware that Phaunos operates any research and development functions though it intends that the management of Phaunos's asset portfolio will be assumed by Stafford following the Offer becoming, or being declared, wholly unconditional.

In light of the intention for Stafford to manage Phaunos's asset portfolio, once Phaunos's assets have been transferred under the management of Stafford, Stafford Bidco will assess whether it is appropriate to commence a process to liquidate and deregister all wholly-owned subsidiaries of Phaunos as well as Phaunos itself. This would include ceasing to operate at the locations of Phaunos's places of business (including any headquarters or headquarters functions of Phaunos) and redeploying Phaunos's fixed assets (if any) in accordance with the intention for Stafford to manage Phaunos's asset portfolio.

9. Compulsory acquisition, delisting and cancellation of trading

If Stafford Bidco receives acceptances of the Offer in respect of not less than 90 per cent. in value of the Phaunos Shares affected (as calculated in accordance with Part XVIII of the Companies Law), Stafford Bidco intends to exercise its rights pursuant to Part XVIII of the Companies Law to acquire compulsorily, on the

same terms as the Offer, the remaining Phaunos Shares in respect of which the Offer has not at such time been accepted.

Following the Offer becoming or being declared wholly unconditional, if Stafford Bidco receives acceptances under the Offer in respect of, and/or otherwise agrees to acquire, 75 per cent. or more of the voting rights carried by Phaunos Shares, Stafford Bidco intends to procure that Phaunos shall make an application for the cancellation respectively, of the listing of Phaunos Shares on the Official List and of the trading in Phaunos Shares on the London Stock Exchange's Main Market for listed securities. A notice period of not less than 20 UK business days before the cancellation will commence on the date on which such application is made. Following the delisting, Stafford Bidco intends to procure that Phaunos relinquishes its authorisation by the GFSC as a collective investment scheme pursuant to the Protection of Investors (Bailiwick of Guernsey) Law, 1987.

Such cancellation shall significantly reduce the liquidity and marketability of any Phaunos Shares not assented to the Offer at that time, and their value may be affected as a consequence. Any remaining Phaunos Shareholders would become minority shareholders in a majority controlled limited company and may be unable to sell their Phaunos Shares and there can be no certainty that any dividends or other distributions shall be made by Phaunos or that the Phaunos Shareholders shall again be offered as much for the Phaunos Shares held by them as under the Offer.

Stafford Bidco reserves the right to increase its shareholding after the Offer has closed by buying further Phaunos Shares in the market (to the extent permitted under applicable laws and regulation), which may subsequently allow it to reach the threshold for delisting without the need to launch a further offer to all Phaunos Shareholders.

10. Financing

The cash consideration payable in connection with the Offer will be financed by a draw down from funds of Stafford International Timberland Fund VIII which are managed on a discretionary basis by Stafford.

In accordance with Rule 24.8 of the Code, Lancea LLP, as financial adviser to Stafford and Stafford Bidco, is satisfied that sufficient resources are available to Stafford Bidco to satisfy in full the cash consideration payable to Phaunos Shareholders under the terms of the Offer.

11. Overseas Shareholders

The attention of Overseas Shareholders, or other Phaunos Shareholders who would, or otherwise intend to, forward this document and any accompanying documents to any jurisdiction outside the UK, is drawn to paragraph 6 of Section B, paragraph 3 of Section C and paragraph 3 of Section D of Part II of this document.

All Phaunos Shareholders (including, without limitation, nominees, trustees or custodians) who intend to forward this document and any accompanying documents to any jurisdiction outside the United Kingdom or Guernsey should read paragraph 6 of Section B, paragraph 3 of Section C and paragraph 3 of Section D of Part II of this document and seek appropriate advice before taking any action.

The availability of the Offer to persons not resident in the United Kingdom or Guernsey may be affected by the laws of the relevant jurisdiction. Persons who are subject to the laws of any jurisdiction other than the United Kingdom or Guernsey should inform themselves about, and observe, any applicable requirements. If you remain in any doubt, you should consult your professional adviser in the relevant jurisdiction without delay.

The Offer is not being, and will not be, made directly or indirectly, in or into any Restricted Jurisdiction, and will not be capable of acceptance from within any Restricted Jurisdiction. Accordingly, accepting Phaunos Shareholders who hold their shares in certificated form and are unable to give the representations and warranties set out in paragraph 3 of Section C of Part II of this document and who put "No" in Box 3 of the Form of Acceptance will be deemed not to have validly accepted the Offer and accepting Phaunos Shareholders who hold their shares in uncertificated form and are unable to give the representations and warranties set out in paragraph 3 of Section D of Part II of this document will (subject to paragraph 6 of Section B of Part II) also be deemed not to have validly accepted the Offer.

12. United Kingdom and Guernsey taxation

Your attention is drawn to Part III of this document, headed "United Kingdom and Guernsey Taxation". If you are in any doubt as to your tax position or are subject to taxation in any jurisdiction other than the United Kingdom or Guernsey, you should consult an appropriate professional adviser immediately.

13. Procedures for acceptance of the Offer

Holders of Phaunos Shares in **certificated form** (that is, not in CREST) may only accept the Offer in respect of such Phaunos Shares by completing, signing and returning a Form of Acceptance in accordance with the procedure set out in sub-paragraph 13.1 below.

Holders of Phaunos Shares in **uncertificated** form (that is, in CREST) may only accept the Offer in respect of such Phaunos Shares by submitting an Electronic Acceptance in accordance with the procedure set out in sub-paragraph 13.2 below.

You should note that, if you hold Phaunos Shares in both certificated and uncertificated form, you should complete a Form of Acceptance for the Phaunos Shares that you hold in certificated form in accordance with sub-paragraph 13.1 below and the Phaunos Shares that you hold in uncertificated form should be dealt with in accordance with sub-paragraph 13.2 below.

If your Phaunos Shares are in the course of being converted from uncertificated to certificated form, or from certificated to uncertificated form, please refer to sub-paragraph 13.2(e) below.

13.1 *Phaunos Shares held in certificated form (that is, not in CREST)*

(a) *Completion of Form of Acceptance*

To accept the Offer in respect of Phaunos Shares held in certificated form (that is, not in CREST), you must complete the Form of Acceptance in accordance with the instructions set out below and on the Form of Acceptance. You should complete separate Forms of Acceptance for Phaunos Shares held in certificated form but under different designations.

If you have any queries as to how to complete the Form of Acceptance or wish to request additional Forms of Acceptance, please contact the Receiving Agent, Computershare, on 0370 707 1011 (from within the UK) or on +44 370 707 1011 (if calling from outside the UK). Lines are open from 8.30 a.m. to 5.00 p.m. (London time) Monday to Friday (excluding UK public holidays). Calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Offer nor give any financial, legal or tax advice.

The instructions printed on the Form of Acceptance shall be deemed to form part of the terms of the Offer.

- (i) *To accept the Offer in respect of all your Phaunos Shares in certificated form*—you must complete **Box 1** and sign **Box 2A** or **2B** of the enclosed Form of Acceptance. In all cases, if you are an individual, you must sign **Box 2A** on the Form of Acceptance in the presence of a witness who should also sign in accordance with the instructions printed on it. Any Phaunos Shareholder which is a company should execute **Box 2B** of the Form of Acceptance in accordance with the instructions printed on it. If you do not insert a number in **Box 1** of the Form of Acceptance, or if you insert in **Box 1** a number which is greater than the number of Phaunos Shares that you hold in certificated form and you have signed **Box 2A** or **2B**, your acceptance will be deemed to be in respect of all the Phaunos Shares held by you in certificated form.
- (ii) *To accept the Offer in respect of less than all your Phaunos Shares in certificated form*—you must insert in **Box 1** on the enclosed Form of Acceptance such lesser number of Phaunos Shares in respect of which you wish to accept the Offer in accordance with the instructions printed on it. You should then follow the procedure set out in paragraph 13.1(a)(i) above in respect of such lesser number of Phaunos Shares.

(b) *Return of Form of Acceptance*

To accept the Offer in respect of Phaunos Shares held in certificated form, the completed, signed and witnessed Form of Acceptance should be returned to the Receiving Agent, by post to Computershare at Corporate Actions Projects, Bristol, BS99 6AH or by hand (during normal business hours only) to Computershare at The Pavilions, Bridgwater Road, Bristol, BS13 8AE, together (subject to paragraph 13.1(c) below) with the relevant share certificate(s) and/or other document(s) of title, as soon as possible and, in any event, so as to be received not later than 1.00 p.m. (London time) on 21 August 2018. A reply-paid envelope for use in the United Kingdom only is enclosed for your convenience. No acknowledgement of receipt of documents will be given.

Any Form of Acceptance received in an envelope post-marked in a Restricted Jurisdiction, or otherwise appearing to Stafford Bidco to have been sent from any of these jurisdictions, may be rejected as an invalid acceptance of the Offer. For further information for Phaunos Shareholders resident overseas, see paragraph 11 of this Part I.

(c) *Share certificates not readily available or lost*

If your Phaunos Shares are in certificated form, a completed, signed and (where applicable) witnessed Form of Acceptance should be accompanied by the relevant share certificate(s) and/or other document(s) of title. If for any reason the relevant share certificate(s) and/or other document(s) of title is/are not readily available or is/are lost, you should nevertheless complete, sign and return the Form of Acceptance to the Receiving Agent, by post, using the enclosed reply paid envelope if you are in the United Kingdom, to Computershare at Corporate Actions Projects, Bristol, BS99 6AH or by hand (during normal business hours only) to Computershare at The Pavilions, Bridgwater Road, Bristol, BS13 8AE, as soon as possible and, in any event, so as to be received not later than 1.00 p.m. (London time) on 21 August 2018. You should send with the Form of Acceptance any share certificate(s) and/or other document(s) of title which you may have available, accompanied by a letter stating that the remaining documents will follow as soon as possible 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. If you have lost your share certificate(s) and/or other document(s) of title you should write as soon as possible to Phaunos's registrars, Link Asset Services, at Mont Crevelt House, Bulwer Avenue, St Sampson, Guernsey, GY2 4LH, requesting a letter of indemnity for the lost share certificate(s) and/or other document(s) of title which, when completed in accordance with the instructions given, should be returned by post or by hand to the Receiving Agent at the address given above.

(d) *Validity of acceptances*

Without prejudice to Section B and Section C of Part II of this document, subject to the provisions of the Code, Stafford Bidco reserves the right to treat as valid in whole or in part any acceptance of the Offer 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 payment of cash under the Offer will be made until after the relevant share certificate(s) and/or other document(s) of title or indemnities satisfactory to Stafford Bidco have been received.

(e) *Overseas Shareholders*

The attention of Phaunos Shareholders holding Phaunos Shares in certificated form and who are citizens or residents of jurisdictions outside the United Kingdom or Guernsey is drawn to paragraph 6 of Section B and paragraph 3 of Section C of Part II of this document.

13.2 Phaunos Shares held in uncertificated form (that is, in CREST)

(a) *General*

If your Phaunos Shares are in uncertificated form, to accept the Offer you should take (or procure the taking of) the making of an Electronic Acceptance as set out below to transfer the Phaunos Shares in respect of which you wish to accept the Offer to the appropriate escrow balance(s), specifying the Receiving Agent (in its capacity as a CREST participant under the Escrow Agent's participant ID referred to below) as the Escrow Agent, **as soon as possible and in any event so that the TTE Instruction settles not later than 1.00 p.m. (London time) on 21 August 2018. 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 paragraph 13.2 will (subject to satisfying the requirements set out in Section B and Section D of Part II) constitute an Electronic Acceptance of the Offer in respect of the number of Phaunos 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(s) to Euroclear in relation to your Phaunos Shares.

After settlement of a TTE Instruction, you will not be able to access the Phaunos Shares concerned in CREST for any transaction or charging purposes. If the Offer becomes, or is declared, wholly unconditional, the Escrow Agent will withdraw the Phaunos Shares which will be transferred to Stafford Bidco (or to such other person or persons as Stafford Bidco or its agents may direct) in accordance with Section D of Part II of this document.

You are recommended to refer to the CREST Manual issued by Euroclear for further information on the CREST procedures outlined below.

You should note, in particular, 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 Phaunos Shares to settle prior to 1.00 p.m. (London time) on 21 August 2018. In this connection, you are referred, in particular, to those sections of the CREST Manual concerning the practical limitations of the CREST system and timings.

(b) To accept the Offer

To accept the Offer in respect of your Phaunos Shares, you should send (or, if you are a CREST sponsored member, procure that your CREST sponsor sends) to Euroclear a TTE Instruction in relation to such Phaunos Shares. A TTE Instruction to Euroclear must be properly authenticated in accordance with Euroclear's specifications for transfers to escrow and must contain the following details:

- the ISIN for the Phaunos Shares. This is GG00BFX4LT97;
- the number of Phaunos Shares in respect of which you wish to accept the Offer (i.e. the number of Phaunos Shares to be transferred to escrow);
- your member account ID;
- your participant ID;
- the participant ID of the Escrow Agent. This is 8RA27;
- the member account ID of the Escrow Agent for the Offer. This is PHAMAH01;
- the intended settlement date. This should be as soon as possible and, in any event, not later than 1.00 p.m. (London time) on 21 August 2018;
- the corporate action number of the Offer. This is allocated by Euroclear and will be available on screen from Euroclear;
- input with a standard delivery instruction of priority of at least 80; and
- a contact name and telephone number in the shared note field.

If you hold Phaunos Shares in uncertificated form through one or more intermediaries, such as a stockbroker, custodian bank or clearing system, you should confirm the instruction deadline which such intermediaries have established to accept the Offer on your behalf. The custodian bank or stockbroker may set an earlier deadline for receiving instructions from you in order to permit the custodian bank or stockbroker to communicate acceptances to the Receiving Agent in a timely manner. **In order for acceptances to be counted towards the Acceptance Condition, you may need to take action well in advance of the announced deadline for acceptance.**

(c) Validity of Acceptances

Holders of Phaunos Shares in uncertificated form who wish to accept the Offer should note that a TTE Instruction will only be a valid acceptance of that Offer as at the relevant closing date if it has settled on or before 1.00 p.m. (London time) on that date. A Form of Acceptance which is received in respect of Phaunos Shares held in uncertificated form will be treated as an invalid acceptance and disregarded.

Stafford Bidco will make an appropriate announcement if any of the details contained in this paragraph 13.2 alter for any reason.

(d) Overseas Shareholders

The attention of Phaunos Shareholders holding Phaunos Shares in uncertificated form and who are citizens or residents of jurisdictions outside the United Kingdom or Guernsey is drawn to paragraph 6 of Section B and paragraph 3 of Section D of Part II of this document.

(e) Further information

Normal CREST procedures (including timings) apply in relation to any Phaunos Shares that are, or are to be, converted from uncertificated form to certificated form, or from certificated form to uncertificated form, during the course of the Offer (whether any such conversion arises as a result of a transfer of Phaunos Shares or

otherwise). Holders of Phaunos Shares 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 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 a Form of Acceptance or transfers to an escrow balance as described above) before 1.00 p.m. (London time) on 21 August 2018.

If you are in any doubt as to the procedure for acceptance of the Offer, please contact the Receiving Agent, Computershare, on 0370 707 1011 (from within the UK) or on +44 370 707 1011 (if calling from outside the UK). Lines are open from 8.30 a.m. to 5.00 p.m. (London time) Monday to Friday (excluding UK public holidays). Calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Offer nor give any financial, legal or tax advice.

14. Settlement

Subject to the Offer becoming, or being declared, wholly unconditional (except as provided in paragraph 6 of Section B of Part II of this document in the case of Phaunos Shareholders who are not resident in the UK), settlement of the consideration to which any Phaunos Shareholder is entitled under the Offer will be despatched to validly accepting Phaunos Shareholders (i) in the case of acceptances received, valid and complete in all respects, by the date on which the Offer becomes, or is declared, wholly unconditional, as soon as practicable and, in any event, within 14 days of the later of such date and 21 August 2018; or (ii) in the case of acceptances received, valid and complete in all respects, after such date but while the Offer remains open for acceptance, as soon as practicable and, in any event, within 14 days of such receipt, in the following manner.

14.1 *Phaunos Shares in certificated form (that is, not in CREST)*

Where an acceptance relates to Phaunos Shares in certificated form, settlement of any cash due will be despatched by first class post (or such other method as may be approved by the Panel) to accepting Phaunos Shareholders or their appointed agents (but not in a Restricted Jurisdiction). All such cash payments will be made in pounds Sterling by cheque drawn on a branch of a United Kingdom clearing bank.

14.2 *Phaunos Shares in uncertificated form (that is, in CREST)*

Where an acceptance relates to Phaunos Shares in uncertificated form, the cash consideration to which the accepting Phaunos Shareholder is entitled will be paid by means of a CREST payment in favour of the accepting Phaunos Shareholder's payment bank in respect of the cash consideration due, in accordance with CREST payment arrangements. Stafford Bidco reserves the right to settle all or any part of the consideration referred to in this paragraph, for all or any accepting Phaunos Shareholder(s), in the manner referred to in paragraph 13.1 above, if, for any reason, it wishes to do so.

14.3 *Lapsing or withdrawal of the Offer*

If the Offer does not become, or is not declared, wholly unconditional:

- (a) in the case of Phaunos Shares held in certificated form, the relevant Form of Acceptance will be returned by post (or by such other method as may be approved by the Panel) within 14 calendar days of the Offer lapsing to the person or agent whose name and address (outside a Restricted Jurisdiction) is set out in the Form of Acceptance or, if none is set out, to the first-named holder at his or her registered address (provided that no such documents will be sent to an address in a Restricted Jurisdiction); and
- (b) in the case of Phaunos Shares held in uncertificated form, the Escrow Agent will, immediately after the lapsing of the Offer (or within such longer period as the Panel may permit, not exceeding 14 calendar days of the lapsing of the Offer), give TFE instructions to Euroclear to transfer all Phaunos Shares which are 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 Phaunos Shareholders concerned.

14.4 *General*

All remittances, communications, notices, certificates and documents of title sent by, to or from Phaunos Shareholders or their appointed agents will be sent at their own risk.

15. Further information

The Offer will remain open for acceptance until 1.00 p.m. on 21 August 2018 or such later time(s) and/or date(s) as Stafford Bidco may decide in accordance with the provisions contained in paragraph 1 of Section B of Part II of this document.

Your attention is drawn to the Conditions and further terms of the Offer set out in Part II of this document and the additional information contained in Part V of this document.

16. Action to be taken

If you hold your Phaunos Shares in certificated form (that is, not in CREST), you are urged to complete, sign and return the Form of Acceptance to the Receiving Agent, by post to Computershare at Corporate Actions Projects, Bristol, BS99 6AH or by hand (during normal business hours only) to Computershare at The Pavilions, Bridgwater Road, Bristol, BS13 8AE as soon as possible but, in any event, so as to be received by no later than 1.00 p.m. on 21 August 2018. Your share certificate(s) or other document(s) 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 United Kingdom.

If you hold your Phaunos Shares in uncertificated form (that is, in CREST), you should follow the procedure set out in paragraph 13.2 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 21 August 2018.

Yours faithfully

Stephen Addicott
Director
Mahogany Bidco Limited

PART II
CONDITIONS TO AND FURTHER TERMS OF THE OFFER

Section A: Conditions to the Offer

The Offer complies with the Code, is governed by English law and is subject to the jurisdiction of the courts of England and Wales. The Offer is being made on the terms and Conditions set out in this Part II and, in respect of Phaunos Shareholders who hold their shares in certificated form, in the Form of Acceptance.

Conditions

The Offer is conditional upon:

1. Acceptance Condition

1.1 Valid acceptances of the Offer being received (and not, where permitted, withdrawn) by no later than 1.00 p.m. (London time) on the First Closing Date (or such later time(s) and/or dates(s) as Stafford Bidco may, with the consent of the Panel or in accordance with the Code, decide) in respect of Phaunos Shares which, taken together with all other Phaunos Shares which Stafford Bidco acquires or agrees to acquire (whether pursuant to the Offer or otherwise), comprise not less than 90 per cent. (or such lower percentage as Stafford Bidco may, subject to the Code, decide) in value of Phaunos Shares affected (as calculated in accordance with Part XVIII of the Companies Law), provided that this Condition will not be satisfied unless Stafford Bidco shall have acquired or agreed to acquire (whether pursuant to the Offer or otherwise) Phaunos Shares carrying more than 50 per cent. of the voting rights normally exercisable at general meetings of Phaunos, including for this purpose (to the extent (if any) required by the Panel) any such voting rights attaching to any Phaunos Shares that are unconditionally allotted or issued fully paid before the Offer becomes or is declared unconditional as to acceptances whether pursuant to the exercise of outstanding subscription or conversion rights or otherwise. For the purposes of this Condition:

- (a) Phaunos Shares which have been unconditionally allotted but not issued before the Offer becomes or is declared, unconditional as to acceptances whether pursuant to the exercise of any outstanding subscription or conversion rights or otherwise, shall be deemed to carry the voting rights which they will carry upon issue;
- (b) Phaunos Shares (if any) that cease to be held in treasury before the Offer becomes or is declared, unconditional as to acceptances are Phaunos Shares affected in accordance with Part XVIII of the Companies Law; and
- (c) the term “voting rights” shall be construed in accordance with its meaning under the Code.

In addition, the Offer is also subject to the following Conditions and, accordingly, the Offer will not become, or be declared, wholly unconditional unless the following Conditions (as amended, if appropriate) have been satisfied or, where relevant, waived:

Matariki Interest

1.2 the Matariki Interest not having been disposed of, transferred, mortgaged or charged, nor having had any security interest created over it, nor ceasing to be available to Phaunos, and no right arising under which the Matariki Interest could be required to be disposed of, transferred, mortgaged or charged, or could cease to be available to Phaunos;

OIO clearance

1.3 without limitation to the Condition set out in paragraph 1.5 of this Part II below, any consents, clearances or approvals required under the New Zealand Overseas Investment Act 2005 or the New Zealand Overseas Investment Regulations 2005 in respect of the Offer having been granted (or being deemed to have been granted in accordance with the relevant law) provided that such consent, clearance or approval is on terms satisfactory to Stafford Bidco;

Competition clearances

1.4 to the extent that, in the opinion of Stafford Bidco, any anti-trust control consents, clearances or approvals are required or desirable prior to the completion of the Offer according to the law of any other jurisdiction, all relevant notifications or filings having been made, all appropriate waiting periods (including any extensions thereof) having expired, lapsed or been terminated and all such consents, clearances or

approvals having been granted (or being deemed to have been granted in accordance with the relevant law) provided that each such consent, clearance or approval is on terms satisfactory to Stafford Bidco;

Regulatory Authority clearances, notifications, waiting periods and authorisations

1.5 other than in relation to the regulatory and competition law approvals referred to in paragraphs 1.3 and 1.4 of this Part II above, no central bank, government or governmental, quasi-governmental, supranational, statutory, administrative or regulatory body or association, institution or agency (including any trade agency) or any court or other body (including any professional or environmental body) or person in any jurisdiction (each a “**Regulatory Authority**”) having decided to take, institute or threaten any action, proceeding, suit, investigation, enquiry or reference or enacted, made or proposed and there not continuing to be outstanding any statute, regulation, order or decision that would or might reasonably be expected to:

- (a) make the Offer or the acquisition or the proposed acquisition of Phaunos Shares, or control or management of Phaunos by Stafford Bidco or any member of the Wider Stafford Bidco Group void, unenforceable or illegal in any jurisdiction or directly or indirectly prohibit or otherwise restrict, delay or interfere with the implementation of, or impose additional conditions or obligations with respect to, or otherwise challenge or require amendment to the terms of, the Offer or the acquisition or the proposed acquisition of any Phaunos Shares, or control or management of Phaunos by Stafford Bidco or any member of the Wider Stafford Bidco Group;
- (b) require, prevent or materially delay the divestiture (or alter the terms of any proposed divestiture) by the Wider Stafford Bidco Group or the Wider Phaunos Group of all or any material part of their respective businesses, assets or properties or impose any limitation on their ability to conduct all or any part of their respective businesses and to own, control or manage any of their respective assets or properties;
- (c) impose any material limitation on, or result in any material delay in, the ability of any member of the Wider Stafford Bidco Group to acquire or hold or to exercise effectively, directly or indirectly, all or any rights of ownership of shares or other securities (or the equivalent) in, or to exercise management control over, any member of the Wider Phaunos Group or on the ability of any member of the Wider Phaunos Group to hold or exercise effectively, directly or indirectly, all or any rights of ownership of shares or other securities (or the equivalent) in, or to exercise management control over, any other member of the Wider Phaunos Group;
- (d) except pursuant to the Offer or Part XVIII of the Companies Law, require any member of the Wider Stafford Bidco Group or of the Wider Phaunos Group to acquire or offer to acquire any shares or other securities (or the equivalent) or interest in any member of the Wider Phaunos Group or any member of the Wider Stafford Bidco Group owned by a third party;
- (e) require the divestiture by any member of the Wider Stafford Bidco Group of any shares, securities or other interests in any member of the Wider Phaunos Group;
- (f) impose any material limitation on, or result in any material delay in, the ability of any member of the Wider Stafford Bidco Group or the Wider Phaunos Group to integrate or co-ordinate its business, or any part of it, with the businesses or any part of the businesses of any other member of the Wider Stafford Bidco Group and/or the Wider Phaunos Group;
- (g) result in any member of the Wider Stafford Bidco Group or any member of the Wider Phaunos Group ceasing to be able to carry on business under any name under which it presently does so; or
- (h) otherwise material adversely affect the business, assets, financial or trading position or profits or prospects of any member of the Wider Stafford Bidco Group or of the Wider Phaunos Group,

and all applicable waiting and other time periods (including extensions thereof) during which any such Regulatory Authority could decide to take, institute or threaten any such action, proceeding, suit, investigation, enquiry or reference having expired, lapsed or been terminated;

1.6 other than in relation to the competition law and regulatory approvals referred to in paragraphs 1.3 and 1.4 of this Part II above, all material filings, applications and/or notifications which are necessary or reasonably considered appropriate by Stafford Bidco having been made and all relevant waiting periods and other time periods (including any extensions thereof) under any applicable legislation or regulation of any jurisdiction having expired, lapsed or been terminated and all applicable statutory or regulatory obligations in any jurisdiction having been complied with in each case in respect of the Offer and the acquisition or proposed acquisition of any shares or other securities in, or control or management of,

Phaunos or any member of the Wider Phaunos Group by any member of the Wider Stafford Bidco Group or the carrying on by any member of the Wider Phaunos Group of its business;

- 1.7 other than in relation to the competition law and regulatory approvals referred to in paragraphs 1.3 and 1.4 of this Part II above, all material authorisations, orders, grants, recognitions, confirmations, licences, consents, clearances, permissions and approvals which are necessary or reasonably considered appropriate by Stafford Bidco in any jurisdiction for or in respect of the Offer and the acquisition or proposed acquisition of any Phaunos Shares, or control of Phaunos, by Stafford Bidco or any member of the Wider Stafford Bidco Group being obtained on terms and in a form satisfactory to Stafford Bidco from appropriate Regulatory Authorities, or from any persons or bodies with whom any member of the Wider Stafford Bidco Group or the Wider Phaunos Group has entered into contractual arrangements or other material business relationships;
- 1.8 other than in relation to the competition law and regulatory approvals referred to in paragraphs 1.3 and 1.4 of this Part II above, such authorisations, orders, grants, recognitions, confirmations, licences, consents, clearances, permissions and approvals, together with all authorisations, orders, grants, recognitions, confirmations, licences, consents, clearances, permissions and approvals necessary or reasonably considered appropriate by Stafford Bidco for any member of the Wider Phaunos Group to carry on its business, remaining in full force and effect and no intimation of any intention to revoke, suspend, restrict or modify or not to renew any of the same having been made;

No injunction

- 1.9 no temporary restraining order, preliminary or permanent injunction, preliminary or permanent enjoinder, or other equivalent order threatened or issued and being in effect by a court or other Regulatory Authority which has the effect of making the acquisition of Phaunos, the Offer or the acquisition or the proposed acquisition of any shares or other securities in, or control or management of, any member of the Wider Phaunos Group by Stafford Bidco or any other member of the Wider Stafford Bidco Group, or the implementation of any of the foregoing, void, voidable, illegal and/or unenforceable under the laws of any relevant jurisdiction or otherwise directly or indirectly preventing, prohibiting or restraining the consummation of the acquisition of Phaunos or the Offer or any matter arising from the acquisition or proposed acquisition of any shares or other securities in, or control or management of, any member of the Wider Phaunos Group by Stafford Bidco or any other member of the Wider Stafford Bidco Group;

No undertakings or assurances

- 1.10 any Regulatory Authority not requiring any undertakings or assurances from Stafford Bidco, any member of the Wider Stafford Bidco Group or any member of the Wider Phaunos Group, except on terms reasonably satisfactory to Stafford Bidco, prohibiting the acquisition of Phaunos, the Offer or the acquisition or proposed acquisition of any shares or other securities in, or control or management of, any member of the Wider Phaunos Group by Stafford Bidco or any other member of the Wider Stafford Bidco Group, or the implementation of any of the foregoing, or taking any other action to directly or indirectly prevent, prohibit, retain, restrict, delay or otherwise interfere with the implementation of any of the foregoing, in each case, which is material in the context of the Wider Phaunos Group or Wider Stafford Bidco Group, taken as a whole, or in the context of the Offer;

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

- 1.11 except as Disclosed, there being no provision of any agreement, arrangement, licence or other instrument to which any member of the Wider Phaunos Group is a party or by or to which any such member or any of its assets is or may be bound, entitled or subject which, as a result of the implementation of the Offer or the acquisition or proposed acquisition by Stafford Bidco or any member of the Wider Stafford Bidco Group of any Phaunos Shares, or change in the control or management of Phaunos or otherwise, would or might reasonably be expected to result in:
 - (a) any monies borrowed by or any other indebtedness (actual or contingent) of, or any grant available to, any such member of the Wider Phaunos Group becoming repayable, or capable of being declared repayable, immediately or earlier than the stated repayment date or the ability of such member to borrow monies or incur any indebtedness being withdrawn or inhibited;
 - (b) the creation or enforcement of any mortgage, charge or other security interest over the whole or any part of the business, property or assets of any such member of the Wider Phaunos Group or any such mortgage, charge or other security interest (whenever arising or having arisen) becoming enforceable;

- (c) any assets or interest of any such member of the Wider Phaunos Group being or falling to be disposed of by or ceasing to be available to any member of the Wider Phaunos Group or any right arising under which any such asset or interest could be required to be disposed of or could cease to be available to any member of the Wider Phaunos Group;
- (d) the interest or business of any such member of the Wider Phaunos Group in or with any other person, firm or company (or any agreements or arrangements relating to such interest or business) being terminated or adversely modified or affected;
- (e) any such member of the Wider Phaunos Group ceasing to be able to carry on business under any name under which it presently does so;
- (f) the value of any such member of the Wider Phaunos Group or its financial or trading position or prospects being prejudiced or adversely affected;
- (g) any such agreement, arrangement, licence or other instrument being terminated or adversely modified or any onerous obligation arising or any adverse action being taken or arising thereunder;
- (h) the creation of any material liabilities (actual or contingent) by any such member of the Wider Phaunos Group;
- (i) any liability of any member of the Wider Phaunos Group to make any severance, termination, bonus or other payment to any of its directors or other officers;
- (j) the rights, liabilities, obligations, interests or business of any member of the Wider Phaunos Group under any such arrangement, agreement, licence, permit, lease or instrument or the interests or business of any member of the Wider Phaunos Group in or with any other person or body or firm or company (or any arrangement or arrangement relating to any such interests or business) being or becoming capable of being terminated, or adversely modified or affected or any onerous obligation or liability arising or any adverse action being taken thereunder; or
- (k) any requirement on any such member to acquire, subscribe, pay up or repay any shares or other securities (or the equivalent), and no event having occurred which, under any provision of any agreement, arrangement, licence or other instrument to which any member of the Wider Phaunos Group is a party or by or to which any such member or any of its assets may be bound or be subject, might reasonably be expected to result in any events or circumstances as are referred to in this paragraph 1.11, in each case to an extent which is material and adverse to Stafford Bidco in the context of the Offer;

Certain events since 31 December 2017

1.12 except as Disclosed, no member of the Wider Phaunos Group having since 31 December 2017:

- (a) issued or agreed to issue or authorised or proposed the issue of additional shares of any class, or securities convertible into, or exchangeable for, or rights, warrants or options to subscribe for or acquire, any such shares or convertible or exchangeable securities or transferred or sold (or agreed to transfer or sell) any shares out of treasury;
- (b) recommended, declared, paid or made or resolved to recommend, declare, pay or make any bonus, dividend or other distribution, whether payable in cash or otherwise, other than any distribution by any wholly-owned subsidiary of Phaunos to Phaunos or any other wholly-owned subsidiaries of Phaunos;
- (c) (except for transactions between Phaunos and its wholly-owned subsidiaries, or between its wholly-owned subsidiaries) undertaken:
 - (i) a conversion under Part V of the Companies Law;
 - (ii) an amalgamation under Part VI of the Companies Law;
 - (iii) a migration under Part VII of the Companies Law; or
 - (iv) an arrangement or reconstruction under Part VIII of the Companies Law;
- (d) other than pursuant to the Offer, implemented or authorised any merger or demerger or (except for transactions between Phaunos and its wholly-owned subsidiaries, or between its wholly-owned subsidiaries or transactions in the ordinary course of business) acquired or disposed of or transferred,

mortgaged or charged, or created any other security interest over, any material asset or any right, title or interest in any such material asset;

- (e) (except for transactions between Phaunos and its wholly-owned subsidiaries, or between its wholly-owned subsidiaries, or transactions in the ordinary course of business that are not material to any member of the Wider Phaunos Group) entered into, or authorised the entry into, any joint venture, asset or profit sharing arrangement, partnership or merger of businesses or corporate entities;
- (f) (except for transactions between Phaunos and its wholly-owned subsidiaries, or between its wholly-owned subsidiaries) implemented or authorised any reconstruction, amalgamation, scheme or other transaction or arrangement with a substantially equivalent effect;
- (g) purchased, redeemed or repaid or announced any proposal to purchase, redeem or repay any of its own shares or other securities or reduced or made or authorised any other change in its share capital;
- (h) (except for transactions between Phaunos and its wholly owned subsidiaries or between its wholly owned subsidiaries, or transactions in the ordinary course of business that are not material to any member of the Wider Phaunos Group) made or authorised any change in its loan capital or issued or authorised the issue of any debentures or incurred or increased any indebtedness or contingent liability;
- (i) entered into, varied or terminated, or authorised the entry into, variation or termination of, any contract, commitment or arrangement (whether in respect of capital expenditure, real estate or otherwise) which is outside the ordinary course of business or which is of a long term, onerous or unusual nature or magnitude or which involves, or might reasonably be expected to involve, an obligation of a nature or magnitude which is or might reasonably be expected to be restrictive on the business of any member of the Wider Phaunos Group;
- (j) terminated or varied the terms of any agreement or arrangement between any member of the Wider Phaunos Group and any other person in a manner which would or might reasonably be expected to have a material adverse effect on the financial position of the Wider Phaunos Group;
- (k) been unable or deemed unable, or admitted in writing that it is unable, to pay its debts as they fall due or having stopped or suspended (or threatened to stop or suspend) payment of its debts generally or ceased or threatened to cease carrying on all or a substantial part of its business;
- (l) commenced negotiations with any of its creditors or taken any step with a view to rescheduling or restructuring any of its indebtedness or entered into a composition, compromise, assignment or arrangement with any of its creditors whether by way of a voluntary arrangement, scheme of arrangement, deed of compromise or otherwise or been declared insolvent;
- (m) (other than in respect of a member of the Wider Phaunos Group which is dormant and was solvent at the relevant time) taken any corporate action or had any legal proceedings started, served or threatened against it or any documents filed or faxed in court for its winding-up (voluntary or otherwise), dissolution or reorganisation (or for any analogous proceedings or steps in any jurisdiction) or for the appointment of a liquidator, provisional liquidator, receiver, administrator, administrative receiver, trustee or similar officer (or for the appointment of any analogous person in any jurisdiction) of all or any material part of its assets and revenues or had notice given of the intention to appoint any of the foregoing to it;
- (n) waived, compromised, settled, abandoned or admitted any dispute, claim or counter-claim whether made or potential and whether by or against any member of the Wider Phaunos Group (in each case, which is material in the context of the Wider Phaunos Group taken as a whole);
- (o) save as required by Stafford Bidco in connection with the Offer, made any material alteration to its constitutional documents;
- (p) entered into, or varied the terms of, or terminated or given notice of termination of, any service agreement or arrangement with any director or senior executive of any member of the Wider Phaunos Group;
- (q) proposed, agreed to provide, or agreed to modify the terms of, any share option scheme, incentive scheme or other material benefit relating to the employment or termination of employment of any person employed by any member of the Wider Phaunos Group, other than in accordance with the terms of the Offer;

- (r) made or consented to any material change to the terms of the trust deeds or change to the trustee or other fiduciary constituting the pension schemes (if any) established for its directors and/or employees and/or their dependants or to the benefits which accrue, or to the pensions which are payable thereunder, or to the basis on which qualification for or accrual or entitlement to such benefits or pensions are calculated or determined, or to the basis upon which the liabilities (including pensions) of such pension schemes are funded or made, or agreed or consented to, any change to the trustees, other than in accordance with applicable law;
- (s) entered into any contract, commitment or arrangement or passed any resolution or made any offer (which remains open for acceptance) with respect to, or proposed or announced any intention to effect or propose, any of the transactions, matters or events referred to in this paragraph 1.12; or
- (t) taken (or agreed or proposed to take) any action that requires, or would require, the consent of the Panel or the approval of Phaunos Shareholders in accordance with, or as contemplated by, Rule 21.1 of the Code;

No adverse change, litigation, regulatory enquiry or breach or similar

1.13 except as Disclosed, since 31 December 2017:

- (a) no adverse change having occurred, and no circumstances having arisen which would or might reasonably be expected to result in any adverse change in the business, assets, financial or trading position or profits or prospects of any member of the Wider Phaunos Group (in each case to an extent which is material in the context of the Wider Phaunos Group taken as a whole);
- (b) no litigation, arbitration proceedings, prosecution or other legal proceedings in any jurisdiction having been threatened, announced, instituted or remaining outstanding by, against or in respect of any member of the Wider Phaunos Group or to which any member of the Wider Phaunos Group is a party (whether as claimant or defendant or otherwise) and no investigation by any Regulatory Authority or other investigative body against or in respect of any member of the Wider Phaunos Group having been threatened, announced, instituted or remaining outstanding by, against or in respect of any member of the Wider Phaunos Group (in each case which is material in the context of the Wider Phaunos Group taken as a whole);
- (c) no member of the Wider Phaunos Group having conducted its business in breach of any applicable laws and regulations which in any case is material in the context of the Wider Phaunos Group;
- (d) no steps having been taken and no omissions having been made which are reasonably likely to result in the withdrawal, cancellation, termination or modification of any licence held by any member of the Wider Phaunos Group which is necessary for the proper carrying on of its business and the withdrawal, cancellation, termination or modification of which is material in the context of the Wider Phaunos Group taken as a whole;

No discovery of certain matters regarding information and liabilities

1.14 save as Disclosed, no contingent or other liability having arisen outside the ordinary course of business which would or might reasonably be expected to affect adversely the business, assets, financial or trading position or profits or prospects of any member of the Wider Phaunos Group;

1.15 save as Disclosed, Stafford Bidco not having discovered that:

- (a) any financial, business or other information concerning the Wider Phaunos Group publicly disclosed prior to the date of this document at any time by any member of the Wider Phaunos Group is misleading, contains a misrepresentation of fact or omits to state a fact necessary to make the information contained therein not misleading (in each case to an extent which is material in the context of the Wider Phaunos Group taken as a whole);
- (b) any member of the Wider Phaunos Group is subject to any liability, contingent or otherwise, other than in the ordinary course of business (in each case to an extent which is material in the context of the Wider Phaunos Group taken as a whole);
- (c) any information which affects the import of any information disclosed to Stafford Bidco at any time by or on behalf of any member of the Wider Phaunos Group which is material in the context of the Wider Phaunos Group taken as a whole or in the context of the Offer; or

- (d) there is or is likely to be any obligation or liability (whether actual or contingent) to make good, repair, re-instate or clean up any property now or previously owned, occupied, operated or made use of or controlled by any past or present member of the Wider Phaunos Group under any environmental legislation, regulation, notice, circular or order of any Regulatory Authority in any jurisdiction (in each case to an extent which is material in the context of the Wider Phaunos Group taken as a whole);
- (e) circumstances exist (whether as a result of making the Acquisition or otherwise) which would be reasonably likely to lead to any Regulatory Authority instituting (or whereby any member of the Wider Phaunos Group would be likely to be required to institute), an environment audit or take any steps which would in any such case be reasonably likely to result in any actual or contingent liability to improve or install new plant or equipment or to make good, repair, reinstate or clean up any property of any description or any asset now or previously owned, occupied or made use of by any past or present member of the Wider Phaunos Group (or on its behalf) or by any person for which a member of the Wider Phaunos Group is or has been responsible, or in which any such member may have or previously have had or be deemed to have had an interest, which is material in the context of the Wider Phaunos Group taken as a whole; and

Anti-corruption, sanctions and criminal property

1.16 except as Disclosed, Stafford Bidco not having discovered that:

- (a) any past or present member, director, officer, employee or agent of any person within the Wider Phaunos Group is or has at any time engaged in any activity, practice or conduct which would constitute an offence under the Bribery Act 2010, the US Foreign Corrupt Practices Act of 1977, the Prevention of Corruption (Bailiwick of Guernsey) Law, 2003 (as amended) or any other applicable anti-corruption legislation or (B) any co-venturer, or person that performs or has performed services or otherwise acts or had otherwise acted for or on behalf of the Wider Phaunos Group is or has at any time engaged in any activity, practice or conduct in such capacity or in connection with such activity which would constitute an offence under the Bribery Act 2010, the US Foreign Corrupt Practices Act of 1977, the Prevention of Corruption (Bailiwick of Guernsey) Law, 2003 (as amended) or any other applicable anti-corruption legislation or regulation;
- (b) any past or present member, director, officer, employee or agent of any person within the Wider Phaunos Group is or has at any time engaged in any activity, practice or conduct which would constitute an offence under the US Bank Secrecy Act of 1970, the Proceeds of Crime Act 2002, the Terrorism Act 2000, the Money Laundering Regulations 2007, the Criminal Justice (Proceeds of Crime)(Bailiwick of Guernsey) Law, 1999 (as amended), the Terrorism and Crime (Bailiwick of Guernsey) Law, 2002 (as amended) or any other applicable anti-money laundering legislation or (B) any co-venturer, or person that performs or has performed services or otherwise acts or had otherwise acted for or on behalf of the Wider Phaunos Group is or has at any time engaged in any activity, practice or conduct in such capacity or in connection with such activity which would constitute an offence under the US Bank Secrecy Act of 1970, the Proceeds of Crime Act 2002, the Terrorism Act 2000, the Money Laundering Regulations 2007, the Criminal Justice (Proceeds of Crime)(Bailiwick of Guernsey) Law, 1999 (as amended), the Terrorism and Crime (Bailiwick of Guernsey) Law, 2002 (as amended) or any other applicable anti-money laundering legislation and regulation;
- (c) any asset of any member of the Wider Phaunos Group constitutes criminal property as defined section 340(3) of the Proceeds of Crime Act 2002 (but disregarding sub-paragraph (b) of that definition);
- (d) any past or present member, director, officer, employee or agent of any person within the Wider Phaunos Group, or any other person for whom any such person may be liable or responsible, has engaged in any business with, made any investments in, made any funds or assets available to or received any funds or assets from: (A) any government, entity or individual in respect of which US or European Union persons, or persons operating in those territories, are prohibited from engaging in activities or doing business, or from receiving or making available funds or economic resources, by US or European Union laws or regulations, including the economic sanctions administered by the United States Office of Foreign Assets Control, or HMRC; or (B) any government, entity or individual targeted by any of the economic sanctions of the United Nations, the United States, the European Union or any of its member states; or

- (e) any past or present member, director, officer, employee or agent of any person within the Wider Phaunos Group is or has at any time engaged in any activity, practice or conduct which is in material non-compliance with applicable export control laws and regulations in jurisdictions in which any such entity of the Wider Phaunos Group does business or is otherwise subject to jurisdiction, including the United States International Traffic in Arms Regulations, the Export Administration Regulations, the Export Control Act 2002 or the Export Control Order 2008.

2. **Certain Further Terms of the Offer**

- 2.1 The Conditions are for the benefit of Stafford Bidco and no Phaunos Shareholder shall be entitled to waive any of the Conditions without the prior consent of Stafford Bidco.
- 2.2 To the extent permitted by law and subject to the requirements of the Panel and the Code, Stafford Bidco reserves the right at its absolute discretion to waive, in whole or in part, all or any of the Conditions except the Condition contained in paragraph 1.1.
- 2.3 Each of the Conditions shall be regarded as a separate condition and shall not be limited by reference to any other Condition.
- 2.4 The Offer will lapse if:
 - (a) there is a Phase 2 CMA reference (as defined in the Code) made in respect of the proposed acquisition of Phaunos; or
 - (b) the European Commission either initiates Phase 2 European Commission proceedings (as defined in the Code) or makes a referral to a competent authority of the United Kingdom under Article 9(1) of the EU Merger Regulation and there is a subsequent Phase 2 CMA reference,in either case before 1.00 pm (London time) on the First Closing Date or the time and date on which the Offer becomes or is declared unconditional as to acceptances (whichever is the later).
- 2.5 If the Offer lapses, it will cease to be capable of further acceptances. Phaunos Shareholders who have already accepted the Offer will then cease to be bound by acceptances submitted at or before the time the Offer lapses.
- 2.6 The Offer will lapse, and will not proceed, unless all of the Conditions relating to the Offer have been fulfilled or (if capable of waiver) waived by, or, where appropriate, have been determined by Stafford Bidco to be or remain satisfied by midnight (London time) on the 21st day after the later of:
 - (a) the first closing date of the Offer; and
 - (b) the date on which the Offer becomes or is declared unconditional as to acceptances,or, in each case, such later date as Stafford Bidco may determine, with the consent of the Panel.
- 2.7 Stafford Bidco shall be under no obligation to waive (if capable of waiver) or treat as satisfied any Condition by a date earlier than the latest date specified above for its satisfaction even though the other Conditions of the Offer may, at such earlier date, have been waived or fulfilled and there are, at such earlier date, no circumstances indicating that any such Conditions may not be capable of fulfilment.
- 2.8 Under Rule 13.5 of the Code, Stafford Bidco may not invoke a Condition so as to cause the Acquisition of Phaunos not to proceed, to lapse or any offer to be withdrawn unless the circumstances which give rise to the right to invoke the Condition are of material significance to Stafford Bidco in the context of the Acquisition. The Condition contained in paragraph 1.1 and, if applicable, any Scheme conditions adopted on the basis specified in paragraph 2.11, are not subject to this provision of the Code. As noted above, Stafford Bidco considers the Condition contained in paragraph 1.2 to be of material significance to Stafford Bidco in the context of the Acquisition.
- 2.9 If Stafford Bidco is required by the Panel to make an offer for any Phaunos Shares under a mandatory offer for Phaunos Shares under Rule 9 of the Code, Stafford Bidco may make such alterations to the above Conditions, including the Condition contained in paragraph 1.1 as are necessary to comply with provisions of that Rule.
- 2.10 Stafford Bidco reserves the right, subject to the prior consent of the Panel (if required), for any member of the Wider Stafford Bidco Group from time to time, instead of Stafford Bidco, to make the Offer or otherwise implement the acquisition of Phaunos.

- 2.11 Stafford Bidco reserves the right, subject to the prior consent of the Panel, to implement the Acquisition of Phaunos by way of a Scheme. In such event, the Scheme will be implemented on the same terms (subject to appropriate amendment), so far as applicable, as those which would apply to the Offer.
- 2.12 The Phaunos Shares will be acquired by Stafford Bidco pursuant to the Offer fully paid and free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature whatsoever and together with all rights attaching to them as at the date of this document or subsequently attaching or accruing to them, including, without limitation, voting rights and the right to receive and retain, in full, all dividends and other distributions (if any) declared, made or paid, or any other return of capital (whether by way of reduction of share capital, repurchase or redemption or otherwise) made on or after the date of this document, save for the right to receive any dividend, distribution, share repurchase payment and/or return of capital in respect of which a corresponding reduction has been made to the Offer Price as specified in paragraph 2.13 below.
- 2.13 If, on or after the date of this document, any dividend and/or other distribution and/or share repurchase and/or return of capital is declared, made, paid or otherwise becomes payable in respect of any Phaunos Share by reference to a record date falling on or after the date of this document, Stafford Bidco reserves the right (without prejudice to any right of Stafford Bidco to invoke the Condition contained in sub-paragraph 1.12(b)) to reduce the Offer Price by the amount equal to the gross amount of such dividend and/or distribution and/or share repurchase and/or return of capital, in which case any reference in this document to the Offer Price under the Offer will be deemed to be a reference to the Offer Price as so reduced and Phaunos Shareholders will be entitled to receive and retain the amount by reference to which the Offer Price has been reduced. To the extent that any such dividend and/or distribution and/or share repurchase and/or return of capital is declared, made or paid or is payable and it is:
- (a) transferred pursuant to the Offer on a basis which entitles Stafford Bidco to receive and retain it; or
 - (b) cancelled in full prior to payment,
- the Offer Price to be paid by Stafford Bidco under the terms of the Offer will not be subject to reduction in accordance with this paragraph. Any exercise by Stafford Bidco of its rights referred to in this paragraph shall be the subject of an announcement and, for the avoidance of doubt, shall not be regarded as constituting any revision or variation of the terms of the Offer.
- 2.14 The Offer is governed by English law and subject to the jurisdiction of the courts of England and Wales. The Offer is subject to the Conditions and further terms set out in this document, to the applicable requirements of the FCA, the Panel, the London Stock Exchange, the GFSC, the Guernsey Competition and Regulatory Authority, the Code, the Listing Rules, FSMA and applicable US tender offer rules and any other laws applicable to the Offer.

Section B: Further terms of the Offer

The following further terms apply to the Offer unless the contrary is expressed or the context otherwise requires.

Except where the context otherwise requires, references in Section **B**, Section **C** and Section **D** of this Part II and in the Form of Acceptance are to:

- (a) the “**Offer**” will include any revision, variation or extension of the Offer;
- (b) “**acceptances of the Offer**” include deemed acceptances of the Offer;
- (c) the “**Offer becoming, or being declared, unconditional**” means, and shall be construed as, the Offer becoming, or being declared, unconditional as to acceptances whether or not any other Condition of the Offer remains to be fulfilled and references to the “**Offer becoming unconditional**” include the Offer being declared unconditional;
- (d) the “**Acceptance Condition**” mean the Condition as to acceptances of the Offer set out in paragraph 1.1 of Section A of this Part II and references to the “**Offer becoming unconditional as to acceptances**” shall be construed accordingly;
- (e) an “**extension of the Offer**” includes references to an extension of the date by which the Acceptance Condition has to be fulfilled;

- (f) any statute or any statutory provision includes a statute or statutory provision which amends, consolidates or replaces the same (whether before or after the date of this document);
- (g) “**Acceptance Shares**” means Phaunos Shares in respect of which the Offer has been accepted or is deemed to have been accepted in accordance with paragraph 1 of Section C and Section D of this Part II, and in respect of which such acceptance has not been validly withdrawn;
- (h) any person “**acting in concert with Stafford Bidco**” means any such person acting or deemed to be acting in concert with Stafford Bidco for the purposes of the Offer;
- (i) the “**Offer Document**” mean this document and any other document containing, or containing details of, the Offer;
- (j) “**Day 39**” mean 8 September 2018 or such later date as the Panel may agree;
- (k) “**Day 46**” mean 15 September 2018 or such later date as the Panel may agree; and
- (l) “**Day 60**” mean 29 September 2018 or such later date as may be determined by Stafford Bidco with the agreement of the Panel to be the last date for fulfilment of the Acceptance Condition in accordance with the Code.

The Offer extends to all Phaunos Shares unconditionally allotted or issued fully paid (or credited as fully paid) after 3 July 2018 but before the date on which the Offer ceases to be open for acceptance (or such earlier date as Stafford Bidco may, subject to the Code, decide, not being earlier than the date on which the Offer becomes, or is declared, unconditional as to acceptances or, if earlier, the First Closing Date).

1. **Acceptance Period**

- (a) The Offer is initially open for acceptance until 1.00 p.m. (London time) on the First Closing Date. Stafford Bidco reserves the right (but will not be obliged, other than as may be required by the Code) at any time or from time to time to extend the Offer after such time and, in such event, shall make an announcement of such extension in the manner described in paragraph 2(a) below. If the Offer has not become unconditional by the First Closing Date, Stafford Bidco will have the option to extend the Offer until such time as the Offer becomes unconditional. There can be no assurance, however, that Stafford Bidco shall, in such circumstances, extend the Offer and, if no such extension is made, the Offer shall lapse on the First Closing Date and no Phaunos Shares shall be purchased pursuant to the Offer.
- (b) Although no revision is envisaged, if the Offer (in its original or previously revised form) is revised, it will remain open for acceptance for a period of at least 14 calendar days (or such other period as may be permitted by the Panel) from the date of posting the revised offer document to Phaunos Shareholders. Except with the consent of the Panel, no revision of the Offer may be posted to Phaunos Shareholders on or after Day 46 or, if later, the date falling 14 calendar days before the last day on which the Offer is capable of becoming unconditional.
- (c) The Offer, whether revised or not, shall not (except with the consent of the Panel), be capable of becoming unconditional after midnight (London time) on Day 60 (or on any other time and/or date beyond which Stafford Bidco has stated that the Offer will not be extended unless it has, where permitted, withdrawn that statement), nor of being kept open for acceptances after that time and/or date unless the Offer has previously become unconditional. However, Stafford Bidco reserves the right, with the permission of the Panel, to extend the time for the Offer to become unconditional to any later time(s) and/or date(s).
- (d) Except with the consent of the Panel, Stafford Bidco may not, for the purpose of determining whether the Acceptance Condition has been satisfied, take into account acceptances received or purchases of Phaunos Shares made after 1.00 p.m. (London time) on Day 60 (or any other time(s) and/or date(s) beyond which Stafford Bidco has stated the Offer will not be extended (unless it has, where permitted, withdrawn that statement)) or, if the Offer is so extended, any such later time(s) and/or date(s) as Stafford Bidco, with the permission of the Panel, may determine.
- (e) If the latest time at which the Offer may become unconditional is extended beyond midnight (London time) on Day 60, acceptances received and purchases of Phaunos Shares made in respect of which relevant documents are received by the Receiving Agent after 1.00 p.m. (London time) on the relevant date may (except where the Code otherwise permits) only be taken into account with the Panel’s consent.
- (f) If the Offer becomes unconditional, it will remain open for acceptance for not less than 14 calendar days from the date on which it would otherwise have expired. If the Offer has become unconditional and it is stated by or on behalf of Stafford Bidco that the Offer will remain open until further notice, then not less

than 14 calendar days' notice in writing will be given prior to the closing of the Offer by or on behalf of Stafford Bidco to Phaunos Shareholders who have not accepted the Offer before closing of the Offer.

- (g) If a competitive situation arises (as determined by the Panel) and is continuing on Day 60, Stafford Bidco will enable holders of Phaunos Shares held 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 provided that:
 - (i) it is received by the Receiving Agent on or before Day 60;
 - (ii) the relevant Phaunos Shareholder shall have applied to withdraw his acceptance of the competing offer but that the Phaunos Shares held in uncertificated form to which such withdrawal relates shall not have been released from escrow before Day 60 by the Escrow Agent to the competing offer; and
 - (iii) the Phaunos Shares held in uncertificated form 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 Stafford Bidco in Part I of this document on or before Day 60, but an undertaking is given that they will be so transferred as soon as possible thereafter. Phaunos Shareholders wishing to use such forms of acceptance should apply to the Receiving Agent, Computershare, by phone on 0370 707 1011 (from within the UK) or on +44 370 707 1011 (if calling from outside the UK). Lines are open from 8.30 a.m. to 5.00 p.m. (London time) Monday to Friday (excluding UK public holidays). Calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Offer nor give any financial, legal or tax advice. Notwithstanding the right to use such special form of acceptance, holders of Phaunos Shares held in uncertificated form may not use a Form of Acceptance (or any other purported acceptance form) for the purpose of accepting the Offer in respect of such Phaunos Shares.
- (h) If a competitive situation arises (as determined by the Panel) after Stafford Bidco has made a “no increase” statement and/or a “no extension” statement (as referred to in the Code) in relation to the Offer, Stafford Bidco may, if it specifically reserves the right to do so at the time such statement is made (or otherwise with the consent of the Panel), choose not to be bound by or withdraw such statement and be free to extend and/or revise the Offer provided that it complies with the Code and, in particular, that:
 - (i) it announces such withdrawal as soon as possible and in any event within four Business Days after the date of the firm announcement of the competing offer or other competitive situation or other circumstance in respect of which a reservation has been made;
 - (ii) it notifies Phaunos Shareholders (and persons with information rights) to that effect in writing (or, in the case of Phaunos Shareholders with registered addresses outside the United Kingdom and Guernsey or whom Stafford Bidco knows to be an agent, nominee, trustee or custodian holding Phaunos Shares for such persons, by an announcement in the United Kingdom and Guernsey) at the earliest opportunity thereafter; and
 - (iii) any Phaunos Shareholder who accepted the Offer after the date of the “no increase” and/or “no extension” statement is given a right of withdrawal in accordance with paragraph 3(d) below.
- (i) Stafford Bidco may choose not to be bound by the terms of a “no increase” or “no extension” statement:
 - (i) if it would otherwise prevent the posting of an increased or improved Offer (either as to the value, form or nature of the consideration offered or otherwise) provided that Stafford Bidco has specifically reserved the right to do so and the increased or improved Offer is recommended for acceptance by the Phaunos Board; or
 - (ii) with the consent of, or in other circumstances permitted by, the Panel.
- (j) Except as provided in paragraphs 1(h) and 1(i) above, Stafford Bidco will be bound by the terms of any “no increase” or “no extension” statement.
- (k) Stafford Bidco may, if it has reserved the right to do so if Phaunos makes an announcement of the kind referred to in Rule 31.9 of the Code after Day 39, choose not to be bound by a “no increase” and/or “no extension” statement and revise and/or extend the Offer with the consent of the Panel, provided that Stafford Bidco complies with the requirements of the Code and, in particular, that notice to this effect is published as soon as possible and in any event within four UK business days after the date of the Phaunos announcement and Phaunos Shareholders (and persons with information rights) are notified in writing (or in the case of Phaunos Shareholders with registered addresses outside the United Kingdom and Guernsey

or who Stafford Bidco knows to be agents, nominees, custodians or trustees holding Phaunos Shares for such persons, by announcement in the United Kingdom and Guernsey) at the earliest opportunity.

- (l) Unless otherwise required by the Panel, Stafford Bidco shall be entitled at any particular time to decide that the Acceptance Condition is then satisfied taking into account only those Phaunos Shares which have been unconditionally allotted or issued before that time and written notice of the allotment or issue of which, containing all relevant details, has been received before that time by the Receiving Agent, at one of the addresses and in the manner referred to in paragraph 3(a) below, from Phaunos or its agents. E-mail, facsimile, telex or other electronic transmission or copies will not be sufficient for this purpose and shall not constitute written notice.

2. Announcements

- (a) Without prejudice to paragraph 3(a) below, 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 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), Stafford Bidco will make an appropriate announcement through a Regulatory Information Service. Such announcement will state prominently the total numbers of Phaunos Shares which Stafford Bidco may count towards the satisfaction of the Acceptance Condition and will specify the percentages of each class of securities represented by these figures. The announcement will also state (unless the Panel otherwise agrees):

- (i) the numbers of Phaunos Shares for which acceptances of the Offer have been received;
- (ii) the numbers of Phaunos Shares for which acceptances of the Offer have been received from any person acting in concert with Stafford Bidco or in respect of shares which were the subject of an irrevocable undertaking, or letter of intent, to accept the Offer procured by Stafford Bidco or any person acting in concert with Stafford Bidco;
- (iii) details of any relevant Phaunos securities in which Stafford Bidco, or any person acting in concert with Stafford Bidco, has an interest or in respect of which he has a right to subscribe, in each case specifying the nature of the interests or rights concerned;
- (iv) details of any short positions (whether conditional or absolute and whether in the money or otherwise) in relevant Phaunos securities in which Stafford Bidco, or any person acting in concert with Stafford Bidco, has an interest, 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;
- (v) details of any relevant Phaunos securities in respect of which Stafford Bidco, or any person acting in concert with Stafford Bidco, has an outstanding irrevocable commitment or letter of intent; and
- (vi) details of any relevant Phaunos securities which Stafford Bidco, or any person acting in concert with Stafford Bidco 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 Phaunos securities represented by each of these figures ignoring shares held in treasury.

- (b) In calculating the number of Phaunos Shares or rights over Phaunos Shares represented by acceptances and/or purchases, Stafford Bidco may only include acceptances and purchases if they could be counted towards fulfilling the Acceptance Condition in accordance with paragraphs 5(c)(i) and (ii) below, unless the Panel agrees otherwise. Subject to this, Stafford Bidco may include or exclude, for announcement purposes, acceptances and/or purchases which are not complete in all respects or which are subject to verification.
- (c) Any decision to extend the time and/or date by which the Acceptance Condition has to be fulfilled may be made by Stafford Bidco 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 date and/or time as the Panel may agree) and the announcement will also state the next expiry date (unless the Offer is unconditional, in which case the announcement may state the Offer will remain open until further notice) and will state the information specified in paragraphs 2(a)(i) to (vi) (inclusive) above.
- (d) In this Section B, references to the making of an announcement or the giving of notice by or on behalf of Stafford Bidco include the release of an announcement by public relations consultants of Stafford and/or Stafford Bidco, or by Lancea LLP, to the press and the delivery by hand or telephone, e-mail, facsimile or

telex 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 (unless the Panel otherwise permits).

- (e) A copy of any announcement made by Stafford and/or Stafford Bidco in accordance with this paragraph 2 will be available, subject to certain restrictions relating to persons resident in Restricted Jurisdictions, for inspection on Stafford's website at www.staffordcp.com as soon as possible and, in any event, by no later than 12 noon (London time) on the UK business day following the announcement.
- (f) Without limiting the manner in which Stafford Bidco may choose to make any public announcement and subject to Stafford Bidco's obligations under applicable law, Stafford Bidco will have no obligation to publish, advertise or otherwise communicate any such public announcement other than by making a release to a Regulatory Information Service.

3. Rights of withdrawal

- (a) If, having announced the Offer to be unconditional, Stafford Bidco fails to comply by 3.30 p.m. (London time) on the relevant day (or such later time(s) and/or date(s) as the Panel may agree) with any of the other relevant requirements specified in paragraph 2(a) above, an accepting Phaunos Shareholder may (unless the Panel otherwise agrees) immediately after that time withdraw his acceptance of the Offer by written notice signed by the accepting Phaunos Shareholder (or his agent duly appointed in writing and evidence of whose appointment, in a form satisfactory to Stafford Bidco, is produced with the notice) and received by the Receiving Agent by post to Computershare at Corporate Actions Projects, Bristol, BS99 6AH or by hand (during normal business hours only) to Computershare at The Pavilions, Bridgwater Road, Bristol, BS13 8AE. Alternatively, in the case of Phaunos Shares in uncertificated form, withdrawals can also be effected in the manner set out in paragraph 3(h) below. Subject to paragraph 1(d) above, this right of withdrawal may be terminated not less than eight calendar days after the relevant day by Stafford Bidco confirming, if such is the case, that the Offer is still unconditional and complying with the other relevant requirements specified in paragraph 2(a) above. If any such confirmation is given, the first period of 14 calendar days referred to in paragraph 1(f) above will run from the date of such confirmation and compliance.
- (b) If by 3.00 p.m. (London time) on 11 September 2018 (or such later time(s) and/or date(s) as the Panel may agree) the Offer has not become unconditional, an accepting Phaunos Shareholder may withdraw his acceptance at any time thereafter in the manner referred to in paragraph 3(a) above (or, in the case of Phaunos Shares held in uncertificated form, in the manner referred to in paragraph 3(h) below) at any time before the earlier of:
 - (i) the time that the Offer becomes unconditional; and
 - (ii) the final time for the lodging of acceptances of the Offer which can be taken into account in accordance with paragraph 1(c) above.
- (c) Immediately (or within such longer period, not exceeding 14 calendar days, as the Panel may permit) upon a Phaunos Shareholder validly withdrawing his acceptance in respect of Phaunos Shares held in uncertificated form, the Receiving Agent will give TFE instructions to Euroclear to transfer all Phaunos 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 Phaunos Shareholder concerned and, in respect of Phaunos Shares held in certificated form, the Receiving Agent will return all share certificate(s) and/or other document(s) of title to the Phaunos Shareholder concerned as soon as practicable following the receipt of the withdrawal (and, in any event, within 14 calendar days).
- (d) If a "no increase" and/or "no extension" statement has been withdrawn in accordance with paragraph 1(h) above, any Phaunos Shareholder who accepts the Offer after the date of such statement may withdraw his acceptance in the manner referred to in paragraph 3(a) above (or, in the case of Phaunos Shares held in uncertificated form, in the manner referred to in paragraph 3(h) below) within a period of eight calendar days following the date on which written notice withdrawing such statement is posted to Phaunos Shareholders or otherwise published.
- (e) Except as provided by this paragraph 3 and paragraph 4 below or as otherwise permitted by Stafford Bidco, all acceptances of, and elections under, the Offer are, and will be, irrevocable.
- (f) To be effective, a written notice of withdrawal must be received by the Receiving Agent and must specify the name of the person who has made the relevant acceptance, the number of Phaunos Shares in respect of

which acceptance is withdrawn and (if share certificates have been delivered) the name of the registered holder of the relevant Phaunos Shares, if different from the name of the person who made the relevant acceptance. Phaunos Shares in respect of which acceptance has been withdrawn may subsequently be assented to the Offer in accordance with the acceptance procedures contained in this document while the Offer remains open for acceptance.

- (g) 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 Phaunos Shareholder(s) or his/their agent(s) duly appointed in writing. E-mail, facsimile, telex or other electronic transmission or copies will not be sufficient for this purpose and shall not constitute written notice. Any such written notice signed by any person other than the relevant Phaunos Shareholder(s) must be accompanied by the relevant letter of appointment, direction or authority in a form satisfactory to Stafford Bidco. Notice which is postmarked in, or otherwise appears to Stafford Bidco or its agents to have been sent from, any Restricted Jurisdiction may be treated as invalid. The notice must include all relevant information to enable the Receiving Agent to identify the Phaunos Shares to be withdrawn and a contact telephone number of the Phaunos Shareholder.
- (h) In the case of Phaunos Shares held in uncertificated form (i.e. in CREST), if withdrawals are permitted pursuant to paragraphs 3(a), (b) or (d) above, an accepting Phaunos 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 Phaunos Shares to be withdrawn, together with their ISIN, which is GG00BFX4LT97;
 - the member account ID of the accepting Phaunos Shareholder, together with his participant ID;
 - the member account ID of the Escrow Agent (this is PHAMAH01) included in the relevant Electronic Acceptance, together with the Escrow Agent’s participant ID (this is 8RA27);
 - the transaction reference number of the Electronic Acceptance to be withdrawn;
 - the intended settlement date for withdrawal;
 - the corporate action number for the Offer; and
 - input with a standard delivery instruction of priority of at least 80.
- (i) Any such withdrawal will be conditional upon the Receiving Agent verifying that the withdrawal request is validly made. Accordingly, the Receiving Agent will, on behalf of Stafford Bidco, reject or accept the withdrawal by transmitting in CREST a receiving agent reject (AEAD) or receiving agent accept (AEAN) message.
- (j) All questions of validity (including time of receipt) of any notice of withdrawal will be determined by Stafford Bidco whose determination (except as the Panel otherwise decides) will be final and binding. Neither Stafford, Stafford Bidco, Lancea LLP, nor the Receiving Agent will be under any duty to give notification of any defects in any notice of withdrawal or will incur any liability for failure to do so.

4. Revisions of the 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 form of the consideration offered or otherwise), and any such revised Offer represents, on the date on which the revision is announced (on such basis as Lancea LLP, acting reasonably and solely in its capacity as Stafford’s and Stafford Bidco’s financial adviser, 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 or terms previously offered, or in the overall value received by a Phaunos Shareholder (under, or in consequence of, the Offer or otherwise), the benefit of the revised Offer will, subject to this paragraph 4 and paragraph 6 (below) be made available to any Phaunos Shareholder who has validly accepted the Offer in its original or any previously revised form(s) and who has not validly withdrawn such acceptance (a “**Previous Acceptor**”). The acceptance by, or on behalf of, a Previous Acceptor of the Offer in its original or any previously revised form(s) shall, subject to this paragraph 4 and paragraph 6 (below), be deemed to be an acceptance of the Offer as so revised and will also constitute an authority to Stafford Bidco or any of its directors, authorised representatives and agents as his attorney and/or agent (an “**attorney**”):
- (i) to accept any such revised Offer on behalf of such Previous Acceptor;

- (ii) if such revised Offer includes alternative forms of consideration, to make on his behalf elections for and/or accept such alternative forms of consideration on his behalf in such proportions as such attorney in his absolute discretion thinks fit; and
 - (iii) to execute on behalf of, and in the name of, such Previous Acceptor all such further documents and take such further actions (if any) as may be required to give effect to such acceptances and/or elections.
- (b) In making any such acceptance or making any such election, the attorney will take into account the nature of any previous acceptances and/or elections made by the Previous Acceptor and such other facts or matters as he may consider relevant. The attorney shall not be liable to any Phaunos Shareholder or any other person in making such acceptance or in making any determination in respect of it.
 - (c) The powers of attorney and authorities conferred by this paragraph 4, and any acceptance of a revised offer, shall be irrevocable unless and until the Previous Acceptor withdraws his acceptances having become entitled to do so under paragraph 3 above.
 - (d) Stafford Bidco reserves the right (subject to paragraph 4(a) above) to treat an executed Form of Acceptance or TTE Instruction relating to the Offer in its original or any previously revised form(s) which is received (or dated) on or after the announcement or issue of the Offer in any revised form as a valid acceptance of the revised Offer (and, where applicable, a valid election for the alternative form(s) of consideration). Such acceptance will constitute an authority in the terms of paragraph 4(a) above, *mutatis mutandis*, on behalf of the relevant Phaunos Shareholder.
 - (e) The deemed acceptances referred to in this paragraph 4 shall not apply and the authorities conferred by this paragraph 4 shall not be exercised by Stafford Bidco or any of its directors, authorised representatives and agents if, as a result thereof, the Previous Acceptor would (on such basis as Lancea LLP, acting reasonably and solely as Stafford's and Stafford Bidco's financial adviser may consider appropriate) thereby receive under, or in consequence of, the Offer and/or any alternative pursuant thereto as revised or otherwise less in aggregate consideration under the revised Offer than he would have received in aggregate consideration as a result of acceptance of the Offer in the form in which it was originally accepted by him or on his behalf, having regard to any previous acceptance or election originally made by him, unless the Previous Acceptor has previously otherwise agreed in writing.
 - (f) The deemed acceptances referred to in this paragraph 4 will not apply, and the authorities conferred by this paragraph 4 will be ineffective, to the extent that a Previous Acceptor:
 - (i) in respect of Phaunos Shares in certificated form, lodged with the Receiving Agent in the manner specified in paragraph 3(a) above, within 14 calendar days of the publication of the document pursuant to which the revision of the Offer is made available to Phaunos Shareholders, a Form of Acceptance or some other form issued by or on behalf of Stafford Bidco in which the Phaunos Shareholder validly elects to receive the consideration receivable by him under such revised Offer in some other manner than that set out in his original acceptance; or
 - (ii) in respect of Phaunos 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 Phaunos Shares in respect of which the changed election is made, together with their ISIN, which is GG00BFX4LT97;
 - the member account ID of the Previous Acceptor, together with his participant ID;
 - the member account ID of the Escrow Agent (this is PHAMAH01) included in the relevant Electronic Acceptance, together with the Escrow Agent's participant ID (this is 8RA27);
 - the transaction reference number of the Electronic Acceptance in respect of which the election is to be changed;
 - the intended settlement date for the changed election; and
 - the corporate action number for the Offer,
 and, in order that the desired change of election can be effected, must include:
 - the member account ID of the Escrow Agent relevant to the new election; and

- input with standard delivery instruction of priority of at least 80.

Any such change of election will be conditional upon the Receiving Agent verifying that the request is validly made. Accordingly, the Receiving Agent will, on behalf of Stafford Bidco, reject or accept the requested change of election by transmitting in CREST a receiving agent reject (AEAD) or receiving agent accept (AEAN) message.

5. General

- (a) Except with the consent of the Panel, settlement of the consideration to which any Phaunos 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 Stafford Bidco may otherwise be, or claim to be, entitled as against such Phaunos Shareholder and will be effected:
 - (i) in the case of acceptances of the Offer received, complete in all respects (including the relevant transfer to escrow or (as applicable) receipt of relevant share certificate(s) and/or other documents of title or indemnities satisfactory to Stafford Bidco) by the date on which the Offer becomes, or is declared, wholly unconditional, within 14 calendar days of such date; or
 - (ii) in the case of acceptances of the Offer received, complete in all respects, after the date on which the Offer becomes, or is declared, wholly unconditional, but while it remains open for acceptance, within 14 calendar days of such receipt.
- (b) All cash payments (other than payments made by means of CREST) will be made by cheque drawn on a branch of a United Kingdom clearing bank. No consideration will be sent to an address in a Restricted Jurisdiction.
- (c) Notwithstanding the right reserved by Stafford Bidco to treat an acceptance of the Offer as valid (even though, in the case of Phaunos Shares held in certificated form, the relevant 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 as otherwise agreed with the Panel:
 - (i) 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;
 - (ii) a purchase of Phaunos Shares by Stafford Bidco or its nominee (or, if relevant, any person acting in concert with Stafford Bidco, or its nominee) 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;
 - (iii) Phaunos Shares which have been borrowed by Stafford Bidco may not be counted towards fulfilling the Acceptance Condition; and
 - (iv) the Offer will not become unconditional unless the Receiving Agent has issued a certificate to Stafford Bidco or its agents stating the number of Phaunos Shares in respect of which acceptances have been received which comply with paragraph 5(c)(i) above and the number of Phaunos Shares otherwise acquired, whether before or during the Offer Period, which comply with paragraph 5(c)(ii) above. Stafford Bidco will procure that a copy of such certificate is sent to the Panel as soon as possible after it is issued.
- (d) For the purposes of determining whether the Acceptance Condition has been satisfied, Stafford Bidco will not be bound (unless otherwise required by the Panel) to take into account any Phaunos Shares which have been issued or unconditionally allotted or which arise as the result of the exercise of subscription or conversion rights before that determination takes place unless written notice containing relevant details of the allotment, issue, subscription or conversion has been received from Phaunos or its agents before that time by Stafford Bidco or the Receiving Agent on behalf of Stafford Bidco at the address specified in paragraph 3(a) above. Notification by e-mail, telex or facsimile or other electronic transmissions or copies will not be sufficient.
- (e) The terms, provisions, instructions and authorities contained, or deemed to be incorporated, in the Form of Acceptance, and such further terms as may be required to comply with the applicable rules and regulations of the London Stock Exchange and the Code, constitute part of the terms of the Offer. Words and expressions defined in this document have the same meanings when used in the Form of Acceptance, unless the context otherwise requires. The provisions of this Part II shall be deemed to be incorporated into and form part of the Form of Acceptance.

- (f) All references in this document and in the Form of Acceptance to the First Closing Date will (except in paragraphs 1(a) and 5(a) above and where the context otherwise requires) be deemed, if the expiry date of the Offer is extended, to refer to the expiry date of the Offer as so extended.
- (g) References in paragraph 6 below and in Section C and Section D of this Part II to a “**Phaunos Shareholder**” will include references to the person or persons executing a Form of Acceptance or Electronic Acceptance and in the event of more than one person executing a Form of Acceptance or Electronic Acceptance, such paragraphs will apply to them jointly and severally.
- (h) The Offer is made in respect of all Phaunos Shares issued and unconditionally allotted or issued before the date on which the Offer closes (or such earlier date as Stafford Bidco, subject to the rules of the Code or with the consent of the Panel, may determine). Any omission to despatch this document, the Form of Acceptance or any notice required to be despatched 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, will not invalidate the Offer in any way or create any implication that the Offer has not been made to any such person. Subject to the provisions of paragraph 6 below, the Offer is made to any Phaunos Shareholder to whom this document and the Form of Acceptance or any related document may not be sent or by whom such documents may not be received, and these persons may collect these documents from the Receiving Agent at the address set out in paragraph 3(a) above. The Offer is not being made, and will not be made, directly or indirectly, in or into or by the use of the mails of, or by any other means or instrumentality (including, without limitation, e-mail, facsimile transmission, telex, telephone, internet or other forms of electronic transmission) of interstate or foreign commerce of, or by any facility of a national, state or other securities exchange of any Restricted Jurisdiction and will not be capable of acceptance by any such use, means, instrumentality or facility or from within any Restricted Jurisdiction.
- (i) Subject to the Code, and notwithstanding any other provision of this Section B, Stafford Bidco reserves the right to treat as valid, in whole or in part, any acceptance of the Offer received by the Receiving Agent or otherwise on behalf of Stafford Bidco which is not entirely in order or in correct form or which is not accompanied by (as applicable) the relevant document(s) or the relevant TTE Instruction or is received by it at any place or places or in any form or manner determined by either the Receiving Agent or Stafford Bidco otherwise than as set out in this document or in the Form of Acceptance. In that event, no payment of cash under the Offer will be made until after the acceptance is entirely in order and (as applicable) the relevant transfer to escrow has settled or the relevant document(s) of title or satisfactory indemnities have been received by the Receiving Agent.
- (j) No acknowledgement of receipt of any Form of Acceptance, transfer by means of CREST, communication, notice, share certificate(s) or other document(s) of title will be given by, or on behalf of, Stafford Bidco. All communications, notices, certificates, documents of title and remittances to be delivered by, or sent to or from, Phaunos Shareholders (or their designated agent(s)) will be delivered by or sent to or from them (or their designated agent(s)) at their own risk.
- (k) The Offer extends to persons to whom the Offer is made, or should be made, to whom this document, the Form of Acceptance or any related documents may not be despatched and such persons may collect copies of these documents from the Receiving Agent at the address set out in paragraph 3(a) above.
- (l) The Offer is made at 1.00 p.m. (London time) on 31 July 2018 and is capable of acceptance from and after that time.
- (m) If the Offer does not become wholly unconditional:
 - (i) in respect of Phaunos Shares held in certificated form, the Form of Acceptance, share certificates and/ or other documents of title will be returned by post (or such other method as may be approved by the Panel) within 14 calendar 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 in 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 Phaunos Shares held in uncertificated form, the Receiving Agent will, immediately after the lapsing of the Offer (or within such longer period as the Panel may permit, not exceeding 14 calendar days of the lapsing of the Offer), give TFE instructions to Euroclear to transfer all Phaunos 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 Phaunos Shareholders concerned.

- (n) All powers of attorney, appointments of agents and authorities conferred by this Part II or in the Form of Acceptance are given by way of security for the performance of the obligations of the Phaunos Shareholder 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 or authority or appointor is entitled to withdraw his acceptance in accordance with paragraph 3 above and duly does so.
- (o) In relation to any acceptance of the Offer in respect of a holding of Phaunos Shares held in uncertificated form, Stafford Bidco 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 any such alterations, additions or modifications are consistent with the requirements of the Code or are otherwise made with the consent of the Panel.
- (p) 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 at which the relevant instruction settles in CREST.
- (q) Neither Stafford, Stafford Bidco, nor any subsidiary of Stafford or Stafford Bidco, nor 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 or otherwise in connection therewith.
- (r) Any non-contractual obligations arising out of or in connection with the Offer and/or the Forms of Acceptance and all acceptances and elections in respect thereof will be governed by English law.
- (s) Where the Offer is validly accepted in respect of Phaunos Shares held in uncertificated form in accordance with Section D of this Part II, unless the relevant Phaunos Shareholder has become the registered shareholder of the related Phaunos Shares, no separate acceptance of the Offer may be made by the relevant holder of the Phaunos Shares, the custodian in respect of the Phaunos Shares and no person other than Stafford Bidco shall have any rights whatsoever under the Offer in respect of the Phaunos Shares (save for the rights of such Phaunos Shareholder under paragraph 3 above).
- (t) If, on or after 3 July 2018, any dividend and/or other distribution and/or share repurchase and/or return of capital is declared, made, paid or otherwise effected by Phaunos or otherwise becomes payable in respect of any Phaunos Share by reference to a record date falling on or after 3 July 2018, Stafford Bidco reserves the right (without prejudice to any right of Stafford Bidco to invoke the Condition contained in subparagraph 1.12(b) of Section A of this Part II) to reduce the Offer Price by the amount equal to the gross amount of such dividend and/or distribution and/or share repurchase and/or return of capital, in which case any reference in this document to the Offer Price under the Offer will be deemed to be a reference to the Offer Price as so reduced and Phaunos Shareholders will be entitled to receive and retain the amount by reference to which the Offer Price has been reduced. To the extent that any such dividend and/or distribution and/or share repurchase and/or return of capital is declared, made or paid or is payable and it is:
 - (i) transferred pursuant to the Offer on a basis which entitles Stafford Bidco to receive and retain it; or
 - (ii) cancelled in full prior to payment,

the Offer Price to be paid by Stafford Bidco under the terms of the Offer will not be subject to reduction in accordance with this paragraph. Any exercise by Stafford Bidco of its rights referred to in this paragraph shall be the subject of an announcement and, for the avoidance of doubt, shall not be regarded as constituting any revision or variation of the terms of the Offer. Furthermore, Stafford Bidco reserves the right to reduce the consideration payable under the Offer in respect of a Phaunos Share in such circumstances as are, and by such amount as is, permitted by the Panel.

6. Overseas Shareholders

- (a) The making of the Offer to Overseas Shareholders may be prohibited or affected by the laws of the relevant jurisdiction. Overseas Shareholders should inform themselves about and observe any applicable legal requirements. It is the responsibility of any Overseas Shareholders wishing to accept the Offer to satisfy themselves as to the full observance of the laws and regulatory requirements of the relevant jurisdiction in connection with the Offer, including the obtaining of any governmental, exchange control or other consents which may be required, the compliance with other necessary formalities and the payment of any issue, transfer or other taxes or duties or payments due in such jurisdiction.
- (b) Any Overseas Shareholder will be responsible for any such issue, transfer or other taxes or duties or payments, by whomever payable, and each of Stafford, Stafford Bidco, Lancea LLP and any person acting

on their behalf shall be fully indemnified and held harmless by such Overseas Shareholder for such issue, transfer or other taxes or duties or payments as Stafford, Stafford Bidco or Lancea LLP may be required to pay in respect of the Offer insofar as it relates to such Overseas Shareholder. If you are an Overseas Shareholder and you are in any doubt about your position, you should consult your professional adviser in the relevant jurisdiction.

- (c) This document does not constitute an offer to Restricted Overseas Persons and is not being and will not be made, directly or indirectly, in, into, or by use of the mails of, or by any means or instrumentality of interstate or foreign commerce of, or of any facilities of a national securities exchange of any Restricted Jurisdiction and the Offer will not be capable of acceptance by any such use, means, instrumentality or facilities or otherwise from or within any Restricted Jurisdiction. Such means or instrumentalities include, but are not limited to, e-mail, facsimile transmission, telex, telephone and internet.
- (d) Copies of this document, the Form of Acceptance and any related offering document(s) are not being, and must not be, mailed, transmitted, or otherwise distributed or sent, in whole or in part, in or into or from any Restricted Jurisdiction including to Phaunos Shareholders or persons with information rights or participants in the Phaunos Share Scheme with registered addresses in any Restricted Jurisdiction or to persons whom Stafford Bidco knows to be agents, custodians, trustees or nominees holding Phaunos Shares for such persons. Persons receiving such documents (including, without limitation, agents, custodians, trustees or nominees) must not mail or otherwise distribute or send them in or into or from any Restricted Jurisdiction or use the mails of any Restricted Jurisdiction or any means or instrumentality or facility of interstate or foreign commerce of, or any facilities of a national securities exchange of any Restricted Jurisdiction for any purpose, directly or indirectly, in connection with the Offer, and so doing may invalidate any related purported acceptance of the Offer. Persons wishing to accept the Offer must not use the mails of any Restricted Jurisdiction or any such means, instrumentality or facilities for any purpose, directly or indirectly, relating to acceptance of the Offer. All Phaunos Shareholders (including, without limitation, agents, custodians, trustees or nominees) who have a contractual or legal obligation, or may otherwise intend, to forward this document, the Form of Acceptance or any related document, should read further the details in this regard which are contained in this paragraph 6 and in Section C and Section D of this Part II before taking any action. Envelopes containing Forms of Acceptance, evidence of title or other related documents must not be postmarked in, or otherwise despatched from, any Restricted Jurisdiction and all acceptors must provide addresses outside a Restricted Jurisdiction for the receipt of the consideration to which they are entitled under the Offer and which is despatched by post or for the return of the Form of Acceptance and (in relation to Phaunos Shares in certificated form) any Phaunos Share certificate(s) and/or other document(s) of title.
- (e) Save as provided in the remainder of this paragraph 6, a Phaunos Shareholder may be deemed not to have validly accepted the Offer if:
 - (i) he/she puts “NO” in **Box 3** of the Form of Acceptance and therefore does not make the relevant representations and warranties set out in paragraph 3 of Section C below;
 - (ii) he/she completes **Box 4A** of the Form of Acceptance with an address in, or has a registered address in, any Restricted Jurisdiction and, in either case, he/she does not insert in Box 4B of the Form of Acceptance the name and address of a person or agent outside a Restricted Jurisdiction to whom he/she wishes the consideration to which he/she is entitled under the Offer to be sent, subject to the provisions of this paragraph 6(e) and applicable laws;
 - (iii) he/she inserts in **Box 4A** of the Form of Acceptance the name and address and/or telephone number of a person or agent in any Restricted Jurisdiction to whom he/she wishes the consideration to which he/she is entitled under the Offer to be sent;
 - (iv) the Form of Acceptance received from him/her is in an envelope postmarked in, or otherwise appears to Stafford Bidco or its agents to have been sent from, any Restricted Jurisdiction;
 - (v) he/she does not make the relevant representations and warranties set out in paragraph 3 of Section D below; or
 - (vi) he/she makes a Restricted Escrow Transfer pursuant to paragraph 6(h) below unless he/she also makes a related Restricted ESA Instruction which is accepted by the Receiving Agent.

Stafford Bidco reserves the right, in its sole discretion, to investigate, in relation to any acceptance, whether the relevant representations and warranties set out in paragraph 3 of Section C or (as the case may be) Section D below could have been truthfully given by the relevant Phaunos Shareholder and, if such

investigation is made and, as a result, Stafford Bidco determines that such representation and warranty could not have been so given or is not correct, such acceptance shall not, save as provided in the remainder of this paragraph 6, be valid.

- (f) If, in connection with the making of the Offer, notwithstanding the restrictions described above, any person (including, without limitation, agents, custodians, nominees and trustees), whether pursuant to a contractual or legal obligation or otherwise, forwards this document, the Form of Acceptance or any related offer document in, into or from any Restricted Jurisdiction or uses the mails of or any means or instrumentality (including, without limitation, e-mail, telex and telephone) of interstate or foreign commerce of, or any facilities of a national securities exchange of, any 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.
- (g) Notwithstanding anything to the contrary contained in this document or the Form of Acceptance, Stafford Bidco may, in its sole and absolute discretion, make the Offer (with or without giving effect to the foregoing paragraphs of this paragraph 6) in any Restricted Jurisdiction pursuant to an exemption under applicable law in a Restricted Jurisdiction or if Stafford Bidco is satisfied in that particular case that to do so would not constitute a breach of any securities or other relevant legislation of any Restricted Jurisdiction, and in this connection the provisions of paragraph 3 of Section C and paragraph 3 Section D of this Part II will be varied accordingly.
- (h) If a Phaunos Shareholder holding Phaunos Shares in uncertificated form is unable to give the warranties set out in paragraph 3 of Section D below, but nevertheless can provide satisfactory evidence to Stafford Bidco that he/she is able to accept the Offer in compliance with all relevant legal and regulatory requirements, he/she may only purport to accept the Offer by sending (or if a CREST sponsored member, procuring that his/her 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 Stafford Bidco decides, in its absolute discretion, to exercise its right described in paragraph 6(i) below to waive, vary or modify the terms of the Offer relating 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 1 above. If Stafford Bidco accordingly decides to permit such acceptance to be made, the Receiving Agent will, on behalf of Stafford Bidco, 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, the Receiving Agent will, on behalf of Stafford Bidco, 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 ISIN for the Phaunos Shares (this is GG00BFX4LT97);
- the number of Phaunos Shares in respect of which the Offer is to be accepted;
- the member account ID and participant ID of the Phaunos Shareholder;
- the participant ID of the Escrow Agent. This is 8RA27;
- the member account ID of the Escrow Agent specific to a Restricted Escrow Transfer. This is PHAMAH01;
- the intended settlement date;
- the corporate action reference number for the Offer which is allocated by Euroclear and can be found by viewing the relevant corporate action details in CREST;
- input standard delivery instruction of priority of at least 80; and
- contact name and telephone number to be inserted in the shared note field.

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

- the ISIN for the Phaunos Shares (this is GG00BFX4LT97);

- the number of Phaunos Shares relevant to the Restricted ESA Instruction;
 - the member account ID and participant ID of the accepting Phaunos Shareholder;
 - the participant ID of the Escrow Agent. This is 8RA27;
 - the member account ID of the Escrow Agent set out in the Restricted Escrow Transfer. This is PHAMAH01;
 - the transaction reference number of the Restricted Escrow Transfer to which the Restricted ESA Instruction relates;
 - the intended settlement date;
 - the corporate action number for the Offer which is allocated by Euroclear and can be found by viewing the relevant corporate action details in CREST; and
 - input standard delivery instruction of priority of at least 80.
- (i) The provisions of this paragraph 6(i) supersede any terms of the Offer inconsistent with them. The provisions of this paragraph 6(i) and/or any other terms of the Offer relating to Overseas Shareholders may be waived, varied or modified as regards specific Phaunos Shareholders or on a general basis by Stafford Bidco in its absolute discretion but only if Stafford Bidco is satisfied that such waiver, variance or modification will not constitute a breach of any applicable securities or other law.
- (j) If any written notice purporting to withdraw an acceptance in accordance with paragraph 3 above is received in an envelope postmarked in, or which otherwise appears to Stafford Bidco or its agents to have been sent from any Restricted Jurisdiction whose laws may have been violated by the acceptance, Stafford Bidco reserves the right, in its absolute discretion, to treat that notice as being valid.
- (k) Neither Stafford Bidco nor its advisers nor 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 above or otherwise in connection therewith.
- (l) References in this paragraph 6 to a Phaunos Shareholder shall include references to the person or persons executing a Form of Acceptance and, in the event of one or more persons executing a Form of Acceptance, the provisions of this paragraph 6 shall apply to them jointly and to each of them.
- (m) The Offer is being made for securities in a Guernsey company whose ordinary shares are admitted to trading on the London Stock Exchange and Phaunos Shareholders in the United States should be aware that this document, the Form of Acceptance and any other documents relating to the Offer have been, or will be, prepared in accordance with English law, Guernsey law, the Code and applicable disclosure requirements, format and style thereunder, all of which differ from those in the United States. Phaunos's financial statements, and all financial information that is included in this document or any other documents relating to the Offer, have been, or will be, prepared in accordance with International Financial Reporting Standards adopted by the European Union and therefore may not be wholly comparable to financial statements of US companies or companies whose financial statements are prepared in accordance with US GAAP.

Overseas Shareholders should inform themselves about and observe any applicable legal or regulatory requirements. If you are in any doubt about your position, you should consult your professional adviser in the relevant jurisdiction.

Section C: Form of Acceptance for Phaunos Shares in certificated form

This Section C only applies to Phaunos Shares in certificated form. If you hold all your Phaunos Shares in uncertificated form, you should ignore this Section C and instead read Section D below.

For the purposes of this Section C and the Form of Acceptance, the phrase “**Phaunos Shares comprised in the acceptance**” means the number of Phaunos Shares inserted in Box 1 of the Form of Acceptance or, if no number is inserted or a number greater than such Phaunos Shareholder's registered holding is inserted, the greater of:

- (a) the relevant Phaunos Shareholder's entire holding of Phaunos Shares as disclosed by details of the register of members made available to the Receiving Agent prior to the time the relevant Form of Acceptance is processed by them;

- (b) the relevant Phaunos Shareholder's entire holding of Phaunos Shares as disclosed by details of the register of members made available to Receiving Agent prior to the latest time for receipt of Forms of Acceptance which can be taken into account in determining whether the Offer is unconditional as to acceptances; and
- (c) the number of Phaunos Shares in respect of which certificate(s), or an indemnity in lieu, is received.

Each Phaunos Shareholder by whom, or on whose behalf, any Form of Acceptance is executed and received by the Receiving Agent or by or on behalf of Stafford Bidco, irrevocably undertakes, represents, warrants and agrees to and with Stafford, Stafford Bidco and the Receiving Agent (so as to bind him, his executors, personal representatives, heirs, successors and assignees) as follows.

1. The execution of the Form of Acceptance and its delivery to the Receiving Agent shall constitute, subject to the provisions of paragraph 6 of Section B above:
 - (a) an acceptance, or deemed acceptance, of the Offer in respect of the number of Phaunos Shares inserted, or deemed inserted, in Box 1 of the Form of Acceptance;
 - (b) if no Boxes are completed or if Box 1 of the Form of Acceptance is left blank or a number greater than such Phaunos Shareholder's registered holding appears in Box 1 and the Form of Acceptance is signed or the Form of Acceptance is otherwise completed incorrectly but is signed, an acceptance by such Phaunos Shareholder of the Offer in respect of the total number of Phaunos Shares comprised in the acceptance; and
 - (c) an authority to Stafford Bidco or its agents to execute any further documents and give any further assurances which may be required in connection with any of the foregoing and an undertaking to execute all or any further documents and/or give any such further assurances as may be required to enable Stafford Bidco to obtain the full benefit of this Section C and/or to perfect any of the authorities expressed to be given under this Section C,

in each case on and subject to the terms and Conditions set out in this document and the Form of Acceptance and that, subject to the rights of withdrawal set out in paragraph 3 of Section B above, each such acceptance shall be irrevocable.

2. He is irrevocably and unconditionally entitled to transfer the Phaunos Shares in respect of which the Form of Acceptance is completed and that the Phaunos Shares in certificated form in respect of which the Offer is accepted, or is deemed to be accepted, are sold fully paid and free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature whatsoever and together with all rights attaching to them as at the date of this document or subsequently attaching to them, including, without limitation, voting rights and the right to receive and retain in full all dividends and other distributions, if any, declared, made or paid or any other return of capital (whether by way of reduction of share capital or share premium account or otherwise) made, on or after the date of this document.
3. Unless "NO" is inserted, or deemed to be inserted, in Box 3 of the Form of Acceptance, such Phaunos Shareholder:
 - (a) has not received or sent, in whole or in part, copies or originals of this document, the Form of Acceptance or any related offer documents in, into or from any Restricted Jurisdiction where such actions may constitute (or result in the Offer constituting) a breach of any legal or regulatory requirements of such jurisdiction;
 - (b) is accepting the Offer from outside any Restricted Jurisdiction and was outside a Restricted Jurisdiction, in each case as is referred to in paragraph 3(a) above, when the Form of Acceptance was sent and, at the time of accepting the Offer, is not an agent or fiduciary acting on a non-discretionary basis for a principal, unless such principal has given all instructions with respect to the Offer from outside any Restricted Jurisdiction, is accepting the Offer from outside any Restricted Jurisdiction and is not accepting the Offer for a Restricted Overseas Person, for whom such Phaunos Shareholder is acting on a non-discretionary basis;
 - (c) warrants that the Form of Acceptance and any related offer documents have not been mailed or otherwise sent in, into or from any Restricted Jurisdiction; and
 - (d) if an Overseas Shareholder, has observed the laws and regulatory requirements of all relevant jurisdictions, obtained any requisite governmental or other consents, complied with all requisite formalities, paid any issue, transfer or other taxes or duties due from him/her in each case in connection with such acceptance in any such jurisdiction and has not taken or omitted to take any

action which will or may result in Stafford, Stafford Bidco, Lancea LLP or any other person acting in breach of the legal or regulatory requirements of any jurisdiction in connection with the Offer or his/her acceptance of the Offer.

4. The execution of the Form of Acceptance and its receipt by the Receiving Agent constitutes, subject to the Offer becoming, or being declared, wholly unconditional in accordance with its terms and to an accepting Phaunos Shareholder not having validly withdrawn his acceptance, the irrevocable separate appointment of the attorney (as defined in paragraph 4(a) of Section B above) as such Phaunos Shareholder's attorney and/or agent, and an irrevocable instruction to the attorney:
 - (a) to complete and execute all or any form(s) of transfer and/or other document(s) whatsoever at the attorney's discretion in relation to the Acceptance Shares in favour of Stafford Bidco or such other person or persons as Stafford Bidco or its agents may direct;
 - (b) to deliver such form(s) of transfer and/or other document(s) at the attorney's discretion together with the certificate(s) and or other document(s) relating to the Acceptance Shares for registration within four months of the Offer becoming wholly unconditional; and
 - (c) to execute all such other documents and to do all such other acts and things as may in the opinion of such attorney be necessary or expedient for the purpose of, or in connection with, the acceptance of the Offer and, if applicable, any election under it and in order to vest in Stafford Bidco or its nominee(s) the Acceptance Shares and to give any further assurances which may be required in connection with any of the foregoing.
5. The execution of the Form of Acceptance and its receipt by the Receiving Agent constitutes, subject to the Offer becoming, or being declared, wholly unconditional in accordance with its terms, a separate irrevocable authority and request (subject to paragraph 6 of Section B above):
 - (a) to Phaunos or its agents, to procure the registration of the transfer of the Phaunos Shares pursuant to the Offer and the delivery of the share certificate(s) and/or other document(s) of title in respect thereof to Stafford Bidco or as it may direct; and
 - (b) to Stafford Bidco, its agents or the attorney (as defined in paragraph 4(a) of Section B above) to procure the despatch by post (or such other method as may be approved by the Panel) of a cheque drawn on a branch of a United Kingdom clearing bank for any cash consideration to which an accepting Phaunos Shareholder may become entitled pursuant to his acceptance of the Offer, at the risk of such Phaunos Shareholder, to the person or agent whose name and address (outside any Restricted Jurisdiction) is set out in Box 4B of the Form of Acceptance or, if none is set out, to the first-named holder at his registered address (outside any Restricted Jurisdiction).
6. After the Offer has become, or been declared, wholly unconditional (or, in relation to a resolution which concerns the last remaining Condition of the Offer, the Offer will become, or be declared, wholly unconditional or lapse depending upon the outcome of that resolution) and in such other circumstances as Stafford Bidco may request and the Panel may permit:
 - (a) Stafford Bidco or its agents shall be entitled to direct the exercise of any votes and any or all other rights and privileges attaching to any Acceptance Shares (including the right to requisition the convening of a general meeting of Phaunos or of any class of its shareholders);
 - (b) the execution of the Form of Acceptance constitutes:
 - (i) a separate authority to Phaunos and/or each of its agents from the holder of Acceptance Shares to send any notice, warrant, circular, document or other communication which may be required to be sent to him/her as a member of Phaunos (including any share certificate(s) and/or other document(s) of title issued as a result of conversion of such Phaunos Shares into certificated form) in respect of the Acceptance Shares to Stafford Bidco at its registered office or at the address referred to in paragraph 3(a) of Section B above;
 - (ii) an irrevocable authority to Stafford Bidco and/or each of its agents from such holder to sign any consent to short notice of a general meeting or separate class meeting on his/her behalf and/or to execute a form(s) of proxy in respect of such Acceptance Shares appointing any person(s) nominated by Stafford Bidco to attend general meetings and separate class meetings of Phaunos or its members or any of them (and any adjournment) and to exercise the votes attaching to such Acceptance Shares on his behalf, such votes to be cast, where relevant, so far as possible to satisfy any outstanding condition of the Offer; and

- (iii) the agreement of such Phaunos Shareholder not to exercise any of such rights without the consent of Stafford Bidco and the irrevocable undertaking of such Phaunos Shareholder not to appoint a proxy or proxies or a corporate representative for or to attend general meetings or separate class meetings of Phaunos Shareholders (or any adjournment thereof);
7. He/she will deliver, or procure the delivery, to the Receiving Agent at the address referred to in paragraph 3(a) of Section B above, of his/her share certificate(s) and/or other document(s) of title in respect of Acceptance Shares which are in certificated form, or an indemnity acceptable to Stafford Bidco in lieu thereof, as soon as possible and in any event within four months of the Offer becoming or being declared wholly unconditional in accordance with its terms.
 8. The execution of the Form of Acceptance constitutes his or her irrevocable submission, in relation to all matters arising out of the Offer and the Form of Acceptance, to the exclusive jurisdiction of the courts of England and Wales.
 9. The terms and Conditions to the Offer in this document shall be deemed to be incorporated in, and form part of, the Form of Acceptance, which shall be read and construed accordingly.
 10. If he/she accepts the Offer, subject to the Offer becoming wholly unconditional in accordance with its terms, he/she shall promptly, following request by or on behalf of Stafford Bidco, do all such acts and things as shall, in the opinion of Stafford, Stafford Bidco, Lancea LLP or the Receiving Agent be necessary or expedient to vest in Stafford Bidco, or its nominee(s) or such other person as Stafford Bidco may decide, the Acceptance Shares or to enable the Receiving Agent to perform its functions for the purposes of the Offer; and accordingly grants power(s) of attorney and authorities on the terms conferred by or referred to in these paragraphs which are given by way of security for the performance of the obligations of such Phaunos Shareholder and which are irrevocable (in respect of powers of attorney, in accordance with section 4 Powers of Attorney Act 1971).
 11. He/she agrees to ratify each and every act or thing which may be done or effected by Stafford, Stafford Bidco, Lancea LLP or the Receiving Agent or their respective directors or agents, as the case may be, in the exercise of any of his/her or their respective powers and/or authorities hereunder and to indemnify each such person from losses arising therefrom.
 12. If any provisions of Section B or this Section C shall be unenforceable or invalid or shall not operate to afford Stafford, Stafford Bidco, Phaunos, Lancea LLP or the Receiving Agent or their respective directors or agents the benefit of the authority expressed to be given therein, he/she will, with all practicable speed, do all such acts and things and execute all such documents that may be required by them to enable them or any of them to secure the full benefit of Section B and this Section C.
 13. The *ejusdem generis* principle of construction shall not apply to the terms and Conditions of the Offer and/or the Form of Acceptance. Accordingly, general words shall not be given a restrictive meaning by reason of their being preceded or followed by words indicating a particular class of acts, matters or things or by examples falling within the general words.

References in this Section C to a Phaunos Shareholder shall include references to the person or persons executing a Form of Acceptance and, in the event of more than one person executing a Form of Acceptance, the provisions of this Section C shall apply to them jointly and to each of them. On execution, the Form of Acceptance shall take effect as a deed.

Section D: Electronic Acceptance

This Section D only applies to Phaunos Shares held in uncertificated form. If you hold all your Phaunos Shares in certificated form, you should ignore this Section D and instead read Section C above.

For the purposes of this Section D, the phrase “**Phaunos Shares comprised in the acceptance**” means, in respect of any Phaunos Shares held in uncertificated form, the number of Phaunos Shares that are transferred by the relevant Phaunos Shareholder to his/her escrow account by means of an Electronic Acceptance.

Each Phaunos Shareholder by whom, or on whose behalf, an Electronic Acceptance is made, irrevocably undertakes, represents, warrants and agrees to and with Stafford Bidco and the Receiving Agent (so as to bind him, his executors, personal representatives, heirs, successors and assignees) as follows:

1. The Electronic Acceptance shall constitute, subject to the provisions of paragraph 6 of Section B above:
 - (a) an acceptance of the Offer in respect of the number of Phaunos Shares comprised in the acceptance to which a TTE instruction relates; and

- (b) an authority to Stafford Bidco or its agents to execute any further documents, take any further action and give any further assurances which may be required in connection with any of the foregoing and an undertaking to execute all or any further documents and/or give any such further assurances as may be required to enable Stafford Bidco to obtain the full benefit of this Section D and/or to perfect any of the authorities expressed to be given under this Section D;

in each case on and subject to the terms and Conditions set out in this document and that, subject to the rights of withdrawal set out in paragraph 3 of Section B above, each such acceptance shall be irrevocable;

2. Such Phaunos Shareholder has the right to dispose of the Phaunos Shares comprised in the acceptance and that the Phaunos Shares comprised in the acceptance are sold fully paid and with full title guarantee free from all liens, charges, encumbrances and other third party rights and other interests and together with all rights now and in the future attaching to them including the right to receive and retain all dividends, interest and other distributions declared, made or paid in the future.
3. Unless he/she sends a Restricted Escrow Transfer and a Restricted ESA Instruction (each as defined in paragraph 6(h) of Section B above) which is accepted by a receiving agent accept (AEAN) message pursuant to paragraph 6(h) of Section B above, such Phaunos Shareholder:
 - (a) has not received or sent, in whole or in part, copies or originals of this document, the Form of Acceptance or any related offer documents in, into or from any Restricted Jurisdiction;
 - (b) is accepting the Offer from outside any Restricted Jurisdiction and was outside any Restricted Jurisdiction when the relevant TTE instruction(s) was inputted and settled, is not an agent or fiduciary acting on a non-discretionary basis for a principal, unless such principal has given all instructions with respect to the Offer from outside any Restricted Jurisdiction, no TTE instruction(s) has been sent in, into or from any Restricted Jurisdiction or signed in any Restricted Jurisdiction and such shareholder is accepting the Offer from outside any Restricted Jurisdiction and is not accepting the Offer for a Restricted Overseas Person, for whom such shareholder is acting on a non-discretionary basis; and
 - (c) if an Overseas Shareholder, has observed the laws and regulatory requirements of all relevant jurisdictions, obtained any requisite governmental or other consents, complied with all requisite formalities, paid any issue, transfer or other taxes or duties due from him/her in each case in connection with such acceptance in any such jurisdiction and has not taken or omitted to take any action which will or may result in Stafford, Stafford Bidco, Lancea LLP or any other person acting in breach of the legal or regulatory requirements of any jurisdiction in connection with the Offer or his/her acceptance of the Offer;
4. The Electronic Acceptance constitutes, subject to the Offer becoming, or being declared, wholly unconditional in accordance with its terms and to an accepting Phaunos Shareholder not having validly withdrawn his acceptance, the irrevocable separate appointment of the attorney (as defined in paragraph 4(a) of Section B above) as such Phaunos Shareholder's attorney and/or agent, and an irrevocable instruction to the attorney to do all such acts and things as may in the opinion of such attorney be necessary or expedient for the purpose of, or in connection with, the acceptance of the Offer and, if applicable, any election under it and in order to vest in Stafford Bidco or its nominee(s) the Acceptance Shares.
5. The Electronic Acceptance constitutes, subject to the Offer becoming or being declared wholly unconditional, a separate irrevocable authority and request (subject to paragraph 6 of Section B above) to the attorney (as defined in paragraph 4(a) of Section B above) to procure (in respect of those Phaunos Shares held in uncertificated form) the satisfaction of any cash entitlement to which an accepting shareholder may become entitled by means of a CREST payment in favour of the accepting shareholder's payment bank provided that Stafford Bidco may (if for any reason it wishes to do so) settle all or any part of such entitlement for all or any accepting Phaunos Shareholder by cheque in favour of the first-named holder despatched by post to an address outside any Restricted Jurisdiction stipulated by such holder or as otherwise determined by Stafford Bidco.
6. The Electronic Acceptance will constitute, subject to the person accepting the Offer not having validly withdrawn his acceptance, the irrevocable appointment of the attorney (as defined in paragraph 4(a) of Section B above) as such shareholder's attorney and/or agent and with the authority to complete and/or execute any further documents and give any further assurances which may be required in connection with any of the foregoing.

7. After the Offer has become or been declared wholly unconditional (or, in relation to a resolution which concerns the last remaining Condition of the Offer, the Offer will become, or be declared, wholly unconditional or lapse depending upon the outcome of that resolution) and in such other circumstances as Stafford Bidco may request and the Panel may permit:
 - (a) Stafford Bidco or its agents shall be entitled to direct the exercise of any votes and any or all other rights and privileges attaching to any Acceptance Shares (including the right to requisition the convening of a general meeting of Phaunos or of any class of its shareholders);
 - (b) the Electronic Acceptance constitutes:
 - (i) an authority to Phaunos or its agents from the holder of Acceptance Shares to send any notice, warrant, circular, document or other communication which may be required to be sent to him/her as a member of Phaunos (including any share certificate(s) and/or other document(s) of title issued as a result of conversion of such Phaunos Shares into certificated form) in respect of the Acceptance Shares to Stafford Bidco at its registered office or at the address referred to in paragraph 3(a) of Section B above;
 - (i) an irrevocable authority to Stafford Bidco or its agents from such holder to sign any consent to short notice of a general meeting or separate class meeting on his/her behalf and/or to execute a form(s) of proxy in respect of such Acceptance Shares appointing any person(s) nominated by Stafford Bidco to attend general meetings and separate class meetings of Phaunos or its members or any of them (and any adjournment thereof) and to exercise the votes attaching to such Acceptance Shares on his behalf, such votes to be cast, where relevant, so far as possible, to satisfy any outstanding Condition of the Offer; and
 - (ii) the agreement of such Phaunos Shareholder not to exercise any of such rights without the consent of Stafford Bidco and the irrevocable undertaking of such Phaunos Shareholder not to appoint a proxy or proxies or a corporate representative for or to attend general meetings or separate class meetings of Phaunos Shareholders (or any adjournment thereof);
8. The Electronic Acceptance constitutes the irrevocable appointment of the Receiving Agent as such Phaunos Shareholder's attorney and/or agent and an irrevocable instruction and authority to the attorney and/or agent:
 - (a) subject to the Offer becoming or being declared wholly unconditional in accordance with its terms and to such Phaunos Shareholder not having validly withdrawn his acceptance, to transfer to itself (or to such other person or persons as Stafford Bidco or its agents may direct) by means of CREST all or any of the Relevant Phaunos Shares (as defined below) (but not exceeding the number of Phaunos Shares comprised in the acceptance); and
 - (b) if the Offer does not become wholly unconditional, 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 calendar days of the lapsing of the Offer), to transfer all Relevant Phaunos Shares to the original available balance of the accepting Phaunos Shareholders. For the purposes of this paragraph 8, "Relevant Phaunos Shares" means Phaunos Shares in uncertificated form and in respect of which a transfer or transfers to escrow has or have been effected pursuant to the procedures described in paragraph 13 of Part I of this document and where the transfer(s) to escrow was or were made in respect of Phaunos Shares held under the same member account ID and participant ID as the member account ID and participant ID relating to the Electronic Acceptance concerned.
9. If, for any reason, any Phaunos Shares in respect of which a TTE instruction has been effected in accordance with paragraph 13.2 of Part I of this document are converted to certificated form, he/she will (without prejudice to paragraph 7(b)(i) above), immediately deliver or procure the immediate delivery of the share certificates or other documents of title in respect of all such Phaunos Shares as so converted to the Receiving Agent at the address referred to in paragraph 3(a) of Section B above or as Stafford Bidco or its agents may direct and he shall be deemed upon conversion to undertake, represent, warrant and agree in the terms set out in Section C above in relation to such Phaunos Shares without prejudice to the application of this Section D so far as Stafford Bidco deems appropriate.
10. The creation of a CREST payment obligation in favour of his or her payment bank in accordance with the CREST payment arrangements referred to in paragraph 5 above shall, to the extent of the obligation so created, discharge in full any obligation of Stafford, Stafford Bidco and/or Lancea LLP to pay to him/her the cash consideration to which he/she may be entitled pursuant to the Offer.

11. The making of an Electronic Acceptance constitutes his or her irrevocable submission, in relation to all matters arising out of the Offer and the Electronic Acceptance, to the exclusive jurisdiction of the courts of England and Wales.
12. The terms and Conditions to the Offer in this document shall be deemed to be incorporated in, and form part of, the Electronic Acceptance, which shall be read and construed accordingly.
13. If he/she accepts the Offer, subject to the Offer becoming wholly unconditional in accordance with its terms, he/she shall promptly, following request by or on behalf of Stafford Bidco, do all such acts and things as shall, in the opinion of Stafford, Stafford Bidco, Lancea LLP or the Receiving Agent, be necessary or expedient to vest in Stafford Bidco, or its nominee(s) or such other person as Stafford Bidco may decide, the Acceptance Shares or to enable the Escrow Agent to perform its functions for the purposes of the Offer.
14. By virtue of the CREST Regulations, the making of an Electronic Acceptance constitutes an irrevocable power of attorney by the relevant Phaunos Shareholder in the terms of all the powers and authorities expressed to be given by Section B, this Section D and (where applicable by virtue of paragraph 8 above) Section C to Stafford, Stafford Bidco, Lancea LLP and the Receiving Agent and any of their respective directors or agents.
15. He/she agrees to ratify each and every act or thing which may be done or effected by Stafford, Stafford Bidco, Lancea LLP or the Receiving Agent or their respective directors or agents, as the case may be, in the exercise of any of his/her or their respective powers and/or authorities hereunder and to indemnify each such person from losses arising therefrom.
16. If any provisions of Section B or this Section D shall be unenforceable or invalid or shall not operate to afford Stafford, Stafford Bidco, Phaunos, Lancea LLP or the Receiving Agent or their respective directors or agents the benefit of the authority expressed to be given therein, he/she will, with all practicable speed, do all such acts and things and execute all such documents that may be required by them to enable them or any of them to secure the full benefit of Section B and this Section D.
17. The *ejusdem generis* principle of construction shall not apply to the terms and Conditions of the Offer and/or the Form of Acceptance. Accordingly, general words shall not be given a restrictive meaning by reason of their being preceded or followed by words indicating a particular class of acts, matters or things or by examples falling within the general words.

References in this Section D to an Phaunos Shareholder shall include references to the person or persons making an Electronic Acceptance.

PART III
UNITED KINGDOM AND GUERNSEY TAXATION

1. United Kingdom

The following statements are intended to apply only as a general guide to certain UK tax considerations and are based on current UK tax law and current published practice of HM Revenue and Customs, both of which are subject to change at any time, possibly with retrospective effect. They relate only to certain limited aspects of the UK taxation treatment of Phaunos Shareholders who (a) for UK tax purposes, are resident in the UK (except to the extent that the position of non-UK resident Phaunos Shareholders is expressly referred to) and, in the case of individuals, domiciled in the UK, (b) who hold the Phaunos Shares as investments (other than under an individual savings account or a self-invested personal pension) and (c) who are the beneficial owners of both the Phaunos Shares and any dividends paid on them. The statements may not apply to certain classes of Phaunos Shareholders such as (but not limited to) persons who acquired or are deemed to have acquired their Phaunos Shares in connection with an office or employment, dealers in securities, insurance companies and collective investment schemes.

The summary below does not constitute tax or legal advice and Phaunos Shareholders who are in any doubt about their taxation position, or who are resident or otherwise subject to taxation in a jurisdiction outside the United Kingdom, should consult their own professional advisers immediately.

(a) Taxation of chargeable gains

A Phaunos Shareholder's liability to UK taxation of chargeable gains in respect of the disposal of Phaunos Shares pursuant to the Offer will depend on that shareholder's individual circumstances.

Phaunos Shareholders selling their Phaunos Shares pursuant to the Offer will be disposing of them for the purposes of UK taxation of chargeable gains. A disposal, or deemed disposal, of Phaunos Shares by a Phaunos Shareholder who is resident in the UK for tax purposes may, depending on the Phaunos Shareholder's circumstances and subject to any available exemptions and reliefs (such as the annual exempt amount for individuals), give rise to a chargeable gain or an allowable loss for the purposes of UK taxation of capital gains.

Individual Phaunos Shareholders

For an individual Phaunos Shareholder who is subject to income tax at the basic rate and liable to UK capital gains tax on such disposal, the applicable rate would be 10 per cent. to the extent that the gain, when added to the Phaunos Shareholder's other taxable income for the relevant tax year, does not exceed the upper limit of the income tax basic rate band. To the extent that the gain, when added to the Phaunos Shareholder's other taxable income for the relevant tax year, exceeds this band or if an individual Phaunos Shareholder is subject to income tax at either the higher or the additional rate, the applicable rate of UK capital gains tax on the disposal of his Phaunos Shares will be 20 per cent.

An individual Phaunos Shareholder who has ceased to be resident in the UK for tax purposes for a period of less than five years and who disposes of Phaunos Shares during that period may also be liable on his return to the UK to UK taxation on any capital gain realised (subject to any available exemption or relief). Special rules apply to persons who are subject to tax on a "split-year" basis, who should seek specific professional advice if they are in any doubt about their position.

Corporate Phaunos Shareholders

For a Phaunos Shareholder who is within the charge to UK corporation tax, a gain on the disposal or part disposal of Phaunos Shares will form part of the Phaunos Shareholder's profits chargeable to corporation tax (the rate of which is currently 19 per cent.). For such shareholders (in addition to any other applicable reliefs, exemptions and allowable losses) indexation allowance in respect of periods up to 31 December 2017 may be available in respect of the Phaunos Shares to reduce any chargeable gain arising on the disposal (but not to create or increase any allowable loss).

(b) Stamp duty and stamp duty reserve tax ("SDRT")

No stamp duty or SDRT will be payable by Phaunos Shareholders as a result of accepting the Offer.

2. Guernsey

The following paragraphs, which are intended as a general guide only, do not constitute tax advice and are based on current Guernsey tax legislation. They summarise certain limited aspects of the anticipated Guernsey tax treatment of the Offer and they relate only to the position of Phaunos Shareholders who are the absolute beneficial owners of their shares, who hold their shares as an investment and who are resident in Guernsey for taxation purposes. They do not apply to certain classes of Phaunos Shareholders, such as dealers in securities, insurance companies, collective investment schemes and Phaunos Shareholders who have, or are deemed to have, acquired their shares by reason of, or in connection with, an office or employment. If you are in any doubt as to your taxation position or if you are subject to tax in any jurisdiction other than Guernsey, you should consult an appropriate professional adviser immediately.

Guernsey currently does not levy taxes upon capital inheritances, capital gains (with the exception of a dwellings profit tax, which is currently suspended) gifts, sales or turnover, nor are there any estate duties, save for registration fees and an *ad valorem* duty for a Guernsey grant of representation where the deceased dies leaving assets in Guernsey which require presentation of such grant.

(a) Guernsey resident shareholders

Tax on Capital Gains

Unless the varying of investments and turning of such investments to account is a business or part of a business, the exchange of Phaunos Shares for receipt of the cash consideration will be considered a capital transaction in Guernsey. As Guernsey does not levy capital gains tax, there will be no tax on this exchange.

Stamp Duty

No stamp duty is chargeable in Guernsey on the issue, transfer or repurchase of shares and therefore no stamp duty will be payable in Guernsey by Phaunos Shareholders as a result of accepting the Offer and transferring their shares to Stafford Bidco.

(b) Non-Guernsey resident shareholders

Phaunos Shareholders resident outside Guernsey will not be subject to any tax in Guernsey in respect of or in connection with the Offer.

(c) Anti-Avoidance

Guernsey has a wide-ranging anti-avoidance provision. This provision targets transactions where the effect of the transaction or series of transactions is the avoidance, reduction or deferral of a tax liability. At his discretion, the Director of Income Tax will make such adjustments to the tax liability to counteract the effects of the avoidance, reduction or deferral of the tax liability.

PART IV

FINANCIAL INFORMATION, RATINGS AND OUTLOOKS

1. Financial information relating to Stafford and Stafford Bidco

The following table sets out the financial information in respect of Stafford as required by Rule 24.3(a) of the Code. The documents (or parts thereof) referred to below are incorporated into this document by reference pursuant to Rule 24.15 of the Code.

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

<u>Document</u>	<u>Website where such document is available for inspection</u>
Stafford 2017 Annual Report	www.staffordcp.com The audited consolidated accounts are set out on pages 8 to 26
Stafford 2016 Annual Report	www.staffordcp.com The audited consolidated accounts are set out on pages 7 to 27

The information is available in “read-only” format and can be printed from the web address detailed above.

As Stafford Bidco was incorporated on 28 June 2018 and formed for the purposes of implementing the Offer, no financial information is available or has been published in respect of Stafford Bidco. Stafford Bidco has not traded since its incorporation, nor has it entered into any obligations other than in connection with the implementation of the Offer.

2. Stafford and Stafford Bidco ratings and outlook information

There are no current ratings or outlooks publicly accorded to Stafford or Stafford Bidco by ratings agencies.

3. Financial information relating to Phaunos

The following table sets out the financial information in respect of Phaunos as required by Rule 24.3(e) of the Code. The documents (or parts thereof) referred to below are incorporated into this document by reference pursuant to Rule 24.15 of the Code.

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

<u>Document</u>	<u>Website where such document is available for inspection</u>
Phaunos 2017 Annual Report	www.phaunostimber.com/investor-information/financial-reports/ The audited consolidated accounts are set out on pages 45 to 77
Phaunos 2016 Annual Report	www.phaunostimber.com/investor-information/financial-reports/ The audited consolidated accounts are set out on pages 47 to 79

The information is available in “read-only” format and can be printed from the web address detailed above.

4. Phaunos ratings and outlook information

So far as Stafford Bidco is aware, there are no current ratings or outlooks publicly accorded to Phaunos by ratings agencies.

Request for hard copies

Please see paragraph 12 of Part V for details of obtaining hard copies of documents incorporated by reference into this document.

No incorporation of website information

Neither the content of Stafford's or Phaunos's website, nor the content of any website accessible from hyperlinks on Stafford's or Phaunos's website, is incorporated by reference into, or forms part of, this document.

PART V
ADDITIONAL INFORMATION

1. Responsibility

- 1.1 The Stafford Responsible Persons, whose names are set out in paragraph 1.3 below, accept responsibility for the information contained in this document save that the only responsibility accepted by them in respect of information related to Phaunos, the Wider Phaunos Group and the Phaunos Directors, which has been compiled from previously published sources, is to ensure that such information is correctly and fairly reproduced and presented.
- 1.2 To the best of the knowledge and belief of the Stafford Responsible Persons (having taken all reasonable care to ensure that such is the case), whose names are set out in paragraph 1.3 below, the information contained in this document for which they are each responsible is in accordance with the facts and does not omit anything likely to affect the import of such information.
- 1.3 The Stafford Responsible Persons are as follows:

Stephen Addicott
Geoffrey Norman
Angus Whiteley
Vince Cao
Richard Bowley

2. Directors

- 2.1 The Stafford Bidco Directors and their respective positions are as follows:

Stephen Addicott (*Director*)
Geoffrey Norman (*Director*)
Angus Whiteley (*Director*)
Vince Cao (*Director*)

The registered office of Stafford Bidco is Fourth Floor, 24 Old Bond Street, London, United Kingdom, W1S 4AW, which is also the business address of each of the Stafford Bidco Directors.

- 2.2 The Phaunos Directors and their respective positions are as follows:

Richard Boléat (*Chairman*)
Jonathan Bridel (*Director*)
Brendan Hawthorne (*Director*)

The registered office of Phaunos is 11 New Street, St Peter Port, Guernsey GY1 2PF, which is also the business address of each of the Phaunos Directors.

3. Disclosure of interests, short positions and dealings in relevant securities

3.1 Definitions

For the purposes of this paragraph 3:

- (i) “**acting in concert**” with Phaunos or Stafford Bidco, as the case may be, means any person acting or deemed to be acting in concert with Phaunos or Stafford Bidco, as the case may be, for the purposes of the Code;
- (ii) “**dealing**” or “**dealt**” includes the following:
- (A) the acquisition or disposal of relevant securities, of the right (whether conditional or absolute) to exercise or direct the exercise of voting rights attached to relevant securities, or of general control of relevant securities;
- (B) 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;
- (C) subscribing or agreeing to subscribe for relevant securities;
- (D) the exercise or conversion of any relevant securities carrying conversion or subscription rights;

- (E) 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;
 - (F) entering into, terminating or varying the terms of any agreement to purchase or sell relevant securities;
 - (G) the redemption or purchase of, or taking or exercising an option over, any of its own relevant securities by the offeree company or an offeror; and
 - (H) 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;
- (iii) “**dealing arrangement**” means an arrangement of the kind referred to in Note 11 on the definition of acting in concert in the Code;
 - (iv) “**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;
 - (v) “**disclosure date**” means 30 July 2018, being the last Business Day prior to the posting of this document;
 - (vi) “**disclosure period**” means the period commencing on 5 June 2017, being the date 12 months prior to the commencement of the Offer Period, and ending on the disclosure date;
 - (vii) a person is treated as having an “**interest**” or being “**interested**” in relevant securities if he has a long economic exposure, whether absolute or conditional, to changes in the price of those securities (and a person who only had a short position in securities is not treated as interested in those securities) and, in particular, if:
 - (A) he owns them;
 - (B) 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;
 - (C) by virtue of any agreement to purchase, option or derivative, he:
 - (1) has the right or option to acquire them or call for their delivery; or
 - (2) 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
 - (D) he is party to any derivative:
 - (1) whose value is determined by reference to its price and
 - (2) which results, or may result, in that person having a long position in it; and
 - (E) in the case of Rule 5 of the Code only, he has received an irrevocable commitment in respect of them;
 - (viii) references to directors being “**interested**” in relevant securities include details of all interests, short positions and borrowings of any other persons whose interests in shares the relevant director is taken to be interested in pursuant to Part 22 of the Companies Act 2006 and related regulations;
 - (ix) “**relevant Stafford Bidco securities**” include equity share capital of Stafford Bidco (or derivatives referenced thereto) and securities convertible into, rights to subscribe for and options (including traded options) in respect thereof;
 - (x) “**relevant Phaunos securities**” include Phaunos Shares or equity share capital of Phaunos (or derivatives referenced thereto) and securities convertible into, rights to subscribe for and options (including traded options) in respect thereof;
 - (xi) “**relevant securities**” means relevant Phaunos securities or relevant Stafford Bidco securities;
 - (xii) “**securities**” means shares and securities convertible into, or rights to subscribe for, shares, options (including traded options) in respect thereof and derivatives referenced thereto and “Phaunos securities” and “Stafford Bidco securities” shall be construed accordingly; and

- (xiii) “**short position**” means any short position (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.

3.2 *Interests in relevant Phaunos securities*

- (a) As at the close of business on the disclosure date, Stafford held 758,234 Phaunos Shares representing less than 0.02 per cent. of Phaunos Shares in issue on that date.
- (b) As at the close of business on the disclosure date, Stephen Westwood held 23,223 Phaunos Shares representing less than 0.01 per cent. of Phaunos Shares in issue on that date. Stephen Westwood is a director of CES Investments Limited which is an authorised representative of Lancea LLP, the financial adviser to Stafford and Stafford Bidco in connection with the Offer.
- (c) Save as disclosed in this paragraph 3.2 of this Part V, as at the disclosure date, none of Stafford Bidco or Stafford, nor any of the Stafford Bidco Directors or the Stafford Directors (including, in each case, members of their immediate families, close relatives and related trusts), nor any person acting, or deemed to be acting, in concert with Stafford Bidco or Stafford (within the meaning of the Code) had:
- (i) any interest in, or right to subscribe for, relevant Phaunos securities;
 - (ii) any short position in respect of relevant Phaunos securities (whether conditional or absolute and whether in the money or otherwise), including any short position under a derivative, any agreement to sell or any delivery obligation or right to require another person to purchase or take delivery of, relevant securities of Phaunos;
 - (iii) procured an irrevocable commitment to accept the terms of the Offer in respect of relevant Phaunos securities; or
 - (iv) borrowed or lent any relevant securities of Phaunos (including, for these purposes, any financial collateral arrangements of the kind referred to in Note 4 on Rule 4.6 of the Code) save for any borrowed relevant securities which have been either on-lent or sold.

3.3 *Dealings in relevant Phaunos securities*

- (a) During the disclosure period, none of Stafford Bidco, any other member of the Wider Stafford Bidco Group nor any of the Stafford Bidco Directors or the Stafford Directors (including, in each case, members of their immediate families, close relatives and related trusts) have dealt in relevant Phaunos securities.
- (b) During the disclosure period, no persons acting in concert with Stafford Bidco or Stafford have dealt in relevant Phaunos securities.
- (c) There are no persons with whom Stafford Bidco, Stafford or any person acting in concert with either of them (within the meaning of the Code) has any dealing arrangement. Accordingly, no such persons have dealt in relevant Phaunos securities during the disclosure period.

4. **Market quotations**

The following table sets out the Closing Prices for Phaunos Shares (as derived from the Daily Official List) on:

- the first dealing day in each of the six months immediately prior to the date of this document;
- 4 June 2018, being the last dealing day before the start of the Offer Period; and
- 30 July 2018, being the last dealing day before the publication of this document:

<u>Date</u>	<u>Phaunos Share (US\$ per share)</u>
1 February 2018	0.435
1 March 2018	0.435
3 April 2018	0.435
1 May 2018	0.435
1 June 2018	0.440
4 June 2018	0.435
2 July 2018	0.477
30 July 2018	0.475

5. Material contracts and offer-related arrangements

- 5.1 There are no contracts, other than contracts entered into the ordinary course of business, which have been entered into by Stafford or any of its subsidiaries during the period commencing on 5 June 2016 (being the date two years before the commencement of the Offer Period) which are, or may be, considered material.
- 5.2 Stafford Bidco has not entered into any offer-related arrangement or other agreement, arrangement or commitment permitted under, or excluded from, Rule 21.2 of the Code.

6. Financing arrangements

Full acceptance of the Offer will result in the payment by Stafford Bidco of up to approximately US\$244.2 million in cash to Phaunos Shareholders. The cash consideration payable to Phaunos Shareholders in connection with the Offer will be financed by a draw down from funds of Stafford International Timberland Fund VIII which are managed on a discretionary basis by Stafford.

Lancea LLP, as financial adviser to Stafford and Stafford Bidco, is satisfied that sufficient resources are available to Stafford Bidco to satisfy in full the cash consideration payable to Phaunos Shareholders under the terms of the Offer.

7. Persons acting in concert

7.1 *Persons acting in concert with Stafford Bidco*

In addition to the Stafford Bidco Directors (including members of their immediate families, close relatives and related trusts) and the members of the Wider Stafford Bidco Group (and their directors), for the purposes of the Code, the persons acting, or deemed to be acting in concert with Stafford Bidco for the purposes of the Offer are:

<u>Name</u>	<u>Type of entity</u>	<u>Registered Office/Business Address</u>	<u>Relationship with Stafford Bidco</u>
Lancea LLP	Limited liability partnership	Ground Floor, 45 Pall Mall, London, SW1Y 5JG	Financial adviser to Stafford and Stafford Bidco
Stephen Westwood	Individual	Unit H Ver House, London Road, Markyate, Hertfordshire, AL3 8JP	Director of CES Investments Limited, an authorised representative of Lancea LLP

7.2 *Persons acting in concert with Phaunos*

In addition to the Phaunos Directors (including members of their immediate families, close relatives and related trusts) and the members of the Wider Phaunos Group (and their directors), for the purposes of the Code, based on the announcement made by Phaunos on 14 June 2018, so far as Stafford Bidco is aware, the persons acting, or deemed to be acting in concert with Phaunos for the purposes of the Offer are:

<u>Name</u>	<u>Type of entity</u>	<u>Registered Office</u>	<u>Relationship with Phaunos</u>
Evercore Partners International LLP . . .	Limited liability partnership	15 Stanhope Gate, London, W1K 1LN	Financial Adviser to Phaunos
Winterflood Securities Limited (acting through its division Winterflood Investment Trusts)	Private limited company	The Atrium Building, Cannon Bridge House, 25 Dowgate Hill, London, EC4R 2GA	Corporate Broker to Phaunos

8. Fees and Expenses

- 8.1 Stafford Bidco expects to incur fees and expenses of approximately £1,278,000 (plus applicable VAT), in aggregate, in connection with the Offer, comprising the following:
- (a) £nil in respect of financing arrangements;

- (b) £519,000 in respect of financial and corporate broking advice;
- (c) £636,000 in respect of legal advice;
- (d) £nil in respect of accounting advice;
- (e) £nil in respect of public relations advice;
- (f) £20,000 in respect of other professional services; and
- (g) £103,000 in respect of other costs and expenses.

9. Bases and sources of information

9.1 Save as otherwise set out in this document, the following constitute the bases and sources of information referred to in this document:

- (a) Historical financial information relating to Phaunos has been extracted or derived (without material adjustment) from the Phaunos 2017 Annual Report, the Phaunos 2016 Annual Report, the Annual Report & Consolidated Financial Statements of Phaunos for the year ended 31 December 2013 and the Condensed Interim Financial Report of Phaunos for the six months ended 30 June 2014 (Unaudited).
- (b) The total equity value of approximately US\$244.2 million (on a fully diluted basis) is obtained by multiplying the proposed US\$0.49 per Phaunos Share by Phaunos's fully diluted share capital as referred to in paragraph 3 below.
- (c) The fully diluted share capital of Phaunos is calculated on the basis of 498,360,117 Phaunos Shares in issue, as announced by the Company on 10 January 2018. The ISIN for Phaunos Shares is GG00BFX4LT97.
- (d) Unless otherwise stated, all prices for Phaunos Shares are Closing Prices as of the relevant date.
- (e) The premium calculations to the Offer Price per Phaunos Share have been calculated by reference to:
 - (i) a price of US\$0.44 per Phaunos Share, being the Closing Price on 4 June 2018 (the last Business Day prior to the Possible Offer Announcement); and
 - (ii) Phaunos's net asset value of US\$0.51 per Phaunos Share as at 31 December 2017 published by the Company in the Phaunos 2017 Annual Report having been adjusted downward for Stafford Bidco's independent assessment of the impact of currency fluctuations in the period to 30 June 2018 and the compulsory share redemption post 31 December 2017.
- (f) Prevailing exchange rates as at 29 June 2018 are based on a US\$:NZD exchange rate of 1:1.4770 (Bloomberg) and a US\$:BRL exchange rate of 1:3.8474 (Bloomberg).
- (g) The reference to the "time value of money" amounting to US\$0.03 to US\$0.04 per Phaunos Share in the section entitled "Background to and reasons for the Offer" has been calculated on the basis of the following assumptions:
 - (i) a discount rate of seven per cent.; and
 - (ii) completion of the Asset Realisation Process occurring 13 months after Phaunos Shareholders could otherwise have expected to receive the consideration under the Offer. If completion of the Asset Realisation Process occurs after more than 13 months, the "time value of money calculation" will change correspondingly. Further, the calculation takes no account of any potential substantial retention by liquidators.
- (h) Unless otherwise stated, all prices and closing prices for Phaunos Shares are closing middle market quotations derived from the London Stock Exchange Daily Official List (SEDOL).

10. General

10.1 So far as Stafford Bidco is aware and save as publicly announced by Phaunos and except as disclosed in this document, there has been no significant change in the financial or trading position of Phaunos which has occurred since 31 December 2017, the date of the end of the last financial period for which either audited financial information or interim financial information was published.

- 10.2 Save as disclosed in this document, no proposal exists in connection with the Offer that any payment be made or given by Stafford Bidco or any person acting in concert with it to any person as compensation for loss of office or as consideration for, or in connection with, their retirement from office.
- 10.3 Save as disclosed in this document, no agreement, arrangement or understanding (including any compensation arrangement) exists between Stafford Bidco or any person acting in concert with Stafford Bidco and any of the Phaunos Directors, recent Phaunos Directors, Phaunos Shareholders or recent Phaunos Shareholders or any person interested or recently interested in Phaunos Shares, having any connection with or dependence on, or which is conditional upon the outcome of, the Offer.
- 10.4 There is no agreement, arrangement or understanding whereby any Phaunos Shares to be acquired by Stafford Bidco pursuant to the Offer will be transferred to any other persons except that Stafford Bidco reserves the right to transfer any Phaunos Shares acquired to any member of the Wider Stafford Bidco Group or any nominee and currently intends to procure that Phaunos Shares acquired pursuant to the Offer are transferred directly to a nominee of Stafford International Timberland Fund VIII. Save as disclosed in this document, no such person holds any interests in relevant Phaunos securities.
- 10.5 Lancea LLP has given and has not withdrawn its written consent to the issue of this document with the inclusion of the references to its name in the form and context in which they appear.

11. Documents available for inspection

Copies of the following documents will be published by no later than 12 noon (London time) on the Business Day following the date of this document on Stafford's website at www.staffordcp.com and will be made available until the end of the Offer Period:

- (a) the Announcement;
- (b) this document and the Form of Acceptance;
- (c) the articles of association of Stafford Bidco;
- (d) the Stafford 2017 Annual Report and the Stafford 2016 Annual Report; and
- (e) the letter of consent referred to in paragraph 10.5 of this Part V.

12. Documents incorporated by reference and hard copies

- 12.1 Parts of other documents are incorporated by reference into, and form part of, this document. Part IV of this document sets out which sections of such documents are incorporated into this document and the location of references to such documents within this document.
- 12.2 Any Phaunos Shareholder or other person to whom this document is sent by Stafford Bidco may request a copy of the information incorporated by reference into this document (as set out in Part V of this document) in hard copy form. A hard copy of such documents will not be sent to such persons unless requested from the Receiving Agent by post to Computershare at Corporate Actions Projects, Bristol, BS99 6AH or by phone on 0370 707 1011 (from within the UK) or on +44 370 707 1011 (if calling from outside the UK). Lines are open from 8.30 a.m. to 5.00 p.m. (London time) Monday to Friday (excluding UK public holidays). Calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Offer nor give any financial, legal or tax advice.

PART VI
DEFINITIONS

“2017 AGM”	the annual general meeting of Phaunos held on 19 June 2017
“Acceptance Condition”	has the meaning set out in Section B of Part II of this document
“Acceptance Shares”	has the meaning set out in Section B of Part II of this document
“Acquisition”	the acquisition of the entire issued and to be issued share capital of Phaunos to be implemented by way of the Offer or by way of the Scheme (as applicable)
“acting in concert with Stafford Bidco”	has the meaning set out in Section B of Part II of this document
“Announcement”	the announcement of the Offer made in accordance with Rule 2.7 of the Code made on 3 July 2018
“Asset Realisation Process”	has the meaning set out in paragraph 3 of Part I of this document
“associated undertaking”	has the meaning given in section 1151 of the UK Companies Act
“Business Day”	a day (not being a Saturday or Sunday) on which clearing banks are generally open in London and Guernsey for the transaction of normal banking business
“certificated” or “in certificated form”	in relation to a share or other security, a share or other security title to which is recorded in the relevant register of the share or other security as being held in certificated form (that is, not in CREST)
“Closing Price”	the closing middle market quotation of a Phaunos Share as at the close of trading on the day to which such quotation relates as derived from Daily Official List published by the London Stock Exchange
“Code”	the UK City Code on Takeovers and Mergers as from time to time interpreted by the Panel
“Companies Law”	Companies (Guernsey) Law 2008 (as amended)
“Computershare”	Computershare Investor Services PLC, a public limited company incorporated in England and Wales with registered number 03498808
“Conditions”	the conditions to the Offer which are set out in Section A of Part II of this document
“Court”	the Royal Court of Guernsey
“CREST”	the CREST electronic shareholding and settlement system operated by Euroclear
“CREST Manual”	the manual published by Euroclear for further information on the CREST procedure
“CREST member”	a person who has been admitted by Euroclear as a member (as defined in the CREST Regulations)
“CREST participant”	a person who is, in relation to CREST, a participant (as defined in the CREST Regulations)
“CREST payment”	has the meaning given in the CREST Manual
“CREST Regulations”	the Uncertificated Securities (Guernsey) Regulations, 2009
“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
“Dealing Disclosure”	an announcement pursuant to Rule 8 of the Code containing details of dealings in interests in relevant securities of a party to an offer

“Director of Income Tax” . . .	relating to the institution responsible for Anti-Avoidance measures for Guernsey resident shareholders.
“Disclosed”	the information which: <ul style="list-style-type: none"> (a) has been fairly disclosed in the Phaunos 2017 Annual Report; or (b) has been publicly announced to a Regulatory Information Service by Phaunos before the date of the Announcement.
“disclosure period”	has the meaning set out in paragraph 3.1 of Part V of this document
“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
“Escrow Agent”	Computershare (in its capacity as an escrow agent as described in the CREST Manual)
“ESA Instruction”	an escrow account adjustment input (AESN), transaction type “ESA” (as described in the CREST Manual)
“EU Merger Regulation”	Council Regulation (EC) 139/2004
“Euroclear”	Euroclear UK & Ireland Limited, a company incorporated under the laws of England and Wales with registered number 02878738
“FCA”	the Financial Conduct Authority
“First Closing Date”	21 August 2018, being the date which is 21 days after the date of posting of this document
“Form of Acceptance”	the form of acceptance and authority relating to the Offer which (in the case of Phaunos Shareholders who hold their Phaunos Shares in certificated form) accompanies this document
“FSMA”	the Financial Services and Markets Act 2000 (as amended)
“Guernsey”	the Island of Guernsey
“Guernsey Competition and Regulatory Authority”	the Guernsey Competition and Regulatory Authority under the Channel Islands Competition & Regulatory Authorities
“GFSC”	the Guernsey Financial Services Commission
“ISIN”	International Securities Identification Number
“interest”	has the meaning set out in paragraph 3.1 of Part V of this document
“Investment Manager”	relating to Stafford’s role in giving investment advice to Phaunos as outlined in paragraph 3 of Part I of this document
“Listing Rules”	the rules made by the Financial Conduct Authority under Part VI of FSMA
“London Stock Exchange”	London Stock Exchange plc
“Matariki Interest”	the Company’s 23 per cent. holding in Matariki Forestry Group (New Zealand Company No. 1665572)
“member account ID”	the identification code or number attached to any member account in CREST
“Offer”	has the meaning set out in paragraph 1 of Part I of this document
“Offer Announcement”	the announcement of the Offer made in accordance with Rule 2.7 of the Code made on 3 July 2018
“Offer Document”	has the meaning set out in Section B of Part II of this document
“Offer Period”	the offer period (as defined by the Code) relating to Phaunos, which commenced on 5 June 2018
“Offer Price”	the consideration to be delivered by Stafford Bidco under the terms of the Offer in the form of US\$0.49 in cash for each Phaunos Share

“Official List”	the Official List of the FCA
“OIO”	the New Zealand Overseas Investment Office
“Opening Position Disclosure”	an announcement containing details of interests or short positions in, or rights to subscribe for, any relevant securities of a party to the proposed Acquisition the subject of this proposed acquisition the subject of this document if the person concerned has such a position
“Overseas Shareholders”	Phaunos Shareholders who are resident in, ordinarily resident in, or citizens of, jurisdictions outside the United Kingdom
“Panel” or “Takeover Panel”	the UK 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
“Phaunos” or the “Company”	Phaunos Timber Fund Limited, a non-cellular company incorporated in Guernsey with registered number 45564 and registered office at 11 New Street, St Peter Port, Guernsey GY1 2PF, Channel Islands and authorised as a closed-ended investment scheme by the GFSC
“Phaunos Shares”	ordinary shares in Phaunos
“Phaunos Shareholders”	existing holders of ordinary shares in Phaunos
“Phaunos 2016 Annual Report”	the Annual Report & Consolidated Financial Statements of Phaunos for the year ended 31 December 2016
“Phaunos 2017 Annual Report”	the Annual Report & Consolidated Financial Statements of Phaunos for the year ended 31 December 2017
“Phaunos Annual Report”	the Phaunos 2016 Annual Report or the Phaunos 2017 Annual Report, as applicable
“Phaunos Board” or “Phaunos Directors”	the board of directors of Phaunos
“Possible Offer Announcement”	the announcement made by Stafford of a possible cash offer for Phaunos on 5 June 2018 pursuant to Rule 2.4 of the Code
“Pöyry”	Pöyry PLC
“Principles for Responsible Investment”	an independent proponent of responsible investment established by the United Nations in 2005 and launched in 2006 on the New York Stock Exchange.
“Previous Acceptor”	has the meaning given to it in paragraph 4(a) of Section B of Part II of this document
“Receiving Agent”	Computershare
“Regulatory Authority”	has the meaning given to it in paragraph 1.5 of Part II of this document
“Regulatory Information Service”	any service authorised from time to time by the FCA for the purpose of disseminating regulatory announcements
“relevant securities”	as the context requires: (a) Phaunos Shares and other securities of Phaunos carrying voting rights; (ii) equity share capital of Phaunos or, as the context requires, Stafford; and (iii) securities of Phaunos or, as the context requires, of Stafford carrying conversion or subscription rights into the foregoing
“Restricted ESA Instruction”	has the meaning given to it in paragraph 6(h) of Section B of Part II of this document

“Restricted Escrow Transfer”	has the meaning given to it in paragraph 6(h) of Section B of Part II of this document
“Restricted Jurisdiction” . . .	any jurisdiction where the extension of acceptance of the Offer would violate the law of that jurisdiction
“Restricted Overseas Person”	either a person (including an individual, partnership, unincorporated syndicate, unincorporated organisation, trust, trustee, custodian, executor, administrator or other legal representative) in, or resident in, a Restricted Jurisdiction
“Scheme”	if the acquisition is to be implemented by way of a scheme of arrangement, a scheme of arrangement under Part VIII of the Companies Law between Phaunos and the Phaunos Shareholders to implement the acquisition of Phaunos
“securities”	has the meaning set out in paragraph 3.1 of Part IV of this document
“Stafford”	Stafford Capital Partners Limited
“Stafford 2016 Annual Report”	Group Strategic Report, Report of the Directors and Consolidated Financial Statements of Stafford for the financial year ended 31 December 2016
“Stafford 2017 Annual Report”	Group Strategic Report, Report of the Directors and Consolidated Financial Statements of Stafford for the financial year ended 31 December 2017
“Stafford Bidco”	Mahogany Bidco Limited
“Stafford Bidco Directors”	the board of directors of Stafford Bidco
“Stafford Directors”	the board of directors of Stafford
“Stafford International Timberland Fund VIII”	Stafford International Timberland VIII Fund (No 1) L.P., Stafford International Timberland VIII Fund (No 2) L.P. and Stafford International Timberland VIII (US) L.P., each of which is managed by Stafford
“Stafford Responsible Persons”	those persons whose names are set out in paragraph 1.3 of Part V of this document
“TFE instruction”	a transfer from escrow instruction (as defined by the CREST Manual)
“TTE instruction”	a transfer to escrow instruction (as described in the CREST Manual) in relation to Phaunos Shares in uncertificated form meeting the requirements of paragraph 13.2 of the letter from Stafford Bidco set out in Part I of this document
“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland
“UK Companies Act”	the Companies Act 2006 (as amended)
“uncertificated” or “in uncertificated form”	recorded on the relevant register of the share or security concerned as being held in uncertificated form in CREST, and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST
“United States” or “US”	the United States of America, its territories and possessions, any state of the United States and the District of Columbia
“US Exchange Act”	the US Securities Exchange Act of 1934, as amended
“US Phaunos Shareholders”	holders of Phaunos Shares that are resident in the United States of America, its territories and possessions, any state of the United States and the District of Columbia
“Wider Phaunos Group”	Phaunos and its subsidiaries, subsidiary undertakings and associated undertakings and any other body corporate, partnership, joint venture or person in which Phaunos and all such undertakings (aggregating their interests)

have an interest of more than 20 per cent. of the voting or equity capital or the equivalent

“Wider Stafford Bidco

Group” Stafford Bidco and Stafford, and their respective subsidiaries, subsidiary undertakings and associated undertakings and any other body corporate, partnership, joint venture or person in which Stafford Bidco, Stafford and all such undertakings (aggregating their interests) have an interest of more than 20 per cent. of the voting or equity capital or the equivalent

In this document:

- (a) “**subsidiary**”, “**subsidiary undertaking**” and “**undertaking**” have the meanings given by the UK Companies Act and “associated undertaking” has the meaning given to it by paragraph 19 of Schedule 6 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, other than paragraph 1(b) thereof which shall be excluded for this purpose;
- (b) references to “includes” shall mean “includes without limitation”, and references to “including” and any other similar term shall be construed accordingly.
- (c) references to time are to London time unless otherwise stated;
- (d) references to a gender include the other genders;
- (e) references to an enactment include references to that enactment as amended, replaced, consolidated or re-enacted by or under any other enactment before or after the date of this document;
- (f) all references to statutory provision or law or to any order or regulation shall be construed as a reference to that provision, law, order or regulation as extended, modified, replaced or re-enacted from time to time and all statutory instruments, regulations and orders from time to time made thereunder or deriving validity therefrom;
- (g) references to any English legal term shall in respect of any jurisdiction other than England or in respect of any member of the Wider Stafford Bidco Group or the Wider Phaunos Group which is incorporated or operating in a jurisdiction other than England be deemed to include what most nearly approximates in that jurisdiction to the English legal term;
- (h) references to any Guernsey legal term shall in respect of any jurisdiction other than Guernsey or in respect of any member of the Wider Stafford Bidco Group or the Wider Phaunos Group which is incorporated or operating in a jurisdiction other than Guernsey be deemed to include what most nearly approximates in that jurisdiction to the Guernsey legal term;
- (i) references to “US\$” are to the lawful currency of the United States.

This document was despatched on 31 July 2018.

