

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the 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 duly authorised under the Financial Services and Markets Act 2000 (as amended) if you are resident in the United Kingdom or, if not, 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 Hornby Shares in certificated form) which forms part of this document.

If you have sold or otherwise transferred all of your Hornby Shares (other than pursuant to the Offer), please send this document and any accompanying document (but not any personalised Form of Acceptance) as soon as possible to the stockbroker, bank or other agent through whom the sale or transfer was effected for delivery to the purchaser or transferee. However, these documents must not be distributed, forwarded or transmitted in or into any jurisdiction where to do so would constitute a violation of the relevant laws of that jurisdiction (a "Restricted Jurisdiction"). If you have sold or transferred only part of your holding of Hornby Shares, you should retain these documents and consult the stockbroker, bank or other agent through whom the sale or transfer was effected.

The release, publication or distribution of this document in, into or from jurisdictions other than the United Kingdom and the availability of the Offer to Hornby Shareholders who are not resident in the United Kingdom may be restricted by the laws of those jurisdictions. Therefore persons into whose possession this document comes should inform themselves about, and observe, such restrictions. Any failure to comply with the restrictions may constitute a violation of the securities laws 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, shares in any jurisdiction in which such offer or solicitation is unlawful.

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## **MANDATORY UNCONDITIONAL CASH OFFER**

by

## **PHOENIX UK FUND LTD**

**to acquire the entire issued share capital**

of

## **HORNBY PLC**

**other than those Hornby Shares already owned by Phoenix UK Fund  
or other members of the Phoenix Concert Party**

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You should read carefully the whole of this document and any documents incorporated into it by reference and, if your Hornby Shares are held in certificated form, the Form of Acceptance. Your attention is drawn to the letter from the board of Phoenix UK Fund, which is set out in Part I of this document.

To accept the Offer in respect of certificated Hornby Shares, the Form of Acceptance should be completed, signed and returned as soon as possible, and in any event so as to be received by the Receiving Agent, Capita Asset Services, no later than 1.00 p.m. (London time) on 14 July 2017.

To accept the Offer in respect of uncertificated Hornby Shares, acceptances should be made electronically through CREST so that the TTE Instruction settles as soon as possible and in any event no later than 1.00 p.m. (London time) on 14 July 2017. 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.

The procedure for acceptance of the Offer is set out in paragraph 12 of Part I of this document and, in respect of Hornby Shares held in certificated form, in the Form of Acceptance.

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 Hornby 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 to another source), please contact the Receiving Agent, Capita Asset Services, on +44 (0)371 664 0321. Calls will be charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9.00 a.m. and 5.30 p.m., Monday to Friday excluding public holidays in England and Wales. Please note that Capita Asset Services cannot provide advice on the merits of the Offer nor give any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

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

This Offer is subject to the jurisdiction of the Panel. Liberum, which is authorised and regulated by the Financial Conduct Authority in the United Kingdom, is acting exclusively for Phoenix UK Fund and no one else in connection with the Offer and will not be responsible to anyone other than Phoenix UK Fund for providing the protections afforded to its clients, nor for providing advice in relation to the Offer or in relation to the contents of this document or any transaction or arrangement referred to in this document.

## 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 Phoenix UK Fund or Hornby.

### Overseas jurisdictions

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

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

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

### US investors

The Offer is being made for securities in a company incorporated in England & Wales with a listing on AIM and Hornby Shareholders in the United States should be aware that this document and any other documents relating to the Offer have been prepared in accordance with the Takeover Code and UK disclosure requirements, format and style, all of which differ from those in the United States. All financial information relating to Phoenix UK Fund and Hornby that is included in this document or any other documents relating to the Offer may not be comparable to financial statements of US companies or companies whose financial statements are prepared in accordance with generally accepted accounting principles in the United States.

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

### Forward-looking statements

This document, including information included or incorporated by reference in this document, may contain "forward-looking statements" concerning Phoenix UK Fund, members of the Phoenix Concert Party and Hornby. All statements other than statements of historical fact may be forward-looking statements. Generally,

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

### **No profit forecasts of estimates**

No statement in this document is intended as a profit forecast or a profit estimate and no statement in this document should be interpreted or deemed to mean that earnings or earnings per share for Phoenix UK Fund or Hornby, as appropriate, for the current or future financial years would necessarily match or exceed the historical published earnings or earnings per share for Phoenix UK Fund or Hornby.

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

Under Rule 8.3(a) of the Takeover Code, any person who is interested in 1 per cent. or more of any class of relevant securities of an offeree company or of any securities exchange offeror (being any offeror other than an offeror in respect of which it has been announced that its offer is, or is likely to be, solely in cash) must make an Opening Position Disclosure following the commencement of the offer period and, if later, following the announcement in which any securities exchange offeror is first identified. An Opening Position Disclosure must contain details of the person’s interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any securities exchange offeror(s). An Opening Position Disclosure by a person to whom Rule 8.3(a) applies must be made by no later than 3.30 p.m. (London time) on the 10th business day following the commencement of the offer period and, if appropriate, by no later than 3.30 p.m. (London time) on the 10th business day following the announcement in which any securities exchange offeror is first identified. Relevant persons who deal in the relevant securities of the offeree company or of a securities exchange offeror prior to the deadline for making an Opening Position Disclosure must instead make a Dealing Disclosure.

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

If two or more persons act together pursuant to an agreement or understanding, whether formal or informal, to acquire or control an interest in relevant securities of an offeree company or a securities exchange offeror, they will be deemed to be a single person for the purpose of Rule 8.3. 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](http://www.thetakeoverpanel.org.uk), including details of the number of relevant securities in issue, when the offer period commenced and when any offeror was first identified. You should contact the Panel’s Market Surveillance Unit on +44 (0)20 7638 0129 if you are in any doubt as to whether you are required to make an Opening Position Disclosure or a Dealing Disclosure.

### **Publication on website and availability of hard copies**

In accordance with Rule 26.1 of the Takeover Code, a copy of this document together with those documents listed in paragraph 3(m) of Part III of this document, and all information incorporated into this document by reference to another source will be available, subject to certain restrictions relating to persons resident in

Restricted Jurisdictions, on PAMP's website ([www.phoenixassetmanagement.com](http://www.phoenixassetmanagement.com)) by no later than 12 noon (London time) on the Business Day following the publication of this document. For the avoidance of doubt, the contents of the website are not incorporated by reference and do not form part of this document.

You may request a hard copy of this document (and/or any information incorporated by reference in this document) by contacting the Receiving Agent, Capita Asset Services, on +44 (0)371 664 0321. Calls will be charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9.00 a.m. and 5.30 p.m., Monday to Friday excluding public holidays in England and Wales. Please note that Capita Asset Services cannot provide advice on the merits of the Offer nor give any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes. Any such person may request that all future documents, announcements and information in relation to the Offer should be sent to them in hard copy form.

### **Rounding**

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

### **Definitions**

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

### **Time**

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

### **Date of publication**

The date of publication of this document is 23 June 2017.

## ACTION TO BE TAKEN TO ACCEPT THE OFFER

**If you hold your Hornby Shares in certificated form (that is, not in CREST), to accept the Offer you must:**

1. complete the enclosed Form of Acceptance in accordance with the instructions printed on it; and
2. return the completed Form of Acceptance (along with your share certificate(s) and/or other documents of title) by post or by hand (during normal business hours only) to the Receiving Agent at Capita Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU as soon as possible and, in any event, **so as to be received by no later than 1.00 p.m. (London time) on 14 July 2017**. If you are posting in the UK, the enclosed reply-paid envelope has been provided for your convenience.

**If you hold your Hornby Shares in uncertificated form (that is, in CREST), to accept the Offer you must:**

1. follow the procedure set out in paragraph 12 of Part I of this document – acceptances should be made electronically through CREST; and
2. **ensure that the TTE Instruction settles as soon as possible and in any event no later than 1.00 p.m. (London time) on 14 July 2017**. Your TTE Instruction should be sent before 1.00 p.m. (London time) on 14 July 2017 in order for your TTE Instruction to have settled in advance of the 1.00 p.m. (London time) closing time for all acceptances on 14 July 2017. **If you hold your Hornby 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 TTE Instruction to Euroclear.

**If you require assistance in completing your Form of Acceptance (or wish to obtain an additional Form of Acceptance), or have questions in relation to making an electronic acceptance, please contact the Receiving Agent, Capita Asset Services, on +44 (0)371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9.00 a.m. and 5.30 p.m., Monday to Friday excluding public holidays in England and Wales. Please note that Capita Asset Services cannot provide advice on the merits of the Offer nor give any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.**

Except as provided in paragraph 6 of Section A of Part II to this document in the case of certain overseas shareholders, settlement of the consideration to which any Hornby Shareholder (or the first-named shareholder in the case of joint holders) is entitled under the Offer will be effected by the despatch of cheques or by crediting CREST accounts (as applicable) in respect of acceptances received, complete in all respects, within 14 calendar days of the end of the offer period.

This document should be read as a whole, together with the information incorporated into it by reference, and, in the case of holders of Hornby Shares in certificated form, in conjunction with the Form of Acceptance. Hornby Shareholders are recommended to seek financial advice from their stockbroker, bank manager, solicitor, accountant or other independent financial adviser duly authorised under the Financial Services and Markets Act 2000 if they are resident in the United Kingdom or, if not, from another appropriately authorised independent financial adviser in the relevant jurisdiction.

**THE CLOSING DATE OF THE OFFER IS 1.00 P.M. (LONDON TIME) ON 14 JULY 2017**

## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

<i>Event</i>	<i>Time/Date</i>
Announcement of the Offer	21 June 2017
Publication and posting of this document	23 June 2017
Closing date of the Offer	1.00 p.m. (London time) on 14 July 2017
Payment of cash consideration to Hornby Shareholders that have accepted the Offer	Within fourteen calendar days after the closing date of the Offer

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

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## PART I

### LETTER FROM THE BOARD OF PHOENIX

# PHOENIX UK FUND LTD

*(incorporated in The Commonwealth of the Bahamas with registration number 72,182B)*

*Directors:*

Steven Tatters  
Mark Wildish  
Alan Cole

*Registered office:*

c/o Sterling Group  
P.O. Box N-9934  
Suite 205-A, Saffrey Square  
Bay Street  
Nassau  
Bahamas

23 June 2017

To: *Hornby Shareholders and, for information only, to persons with information rights and holders of options, and awards granted under the Hornby Option Share Scheme*

Dear Shareholder,

### **MANDATORY UNCONDITIONAL CASH OFFER**

by

**PHOENIX UK FUND LTD**

**to acquire the entire issued share capital**

of

**HORNBY PLC**

**other than those Hornby Shares already owned by Phoenix UK Fund  
or other members of the Phoenix Concert Party**

#### **1. Introduction**

On 21 June 2017, Phoenix UK Fund Ltd ("**Phoenix UK Fund**") unconditionally agreed to acquire 17,641,161 Hornby Shares from New Pistoia Income Limited ("**NPIL**"), at a price of 32.375 pence per Hornby Share (the "**Acquisition**"). Such Acquisition has now settled. Following the Acquisition, 3,423,480 Hornby Shares were transferred by Phoenix UK Fund to Aurora Investment Trust ("**AIT**") plc, another fund managed by Phoenix UK Fund's investment manager, Phoenix Asset Management Partners Limited ("**PAMP**").

Following completion of the Acquisition, the Phoenix Concert Party now holds, in aggregate, 46,704,038 Hornby Shares, representing 55.217 per cent. of the existing issued share capital, and voting rights, of Hornby.

As a result of the Acquisition, under Rule 9 of the Takeover Code, Phoenix UK Fund, on behalf of the Phoenix Concert Party, is required to make a mandatory cash offer (the "**Offer**") for the Hornby Shares not already held by Phoenix UK Fund or the other members of the Phoenix Concert Party, at a price of 32.375 pence per Hornby Share (such price being no less than the highest price paid by any member of the Phoenix Concert Party for any Hornby Share during the 12 months prior to the date of the announcement of the Offer).

Pursuant to Rule 2.7 of the Takeover Code, on 21 June 2017 Phoenix UK Fund, on behalf of the Phoenix Concert Party, announced that it would make the Offer.

Following the settlement of the Acquisition today, the Offer has become wholly unconditional.

This letter, Part II of this document and the Form of Acceptance contain the formal terms of the Offer.

## **2. The Offer**

Phoenix UK Fund offers to acquire, on the terms set out or referred to in this document and in the Form of Acceptance, all or any of the Hornby Shares on the following basis:

### **For each Hornby Share: 32.375 pence in cash**

The Offer values the entire issued and to be issued share capital of Hornby (not taking into account the exercise of any options under the Hornby Share Option Scheme) at approximately £27.4 million.

The Offer will extend to any Hornby Shares which are issued or unconditionally allotted whilst the Offer remains open for acceptance.

Hornby Shares will be acquired fully paid and free from all liens, charges, equitable interests, encumbrances, rights of pre-emption and other third party rights or interests together with all rights attaching thereto, including without limitation the right to receive all dividends and other distributions (if any) announced, declared, made or paid thereafter.

Phoenix UK Fund, on behalf of the Phoenix Concert Party, reserves the right to reduce the Offer consideration by the amount of any dividend (or other distribution) which is paid or becomes payable by Hornby to the holders of Hornby Shares.

Since the Phoenix Concert Party is interested in more than 50 per cent. of the existing issued share capital of Hornby, the Offer has become wholly unconditional. Certain further terms of the Offer are set out in Section A of Part II of this document.

The procedure for accepting the Offer is set out in paragraph 12 of this letter. The Offer will remain open for acceptance, subject to the provisions of this document, until 1.00 p.m. (London time) on 14 July 2017, being the 21st day after the date of publication of this document. **Since the Offer is wholly unconditional, the Offer will not be extended beyond this date.**

## **3. Background to and reasons for the Offer**

### ***Background to the Offer***

On 7 April 2017, a requisition for a general meeting was received by Hornby from representatives of NPIL. The requisition stated that the purpose was to propose changes to the board of Hornby and, consequently, make changes to the business strategy of Hornby.

On 25 April 2017, PAMP (for itself and on behalf of the other members of the Phoenix Concert Party) entered into an irrevocable agreement, together with Ruffer LLP and Downing LLP in respect of 53.96 per cent. of the outstanding voting share capital of Hornby, to vote against the resolution proposed by NPIL in the requisition.

On 8 May 2017, Hornby received a letter from the representatives of NPIL withdrawing NPIL's request to proceed with convening the requisitioned general meeting of Hornby. On 16 May 2017 the requisitioned general meeting of Hornby was adjourned indefinitely.

After engaging with representatives of NPIL, Phoenix UK Fund agreed to enter into the Acquisition and acquire all of the Hornby shares owned by NPIL. The Acquisition completed today.

### ***Reasons for the Offer***

Prior to the Acquisition, the Phoenix Concert Party was interested in Hornby Shares which, in aggregate, carried not less than 30 per cent. of the voting rights of Hornby, but not more than 50 per cent. of such voting rights. As a result of the Acquisition, the percentage of Hornby Shares carrying voting rights in which the Phoenix Concert Party is interested increased to more than 50 per cent. of the voting rights of Hornby.

Rule 9 of the Takeover Code requires that where a shareholder, together with persons acting in concert with him, has an interest of not less than 30 per cent., but does not hold more than 50 per cent., of a company's voting share capital, and then acquires an interest in any further shares he is required to make a mandatory cash offer for the entire issued share capital not already owned by him and persons acting in concert with him. As a result of the Acquisition, and pursuant to Rule 9 of the Takeover Code, Phoenix UK Fund, on behalf of the Phoenix Concert Party, is therefore required to make an offer for all the Hornby Shares not already owned by it or by persons acting in concert with it.

#### **4. Information on Hornby**

Hornby is a holding company and was incorporated as a private limited company in England & Wales on 25 February 1981 (registration number: 01547390) and re-registered as a public company on 29 October 1986. Hornby was admitted to AIM on 12 August 2015.

##### **Board**

Hornby's board is comprised of:

- *Interim Non-Executive Chairman* – David Adams
- *Chief Executive Officer* – Steve Cooke
- *Group Finance Director* – David Mulligan
- *Non-Executive Director* – Martin George

Further details on the directors of Hornby can be found on Hornby's website ([www.hornby.plc.uk](http://www.hornby.plc.uk)).

Roger Canham, the Executive Chairman of Hornby, resigned from the Hornby board on 21 June 2017. Roger Canham is a member of the Phoenix Concert Party and is also a director of PAMP.

##### **Business**

Hornby has a Spanish branch and has six operating subsidiaries: Hornby Hobbies Limited in the United Kingdom with a branch in Hong Kong, Hornby America Inc. in the US, Hornby España S.A. in Spain, Hornby Italia s.r.l in Italy, Hornby France S.A.S in France and Hornby Deutschland GmbH in Germany.

The Hornby group is principally engaged in the development, design, sourcing and distribution of hobby and interactive products. The Hornby group distributes its products through a network of specialists and through its online activities and multiple retailers throughout the UK and overseas.

##### **Historical financial information**

The audited annual report and accounts of Hornby for the period 1 April 2015 to 31 March 2016 and for the period 1 April 2016 to 31 March 2017 can be found on Hornby's website (<http://www.hornby.plc.uk/annual-reports/>), from where they can be downloaded and printed, and are incorporated into this document by reference to such website in accordance with Rule 24.15 of the Takeover Code. Please see paragraph 3(o) of Part III for details of obtaining copies of documents incorporated by reference.

The audited annual report and accounts referenced above is available free of charge in a read only, printable format from the hyperlink set out above.

Save as set out above, neither the Hornby website, nor the content of any website accessible from hyperlinks on the Hornby website, is incorporated into, or forms part of, this document.

#### **5. Information on Phoenix UK Fund**

Phoenix UK Fund was incorporated in The Commonwealth of the Bahamas on 13 February 1998 (with registration number 72,182B), as an open-ended fund under the International Business Companies Act, 1989 and, as such, is governed by the laws of The Commonwealth of the Bahamas. Phoenix UK Fund's registered office is at c/o Sterling Group, P.O. Box N-9934, Suite 205-A, Saffrey Square, Bay Street, Nassau, Bahamas.

PAMP is the investment manager of Phoenix UK Fund. Further details in relation to PAMP are set out in paragraph 3(b) of Part III.

### **Board**

Phoenix UK Fund's board is comprised of:

- *Director* – Steven Tatters
- *Director* – Mark Wildish
- *Director* – Alan Cole

None of the directors of Phoenix UK Fund are directly interested in Hornby Shares.

### **Business**

Phoenix UK Fund is a Bahamian domiciled mutual fund with approximately 140 underlying investors comprised of a mixture of institutional and high net worth individuals. The investment objective of Phoenix UK Fund is to deliver excellent long term investment returns mainly from UK equities.

Phoenix UK Fund has assets of approximately £211 million under management as at 22 June 2017 (being the latest practicable date prior to publication of this document).

### **Historical financial information**

The audited financial statements of Phoenix UK Fund for the period 1 January 2015 to 31 December 2015 and 1 January 2016 to 31 December 2016 can be found on PAMP's website (<https://www.phoenixassetmanagement.com/news/17/>), from where they can be downloaded and printed, and are incorporated into this document by reference to such website in accordance with Rule 24.15 of the Takeover Code. Please see paragraph 3(o) of Part III for details of obtaining copies of documents incorporated by reference.

The audited financial statements referenced above is available free of charge in a read only, printable format from the hyperlink set out above.

Save as set out above, neither the PAMP website, nor the content of any website accessible from hyperlinks on the PAMP website, is incorporated into, or forms part of, this document.

## **6. Financing of the Offer**

It is estimated that full acceptance of the Offer by Hornby Shareholders will result in a maximum cash consideration payable by Phoenix UK Fund of approximately £12.26 million. The cash consideration payable under the Offer will be funded using Phoenix's UK Fund's existing cash resources.

Liberum is satisfied that the necessary cash resources are available to Phoenix UK Fund to enable it to satisfy in full the consideration payable by Phoenix UK Fund under the terms of the Offer.

## **7. Management, employees and locations**

PAMP supported Hornby's placing and open offer announced in June 2016 in order that the management of Hornby could implement a turnaround strategy to focus Hornby on its core, profitable business units, together with a view to returning the business to a profitable, cash generative state. PAMP continues to support progress made by Hornby towards a profitable and cash generative state. PAMP has no intention to change the locations of Hornby's places of business or to redeploy any material fixed assets of Hornby as a consequence of the Acquisition.

Following the completion of the Offer, PAMP intends to increase its understanding of Hornby and its longer term strategy for delivering further earnings growth following the completion of its turnaround strategy, by entering into further discussions with its management and the board of Hornby.

PAMP believes that Hornby has an attractive portfolio of brands and it is PAMP's intention to work collaboratively with the management and the board of Hornby to review all strategic options for the business including, but not limited to, acquisitions, disposals, licensing agreements, funding requirements together with management and board composition. The motivation for PAMP in any such discussion will be to optimise long term value for all Hornby Shareholders. Until the detailed review of Hornby's strategy is completed, the details of any changes to Hornby's strategy are not yet known and no decisions have yet been made by PAMP in relation to specific actions that it would seek to take.

PAMP recognises the importance of the Hornby management team and employees to the future success of Hornby. As the review of Hornby's business has not yet been completed, no decisions have been made by PAMP on its long-term intentions for Hornby. Until such review is completed, PAMP cannot be certain whether any changes will be necessary. Likewise, if changes are necessary PAMP cannot be certain of what the effect of any strategy changes will be on Hornby's employees and management. Following completion of the Offer, PAMP intends to ensure that the existing statutory employment rights, including any pension rights, of the management and employees of Hornby will be fully safeguarded.

PAMP commits to work as quickly as possible towards any change to the strategy, management structure or tangible/intangible asset utilisation if it becomes apparent they are necessary. If any material changes are necessary, PAMP will work with Hornby to inform Hornby Shareholders in a timely manner (where practicable with regard to commercially sensitive information).

PAMP believes that Hornby should maintain its AIM listing. PAMP will support Hornby in maintaining a board of directors that complies with the QCA Corporate Governance Code.

## **8. Hornby Share Option Scheme**

The Offer will extend to any Hornby Shares which are issued or unconditionally allotted whilst the Offer remains open for acceptance (or prior to such earlier time and/or date as Phoenix UK Fund may, subject to the Takeover Code, determine) as a result of the exercise of options granted under the Hornby Share Option Scheme prior to the date of this document.

The Offer triggers a right for the Hornby Option holders to exercise options granted under the Hornby Share Option Scheme and acquire Hornby Shares. The extent to which such vested options are exercisable depends on the satisfaction of certain corporate performance conditions and the discretion of the remuneration committee of Hornby. Hornby Option holders will be contacted regarding the effect of the Offer on their rights under the options and appropriate proposals will be made to participants as soon as practicable after the Offer Document is published.

## **9. AIM admission, De-listing, Compulsory acquisition and Re-registration**

PAMP believes that Hornby will benefit from the access to capital and increased profile and transparency that an AIM listing provides. Subject to Hornby's nominated adviser assessing that Hornby's free float remains suitable for the purposes of maintaining an AIM listing, following the completion of the Offer, PAMP intends to recommend to the directors of Hornby that Hornby maintains its listing on AIM.

## **10. Taxation**

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 Hornby Shareholders who (a) for UK tax purposes are resident in the UK (except to the extent that the position of non-UK resident shareholders is expressly referred to) and, in the case of individuals, domiciled in the UK, (b) who hold their Hornby 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 their Hornby Shares and any dividends paid on them. The statements may not apply to certain classes of Hornby Shareholders such as (but not limited to) persons acquiring their Hornby 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 Hornby 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.**

### ***Taxation of Chargeable Gains***

Hornby Shareholders selling their Hornby 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 Hornby Shares by a Hornby Shareholder who is resident in the UK for tax purposes may, depending on that person's circumstances and subject to any available exemptions and reliefs (such as the annual exempt amount for individuals and indexation allowance for corporate shareholders), give rise to a chargeable gain or an allowable loss for the purposes of UK taxation of chargeable gains.

Generally, an individual Hornby Shareholder who has ceased to be resident in the UK for tax purposes for a period of five full tax years or less and who disposes of Hornby 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.

If an individual Hornby Shareholder who is subject to income tax at either the higher or the additional rate becomes liable to UK capital gains tax on the disposal of Hornby Shares, the applicable rate will be 20 per cent. For an individual Hornby 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. Again, this does not take into account any available exemptions or reliefs.

## **11. Overseas shareholders**

**The availability of the Offer to Hornby Shareholders who are not resident in the United Kingdom may be affected by the laws of their relevant jurisdiction. Such persons should inform themselves of, and observe, any applicable legal or regulatory requirements of their jurisdiction. If you remain in any doubt, you should consult your professional adviser in the relevant jurisdiction without delay.**

The attention of Hornby Shareholders who are citizens or residents of countries outside the United Kingdom or who are holding shares for such citizens or residents and any person (including, without limitation, any custodian, nominee or trustee) who may have an obligation to forward any document in connection with the Offer outside the United Kingdom is drawn to paragraph 6 of Section A of Part II of this document, paragraph (c) of Section B of Part II, and/or paragraph (b) of Section C of Part II of this document, and, if their Hornby Shares are held in certificated form, to the relevant provisions of the Form of Acceptance, which they should read before taking any action.

The Offer is not being made, directly or indirectly in, into or from any Restricted Jurisdiction or any other jurisdiction where to do so would violate the laws of that jurisdiction, and it is not currently intended that the Offer will be capable of acceptance by any such use, means, instrumentality or facility from within any such jurisdiction. Accordingly, persons who are unable to give the warranties set out in paragraph (c) of Section B of Part II and/or paragraph (b) of Section C of Part II of this document may be deemed not to have validly accepted the Offer.

Notwithstanding the foregoing, Phoenix UK Fund will retain the right to permit the Offer to be accepted and any sale of securities pursuant to the Offer to be completed if, in its sole discretion, it is satisfied that the transaction in question can be undertaken in compliance with applicable law and regulation.

## **12. Procedure for acceptance**

Hornby Shareholders who hold their Hornby Shares in certificated form (that is, not in CREST) should read this section in conjunction with the Form of Acceptance and Sections A and B of Part II of this document. The instructions on the Form of Acceptance are deemed to form part of the terms of the Offer.

Hornby Shareholders who hold their Hornby Shares in uncertificated form (that is, in CREST) should read this section in conjunction with Sections A and C of Part II of this document.

(a) ***If your Hornby Shares are held in certificated form (that is, not in CREST):***

(i) *Complete the Form of Acceptance*

To accept the Offer in respect of Hornby 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 Hornby Shares held in certificated form but under different designations. If you have any queries as to how to complete the Form of Acceptance, please contact the Receiving Agent, Capita Asset Services, on +44 (0)371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9.00 a.m. and 5.30 p.m., Monday to Friday excluding public holidays in England and Wales. Please note that Capita Asset Services cannot provide advice on the merits of the Offer nor give any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

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

*To accept the Offer in respect of all your Hornby Shares in certificated form:* you must complete Box 1 and sign Boxes 2A or 2B (and, if appropriate, Boxes 3 and 4A or 4B) 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 for execution by individuals. Any Hornby Shareholder which is a company should execute Box 2B of the Form of Acceptance where indicated in accordance with the instructions printed on it for execution by a company. 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 Hornby Shares that you hold in certificated form and you have signed Boxes 2A or 2B, your acceptance will be deemed to be in respect of all the Hornby Shares held by you in certificated form.

*To accept the Offer in respect of less than all your Hornby Shares in certificated form:* you must insert in Box 1 on the enclosed Form of Acceptance such lesser number of Hornby 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 the paragraph above in respect of such lesser number of Hornby Shares.

(ii) *Return the completed Form of Acceptance*

To accept the Offer in respect of Hornby Shares held in certificated form, the completed, signed and (where applicable) witnessed Form of Acceptance should be returned by post or by hand (during normal business hours only) to the Receiving Agent at Capita Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU, together (subject to paragraph 12(a)(iii) 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 14 July 2017. A reply-paid envelope 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 Phoenix UK Fund or its agents to have been sent from any of these jurisdictions, may be rejected as an invalid acceptance of the Offer. For further information for Hornby Shareholders resident overseas, see paragraph 11 of this Part I.

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

If your Hornby 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 by post, using the enclosed reply paid envelope, or by hand (during normal business hours) to the Receiving Agent at Capita Asset Services, Corporate

Actions, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU as soon as possible and, in any event, so as to be received not later than 1.00 p.m. (London time) on 14 July 2017. 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 Hornby's registrars, Capita Asset Services, at Capita Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU, 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.

(iv) *Validity of acceptances*

Without prejudice to Section A and Section B of Part II to this document, subject to the provisions of the Takeover Code, Phoenix UK Fund 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 Phoenix UK Fund have been received.

(v) *Overseas shareholders*

The attention of Hornby Shareholders holding Hornby Shares in certificated form and who are citizens or residents of jurisdictions outside the United Kingdom is drawn to paragraph 11 of this Part I and paragraph 6 of Section A of Part II of this document and paragraph (c) of Section B of Part II of this document.

(b) ***If your Hornby Shares are held in uncertificated form (that is, in CREST):***

(i) *General*

If your Hornby Shares are held in uncertificated form, to accept the Offer you should take (or procure the taking of) the action set out below to transfer the Hornby 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 14 July 2017. Your TTE Instruction should be sent before 1.00 p.m. (London time) on 14 July 2017 in order for your TTE Instruction to have settled in advance of the 1.00 p.m. (London time) closing time for all acceptances (London time) on 14 July 2017. 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 12(b) will (subject to satisfying the requirements set out in Sections A and C of Part II) constitute an acceptance of the Offer in respect of the number of Hornby 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 Hornby Shares.**

After settlement of a TTE Instruction, you will not be able to access the Hornby Shares concerned in CREST for any transaction or charging purposes. As the Offer is wholly unconditional, the Escrow Agent will withdraw the Hornby Shares which will be transferred to Phoenix UK Fund in accordance with Section C of Part II to this document.

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

**You should note that Euroclear does not make available special procedures, in CREST, for any particular corporate action. Normal system timings and limitations will therefore apply in connection with a TTE Instruction and its settlement. You should therefore ensure that all necessary action is taken by you (or by your CREST sponsor) to enable a TTE Instruction relating to your Hornby Shares to settle prior to 1.00 p.m. (London time) on 14 July 2017. 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. Your TTE Instruction should be sent before 1.00 p.m. (London time) on 14 July 2017 in order for your TTE Instruction to have settled in advance of the 1.00 p.m. (London time) closing time for all acceptances on 14 July 2017.**

(ii) *To accept the Offer*

To accept the Offer in respect of your Hornby 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 Hornby 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 number for the Hornby Shares. This is GB00B01CZ652;
- the number of Hornby Shares in respect of which you wish to accept the Offer (i.e. the number of Hornby Shares to be transferred to escrow);
- your member account ID;
- your participant ID;
- the participant ID of the Escrow Agent. This is RA10;
- the member account ID of the Escrow Agent for the Offer. This is PHOHOR01;
- 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 14 July 2017;
- 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 priority of 80; and
- a contact name and telephone number in the shared note field.

If you hold Hornby 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.

(iii) *Validity of Acceptances*

Holders of Hornby 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 Hornby Shares held in uncertificated form may be treated as an invalid acceptance and may be disregarded.

Phoenix UK Fund will make an appropriate announcement if any of the details contained in this paragraph 12(b) alter for any reason.

(iv) *Overseas shareholders*

The attention of Hornby Shareholders holding Hornby Shares in uncertificated form and who are citizens or residents of jurisdictions outside the United Kingdom is drawn to paragraph 11 of this Part I, paragraph 6 of Section A of Part II of this document and paragraph (b) of Section C of Part II of this document.

(v) *Further information*

Normal CREST procedures (including timings) apply in relation to any Hornby Shares that are, or are to be, converted from uncertificated form to certificated form, or from certificated form, during the course of the Offer (whether any such conversion arises as a result of a transfer of Hornby Shares or otherwise). Holders of Hornby Shares who are proposing to convert any such Hornby Shares are recommended to ensure that the conversion procedures are implemented in sufficient time to enable the person holding or acquiring the Hornby 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 14 July 2017.

**If you are in any doubt as to the procedure for acceptance of the Offer, please contact the Receiving Agent, Capita Asset Services, on +44 (0)371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9.00 a.m. and 5.30 p.m., Monday to Friday excluding public holidays in England and Wales. Please note that Capita Asset Services cannot provide advice on the merits of the Offer nor give any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.**

### 13. Settlement

Except as provided in paragraph 6 of Section A of Part II to this document in the case of certain overseas shareholders, settlement of the consideration to which any Hornby Shareholder (or the first-named shareholder in the case of joint holders) is entitled under the Offer will be effected by the despatch of cheques or by crediting CREST accounts (as applicable) in respect of acceptances received, complete in all respects, within 14 calendar days of the end of the offer period, in the manner set out below.

(a) ***Hornby Shares in certificated form (that is, not in CREST)***

Where an acceptance relates to Hornby 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 Hornby 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 the United Kingdom clearing bank.

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

Where an acceptance relates to Hornby Shares in uncertificated form, the cash consideration to which the accepting Hornby Shareholder is entitled will be paid by means of a CREST payment in favour of the accepting Hornby Shareholder's payment bank in respect of the cash consideration due, in accordance with CREST payment arrangements. Phoenix UK Fund reserves the right to settle all or any part of the consideration referred to in this paragraph 13(b), for all or any accepting Hornby Shareholder(s), in the manner referred to in paragraph 13(a) above, if, for any reason, it wishes to do so, except in circumstances where the accepting Hornby Shareholder has informed the Receiving Agent in writing prior to the end of the offer period that it is unwilling to accept settlement of the consideration by cheque.

(c) ***Lapsing or withdrawal of the Offer***

If the Offer lapses for any reason:

- (i) in the case of Hornby Shares held in certificated form, the relevant Form of Acceptance and relevant share certificates and/or document(s) of title 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
- (ii) in the case of Hornby 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 Hornby 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 Hornby Shareholders concerned.

#### **14. Further information**

Your attention is drawn to the letter from the board of Phoenix UK Fund and the further information in the remaining Parts of this document, which each form part of this document and, if your Hornby Shares are in certificated form, to the accompanying Form of Acceptance which should be read in conjunction with this document.

#### **15. Action to be taken to accept the Offer**

**If you hold your Hornby Shares in certificated form (that is, not in CREST), to accept the Offer you must:**

1. complete the enclosed Form of Acceptance in accordance with the instructions printed on it; and
2. return the completed Form of Acceptance (along with your share certificate(s) and/or other documents of title) by post or by hand (during normal business hours only) to the Receiving Agent at Capita Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU as soon as possible and, in any event, **so as to be received by no later than 1.00 p.m. (London time) on 14 July 2017**. If you are posting in the UK, the enclosed reply-paid envelope has been provided for your convenience.

**If you hold your Hornby Shares in uncertificated form (that is, in CREST), to accept the Offer you must:**

1. follow the procedure set out in paragraph 12 of Part I of this document – acceptances should be made electronically through CREST; and
2. **ensure that the TTE Instruction settles as soon as possible and in any event no later than 1.00 p.m. (London time) on 14 July 2017**. Your TTE Instruction should be sent before 1.00 p.m. (London time) on 14 July 2017 in order for your TTE Instruction to have settled in advance of the 1.00 p.m. (London time) closing time for all acceptances on 14 July 2017. **If you hold your Hornby 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 TTE Instruction to Euroclear.

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

If you require assistance in completing your Form of Acceptance (or wish to obtain an additional Form of Acceptance), or have questions in relation to making an electronic acceptance, please contact the Receiving Agent, Capita Asset Services, on +44 (0)371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9.00 a.m. and 5.30 p.m., Monday to Friday excluding public holidays in England and Wales. Please note that Capita Asset Services cannot provide advice on the merits of the Offer nor give any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

Yours faithfully,

Steven Tatters  
*Director*  
For and on behalf of  
**Phoenix UK Fund Ltd**

## PART II

### FURTHER TERMS OF THE OFFER, FORM OF ACCEPTANCE AND ELECTRONIC ACCEPTANCE

#### Section A: Further terms of the Offer

The following further terms apply, unless the context requires otherwise, to the Offer. Except where the context requires otherwise, any reference in Sections A, B and C of this Part II and in the Form of Acceptance:

- (i) to the **Offer** will include any revision, variation or extension of the Offer; and
- (ii) to the **offer document** will mean this document and any other document containing the Offer.

#### 1. Acceptance Period

- (a) The Offer will be open for acceptance until 1.00 p.m. (London time) on 14 July 2017. As the Offer is unconditional, including as to acceptances, no 14 calendar day extension will be required.
- (b) Except with the consent of the Panel (to the extent required), no revision of the Offer may be made. Although no revision is envisaged, if the Offer is revised, it will remain open for acceptance for a period of at least 14 days from the date of posting written notification of the revision to Hornby Shareholders.
- (c) If a competitive situation arises (as determined by the Panel) and is continuing on 14 July 2017, Phoenix UK Fund will enable holders of Hornby 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 a special form of acceptance to take effect on 14 July 2017 (or such later date to which the Offer may be extended with the consent of the Panel). It shall be a condition of such special form of acceptance being a valid acceptance of the Offer that:
  - (i) it is received by the Receiving Agent on or before 14 July 2017 (or such later date as may be agreed by the Panel);
  - (ii) the relevant Hornby Shareholder shall have applied to withdraw his acceptance of the competing offer but that the Hornby Shares to which such withdrawal relates shall not have been released from the escrow before 14 July 2017 by the escrow agent to the competing offer; and
  - (iii) the Hornby 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 Phoenix UK Fund in Part I of this document on or before 14 July 2017 (or such later date as may be agreed by the Panel) but an undertaking is given that they will be so transferred as soon as possible thereafter.

Hornby Shareholders wishing to use such forms of acceptance should apply to Capita Asset Services on +44 (0)371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9.00 a.m. and 5.30 p.m., Monday to Friday excluding public holidays in England and Wales. Please note that Capita Asset Services cannot provide advice on the merits of the Offer nor give any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

Notwithstanding the right to use such special form of acceptance, holders of Hornby 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 shares.

- (d) If Phoenix UK Fund makes a statement that the value of consideration of the Offer will not be increased (a “no increase” statement) then only in exceptional circumstances will it be allowed subsequently to amend the terms of its Offer in any way, except where the right to do so has been specifically reserved. If a competitive situation arises (as determined by the Panel) after Phoenix UK Fund has made a “no increase” statement and/or a “no extension” statement (as referred to in the Takeover Code) in connection with the Offer, Phoenix UK Fund 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 revise and/or extend the Offer provided it complies with the requirements of the Takeover Code and in particular that:

- (i) it announces the withdrawal as soon as possible and in any event within four Business Days of the firm announcement of the competing offer or other competitive situation;
- (ii) it notifies Hornby Shareholders (and persons with information rights) to that effect in writing at the earliest opportunity or, in the case of Hornby Shareholders with registered addresses outside the United Kingdom or whom Phoenix UK Fund knows to be agents, nominees, custodians or trustees holding Hornby Shares for such persons, by announcement in the United Kingdom at the earliest opportunity; and
- (iii) any Hornby Shareholders who accepted the Offer after the date of the “no increase” or “no extension” statement is given a right of withdrawal in accordance with paragraph 3(c) of this Section A.

Phoenix UK Fund may choose not to be bound by a “no increase” or “no extension” statement if, having reserved the right to do so, it publishes an increased or improved offer (either as to the value or form of the consideration or otherwise) which is recommended for acceptance by the directors of Hornby, or in other circumstances permitted by the Panel.

## 2. Announcements

- (a) Without prejudice to paragraph 3(a) of this Section A, by 8.00 a.m. (London time) on the Business Day (the **relevant day**) following the day on which the Offer is due to expire or (if relevant) is revised or is extended, as the case may be (or such later time or date as the Panel may agree), Phoenix UK Fund will make an appropriate announcement and simultaneously send the announcement to a Regulatory Information Service. In the announcement, Phoenix UK Fund shall state (unless otherwise permitted by the Panel):
  - (i) the total number of Hornby Shares for which acceptances of the Offer have been received, specifying the extent to which acceptances have been received from persons acting or deemed to be acting in concert with Phoenix UK Fund for the purposes of the Offer;
  - (ii) details of any relevant securities of Hornby in which Phoenix UK Fund or any person acting in concert with Phoenix UK Fund has:
    - A. an interest or in respect of which it has a right to subscribe in each case specifying the nature of the interests or rights concerned; and
    - B. any short positions (whether conditional or absolute and whether in the money or otherwise), including any short position under a derivative, any agreement to sell or any delivery obligation or right to require another person to purchase or take delivery;
  - (iii) details of any relevant securities of Hornby held by or on behalf of Phoenix UK Fund or any person acting in concert with Phoenix UK Fund, prior to the offer period;
  - (iv) details of any relevant securities of Hornby in respect of which Phoenix UK Fund or any person acting in concert with Phoenix UK Fund has an outstanding irrevocable commitment or letter of intent to accept the Offer procured by Phoenix UK Fund; and
  - (v) details of any relevant securities of Hornby which Phoenix UK Fund or any person acting in concert with it has borrowed or lent, save for any borrowed shares which have been either on-lent or sold,

and will, in each case, specify the percentages of each class of relevant securities of Hornby represented by each of these figures.

- (b) In calculating the number of Hornby Shares represented by acceptances and purchases, Phoenix UK Fund may include or exclude for announcement purposes, subject to paragraph 6 below, acceptances and/or purchases which are not complete in all respects or which are subject to verification.
- (c) In this Section A, references to the making of an announcement or the giving of notice by Phoenix UK Fund include the release of an announcement to the press and the delivery by hand or telephone, telex

or facsimile transmission or other electronic transmission of an announcement to a Regulatory Information Service in each case by or on behalf of Phoenix UK Fund. An announcement made otherwise than to a Regulatory Information Service will be notified simultaneously to a Regulatory Information Service (unless the Panel otherwise agrees).

- (d) A copy of any announcement made by Phoenix UK Fund in accordance with this paragraph 2 will be available, subject to certain restrictions relating to persons resident in Restricted Jurisdictions, for inspection on PAMP's website ([www.phoenixassetmanagement.com](http://www.phoenixassetmanagement.com)) as soon as possible and in any event by no later than 12 noon on the Business Day following the date of this document.
- (e) Without limiting the manner in which Phoenix UK Fund may choose to make any public statement and subject to Phoenix UK Fund's obligations under applicable law and rules and paragraph 2(d) above, Phoenix UK Fund 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 Phoenix UK Fund fails by 3.30 p.m. (London time) on the relevant day (or such later time and/or date as the Panel may agree) to comply with any of the other relevant requirements specified in paragraph 2(a) of this Section A, an accepting Hornby Shareholder may (unless the Panel otherwise agrees) immediately after that time withdraw his acceptance of the Offer by written notice signed by the accepting Hornby Shareholder (or his agent duly appointed in writing and evidence of whose appointment, in a form reasonably satisfactory to Phoenix UK Fund, is produced with the notice) given by post or by hand (during normal working hours) to the Receiving Agent at Capita Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU. Alternatively, in the case of Hornby Shares held in uncertificated form, withdrawals can also be effected in the manner set out in paragraph 3(g) of this Section A.
- (b) A Hornby Shareholder may also withdraw his acceptance if the Panel so determines.
- (c) If a "no extension" and/or "no increase" statement is withdrawn in accordance with paragraph 1(d) of this Section A any acceptance made by a Hornby Shareholder after the date of that statement may be withdrawn thereafter in the manner referred to in paragraph 3(a) of this Section A (or, in the case of Hornby Shares held in uncertificated form, in the manner set out in paragraph 3(d) of this Section A) for a period of eight calendar days following the date on which the notice of the withdrawal of such statement is published.
- (d) In the case of Hornby Shares held in uncertificated form, if withdrawals are permitted pursuant to paragraph 3(a), 3(b) or 3(c) of this Section A, an accepting Hornby 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 Hornby Shares to be withdrawn, together with their ISIN number which is GB00B01CZ652;
  - the member account ID of the accepting Hornby Shareholder, together with his participant ID;
  - the member account ID of the Escrow Agent (this is PHOHOR01) included in the relevant Electronic Acceptance, together with the Escrow Agent's participant ID (this is RA10);
  - the transaction reference number of the Electronic Acceptance to be withdrawn, to be inserted at the beginning of the share note field;
  - the intended settlement date for the withdrawal;
  - the corporate action number for the Offer;
  - the corporate action number of the Offer which is allocated by Euroclear and can be found by viewing the relevant corporate actions details in CREST; and
  - input with standard delivery instruction of priority 80.

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 Phoenix UK Fund reject or accept the withdrawal by transmitting in CREST a receiving agent reject (AEAD) or receiving agent accept (AEAN) message.

- (e) Except as provided by this paragraph 3 or otherwise permitted by Phoenix UK Fund, acceptances of the Offer will be irrevocable.
- (f) 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 Hornby Shareholder or his/their agent(s) duly appointed in writing (evidence of whose appointment satisfactory to Phoenix UK Fund is produced with the notice) given by post or by hand (during normal working hours) to the Receiving Agent at Capita Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU, Telex, e-mail, facsimile or other electronic transmissions or copies will not be sufficient. No notice which is post-marked in, or otherwise appears to Phoenix UK Fund or its agents to have been sent from, any Restricted Jurisdiction will be treated as valid. The notice must include all relevant information to enable the Receiving Agent to identify the Hornby Shares to be withdrawn and a contact telephone number for the Hornby Shareholder.
- (g) If an accepting Hornby Shareholder withdraws his acceptance, all documents of title and other documents lodged with the Form of Acceptance will be returned as soon as practicable following the receipt of the withdrawal (and in any event within 14 days) and the Receiving Agent will immediately give instructions for the release of securities held in escrow.
- (h) Any question as to the validity (including time receipt) of any notice of withdrawal will be determined by Phoenix UK Fund, whose determination, except as otherwise may be determined by the Panel, will be final and binding. Neither Phoenix UK Fund, Hornby nor the Receiving Agent nor any other person, will be under any duty to give notification of any defect in any notice of withdrawal or will incur any liability for failure to do so.

#### 4. Revised Offer

- (a) Although no such revision is envisaged unless a competitive situation arises, 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 Liberum, acting reasonably and solely in its capacity as Phoenix UK Fund'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 Hornby Shareholder (under or in consequence of the Offer or otherwise), the benefit of the revised Offer will, subject to paragraphs 4(d), 4(e) and 5 of this Section A be made available to any Hornby 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 paragraphs 4(d), 4(e) and 5 of this Section A, be deemed to be an acceptance of the Offer as so revised and will also constitute an authority to Phoenix UK Fund or any of its directors, authorised representatives and agents as his attorney and/or agent (**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.

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 reasonably consider relevant. The attorney shall not be liable to any Hornby

Shareholder or any other person in making such acceptance or in making any determination in respect of it.

- (b) 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 of this Section A.
- (c) Phoenix UK Fund, the Receiving Agent and the Escrow Agent reserve the right (subject to paragraph 4(a) of this Section A) 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) of this Section A, *mutatis mutandis*, on behalf of the relevant Hornby Shareholder.
- (d) The deemed acceptances referred to in this paragraph 4 shall not apply and the powers of attorney and authorities conferred by this paragraph 4 shall not be exercised by Phoenix UK Fund or any of its respective directors, authorised representatives and agents if, as a result thereof, the Previous Acceptor would (on such basis as *Liberum*, acting reasonably and solely as Phoenix UK Fund's financial adviser may consider appropriate) thereby receive and/or retain (as appropriate) 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.
- (e) 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 Hornby Shares in certificated form, lodged with the Receiving Agent in the manner specified in paragraph 3(a) of this Section A, within 14 calendar days of the publication of the document pursuant to which the revision of the Offer is made available to Hornby Shareholders, a Form of Acceptance or some other form issued by or on behalf of Phoenix UK Fund in which the Hornby 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 Hornby 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 Hornby Shares in respect of which the changed election is made, together with their ISIN number which is GB00B01CZ652;
  - the member account ID of the Previous Acceptor, together with his participant ID;
  - the member account ID of the Escrow Agent (this is PHOHOR01) included in the relevant Electronic Acceptance, together with the Escrow Agent's participant ID (this is RA10);
  - the transaction reference number of the Electronic Acceptance in respect of which the election is to be changed, inserted at the beginning of the share note field;
  - the intended settlement date for the changed election;
  - 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;
  - the corporate action number of the Offer which is allocated by Euroclear and can be found by viewing the relevant corporate actions details in CREST; and
  - input with standard delivery instruction of priority 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 Phoenix UK Fund reject or accept the requested change of election by transmitting in CREST a receiving agent reject (AEAD) or receiving agent accept (AEAN) message.

- (f) If a competitive situation continues to exist in the later stages of the offer period, the Panel will normally require revised offers to be announced in accordance with an auction procedure, the terms of which will be determined by the Panel. That procedure will normally require final revisions to competing offers to be announced by the 46th day following the publication of the competing offer document but enable an offeror to revise its offer within a set period in response to any revision announced by a competing offeror on or after the 46th day.
- (g) Although no revision is contemplated, if the Offer is revised, a revised offer document will be published. On the day of publication, Phoenix UK Fund will publish the document on [www.phoenixassetmanagement.com](http://www.phoenixassetmanagement.com) and will announce that the document has been so published.

## **5. Form of Acceptance and Electronic Acceptances**

- (a) Further terms relating to the use of the Form of Acceptance are set out in Section B of this Part II.
- (b) Further terms relating to the use of Electronic Acceptances are set out in Section C of this Part II.

## **6. Overseas shareholders**

- (a) The making of the Offer in, or to certain persons who are resident in, or citizens or nationals of, jurisdictions outside the United Kingdom (overseas shareholders) or to agents, nominees, custodians or trustees for such persons, may be prohibited or affected by the laws of the relevant jurisdictions. Overseas shareholders should inform themselves about, and observe, any applicable legal requirements. It is the responsibility of any overseas shareholder wishing to accept the Offer to satisfy himself as to the full observance of the laws of the relevant jurisdiction in connection with the Offer, including the obtaining of any governmental, exchange control or other consents which may be required and the compliance with other necessary formalities needing to be observed and the payment of any issue, transfer or other taxes or duties or other requisite payments due in that jurisdiction. Any such overseas shareholder will be responsible for the payment of any issue, transfer or other taxes due in that jurisdiction from any person and Phoenix UK Fund, (and any person acting on its behalf) shall be fully indemnified and held harmless by such overseas shareholder for any such issue, transfer or other taxes as such person may be required to pay.

**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 appropriate adviser in the relevant jurisdiction.**

- (b) The Offer is not being made, directly or indirectly, in or into or by use of the mails of, or by any other means or instrumentality of interstate or foreign commerce of, or any facilities of a national securities exchange, any Restricted Jurisdiction and the Offer cannot be accepted by any such use, means or instrumentality or otherwise from any Restricted Jurisdiction. Such means or instrumentalities include, but are not limited to, facsimile transmission, telex, telephone and internet.
- (c) Copies of this document, the Form of Acceptance and any related offer document(s) are not, and must not be, mailed or otherwise distributed or sent in or into any Restricted Jurisdiction including to Hornby Shareholders or persons with information rights or participants in Hornby Share Scheme with registered addresses in any Restricted Jurisdiction or to persons whom Phoenix UK Fund knows to be agents, nominees, custodians or trustees holding Hornby Shares for such persons. Persons receiving such documents (including, without limitation, agents, nominees, custodians and trustees) must not distribute, send or mail them in, into or from any Restricted Jurisdiction or use any such mails or any such means, instrumentality or facility for any purpose, directly or indirectly, in connection with the Offer, and doing so may render invalid 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 facility for any purpose directly or indirectly related to acceptance of the Offer. All Hornby Shareholders (including nominees, trustees and custodians) 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 of this Section A and in Section B and Section C of this Part II before taking any action. Envelopes containing the Form of Acceptance or other documents relating to the Offer must not be postmarked in or otherwise despatched from any Restricted Jurisdiction and all acceptors must provide addresses outside Restricted Jurisdictions 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 Hornby Shares in certificated form) any Hornby share certificate(s) and/or other document(s) of title.

- (d) Subject as provided below, a Hornby Shareholder will be deemed not to have accepted the Offer if:
- (i) he puts "NO" in Box 3 of the Form of Acceptance and thereby does not make the representations and warranties set out in paragraph (c) of Section B of this Part II;
  - (ii) he completes Box 4A of the Form of Acceptance with an address in any Restricted Jurisdiction or has a registered address in any Restricted Jurisdiction and in either case he 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 wishes the consideration to which he is entitled under the Offer be sent, subject to the provisions of this paragraph 4(d) and applicable laws;
  - (iii) he inserts in Box 1 of the Form of Acceptance a telephone number in a Restricted Jurisdiction for use in the event of queries;
  - (iv) a Form of Acceptance received from him is received in an envelope postmarked in, or otherwise appears to Phoenix UK Fund or its agents to have been sent from, any Restricted Jurisdiction; or
  - (v) he makes a Restricted Escrow Transfer pursuant to paragraph 5(h) of this Section A unless he also makes a related Restricted ESA Instruction which is accepted by the Receiving Agent.

Phoenix UK Fund reserves the right, in its sole discretion, to investigate, in relation to any acceptance, whether the representations and warranties set out in paragraph (c) of Section B (or, as the case may be, paragraph (b) of Section C) of this Part II could have been truthfully given by the relevant Hornby Shareholder and, if such investigation is made and as a result Phoenix UK Fund determines that such representations and warranties could not have been so given, such acceptance may be rejected as invalid.

- (e) If, notwithstanding the restrictions described above, any person (including, without limitation, agents, nominees, custodians 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 or any means or instrumentality (including, without limitation, facsimile transmission, 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.
- (f) Notwithstanding anything to the contrary contained in this document or the Form of Acceptance, Phoenix UK Fund 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 Phoenix UK Fund 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 (c) of Section B and paragraph (b) of Section C of this Part II will be varied accordingly.
- (g) The provisions of this paragraph 6 supersede any terms of the Offer inconsistent with them. The provisions of this paragraph 6 and/or any other terms of the Offer relating to overseas shareholders may be waived, varied or modified as regards specific Hornby Shareholder(s) or on a general basis by Phoenix UK Fund in its absolute discretion.

- (h) If a holder of Hornby Shares held in uncertificated form is unable to give the warranty set out in paragraph (b) of Section C of this Part II, but nevertheless can provide evidence satisfactory to Phoenix UK Fund that he is able to accept the Offer in compliance with all relevant legal and regulatory requirements, he may only purport to accept the Offer by sending (or if a CREST sponsored member, procuring that his CREST sponsor sends) both:
- (i) a TTE Instruction to a designated escrow balance detailed below (a **Restricted Escrow Transfer**); and
  - (ii) one or more valid ESA instructions (a **Restricted ESA Instruction**) which specify the form of consideration which he wishes to receive (consistent with the alternatives offered under the Offer).

Such purported acceptance will not be treated as a valid acceptance unless both the Restricted Escrow Transfer and the Restricted ESA Instruction(s) settle in CREST and Phoenix UK Fund decides, in its absolute discretion, to exercise its right described in paragraph 6(g) of this Section A 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 of this Section A. If Phoenix UK Fund accordingly decides to permit such acceptance to be made, the Receiving Agent will on behalf of Phoenix UK Fund 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 Phoenix UK Fund 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 number for the Hornby Shares (this is GB00B01CZ652);
- the number of Hornby Shares in respect of which the Offer is to be accepted;
- the member account ID and participant ID of the Hornby Shareholder;
- the participant ID of the Escrow Agent (this is RA10) and its member account ID specific to a Restricted Escrow Transfer (this is RESTRICT);
- 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 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 number for the Hornby Shares (this is GB00B01CZ652);
- the number of Hornby Shares relevant to that Restricted ESA Instruction;
- the member account ID and participant ID of the accepting Hornby Shareholder;
- the participant ID of the Escrow Agent (this is RA10);
- the member account ID of the Escrow Agent relevant to the Restricted ESA Instruction (this is RESTRICT);
- the member account ID of the Escrow Agent in respect of the Offer (this is PHOHOR01);
- the participant ID and the member account ID of the Escrow Agent relevant to the form of consideration required (details of which are set out in the letter from Phoenix UK Fund contained in this document);
- 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 priority of 80.

## 7. General

- (a) If the Offer lapses for any reason, then it shall cease to be capable of further acceptance and Phoenix UK Fund and Hornby Shareholders will cease to be bound by acceptances received on or before the date on which the Offer lapses.
- (b) The Offer will lapse if there is a CMA Phase 2 reference of the proposed acquisition of Hornby by Phoenix UK Fund before 1.00 p.m. (London time) on 14 July 2017. If the Offer lapses, the Offer will cease to be capable of further acceptance and Hornby Shareholders accepting the Offer and Phoenix UK Fund shall, upon the Offer lapsing, cease to be bound by acceptances delivered on or before the date on which the Offer lapses.
- (c) The ability to effect the Offer in respect of persons resident in certain jurisdictions may be affected by the laws of those jurisdictions. Before taking any action in relation to the Offer, Hornby Shareholders should inform themselves about and observe any applicable requirements. Unless otherwise determined by Phoenix UK Fund or required by the Takeover Code and permitted by applicable law and regulation:
  - (i) the Offer is not being, and will not be, made available, directly or indirectly, in or into or by the use of the mails of, or by any other means or instrumentality (including, without limitation, 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 no person may vote using any such use, means, instrumentality or facility or from within any Restricted Jurisdiction and
  - (ii) this document should not be forwarded or transmitted in or into any jurisdiction in which such act would constitute a violation of the relevant laws in such jurisdiction.
- (d) The Hornby Shares will be acquired pursuant to the Offer free from all liens, charges and encumbrances, rights of pre-emption and together with the right to receive all dividends and other distributions now or hereafter declared paid or made thereon. Insofar as a dividend and/or distribution and/or return of capital is proposed, declared or made, paid or payable by Hornby in respect of a Hornby Share on or after the date of this document, Phoenix UK Fund reserves the right to reduce by the amount of the dividend and/or distribution and/or return of capital, the price payable under the Offer in respect of a Hornby Share (so long as Hornby Shareholders will be entitled to receive and retain that dividend, distribution or return of capital).
- (e) The Offer is made in respect of all Hornby Shares issued, other than those held by Phoenix UK Fund and the Phoenix Concert Party, and unconditionally allotted or issued before the date on which the Offer closes.
- (f) If the Offer lapses, it will cease to be capable of further acceptance and accepting Hornby Shareholders, and Phoenix UK Fund will cease to be bound by: (i) in the case of Hornby Shares held in certificated form, Forms of Acceptance; and (ii) in the case of holders of Hornby Shares held in uncertificated form, Electronic Acceptances inputted and settled, in each case submitted before the time the Offer lapses.
- (g) The expression offer period when used in this document means, in relation to the Offer, the period commencing on (and including) 21 June 2017 until 14 July 2017.
- (h) Except with the consent of the Panel, settlement of the consideration to which any Hornby 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 Phoenix UK Fund may otherwise be, or claim to be, entitled as against such Hornby Shareholder. 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.
- (i) 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 Takeover 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 Section A shall be deemed to be incorporated into and form part of the Form of Acceptance.

- (j) All references in this document and in the Form of Acceptance to 14 July 2017 will be deemed, if the expiry date of the Offer is extended, to refer to the expiry date of the Offer as so extended.
- (k) References in Section B and Section C of this Part II to a Hornby 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.
- (l) 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.
- (m) Subject to the Takeover Code, and notwithstanding any other provision of this Section A, Phoenix UK Fund 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 Phoenix UK Fund 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 Phoenix UK Fund 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.
- (n) 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, Phoenix UK Fund. All communications, notices, certificates, documents of title and remittances to be delivered by, or sent to or from, Hornby 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.
- (o) Subject to the provisions of paragraph 6 of this Section A, 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(f) of this Section A.
- (p) The Offer is made at 1.00 p.m. (London time) on 23 June 2017 and is capable of acceptance from and after that date.
- (q) 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 Hornby Shareholder concerned and are irrevocable in accordance with section 4 of the Powers of Attorney Act 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 of this Section A and duly does so.
- (r) A response from Hornby to the Offer is to be made by 7 July 2017. This is to be available on the investor section of Hornby's website ([www.hornby.plc.uk](http://www.hornby.plc.uk)).
- (s) In relation to any acceptance of the Offer in respect of a holding of Hornby Shares held in uncertificated form, Phoenix UK Fund 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 Takeover Code or are otherwise made with the consent of the Panel.
- (t) Phoenix UK Fund, on behalf of the Phoenix Concert Party, reserves the right to reduce the Offer consideration by the amount of any dividend (or other distribution) which is paid or becomes payable by Hornby to the holders of Hornby Shares. If Phoenix UK Fund exercises the right to reduce the offer consideration by all or part of the amount of a dividend (or other distribution) that has not been paid, Hornby Shareholders will be entitled to receive and retain that dividend (or other distribution).

- (u) 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.
- (v) Neither Phoenix UK Fund nor any subsidiary of Phoenix UK Fund 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.
- (w) Where the Offer is validly accepted in respect of Hornby Shares held in uncertificated form in accordance with Section C of this Part II, unless the relevant Hornby Shareholder has become the registered shareholder of the related Hornby Shares, no separate acceptance of the Offer may be made by the relevant holder of the Hornby Shares, the custodian in respect of the Hornby Shares and no person other than Phoenix UK Fund shall have any rights whatsoever under the Offer in respect of the Hornby Shares (save for the rights of such Hornby Shareholder under paragraph 3 of this Section A).

## **8. Law and jurisdiction**

- (a) The Offer, all acceptances of it and all elections pursuant to it, the Form of Acceptance and Electronic Acceptances, all contracts made pursuant to the Offer, all actions taken or made or deemed to be taken or made pursuant to any of these terms and the relationship between a Hornby Shareholder and Phoenix UK Fund, or the Receiving Agent will be governed by and interpreted in accordance with English law.
- (b) Execution of a Form of Acceptance or the making of an Electronic Acceptance by or on behalf of a Hornby Shareholder will constitute his agreement that the courts of England are (subject to paragraph 8(c) below) to have exclusive jurisdiction to settle any dispute which may arise in connection with the creation, validity, effect, interpretation or performance of, or the legal relationship established by the Offer and the Form of Acceptance or the Electronic Acceptance or otherwise arising in connection with the Offer and the Form of Acceptance or the Electronic Acceptance, and for such purposes that he irrevocably submits to the jurisdiction of the English courts.
- (c) Execution of a Form of Acceptance or the making of an Electronic Acceptance by or on behalf of a Hornby Shareholder will constitute his agreement that the agreement in paragraph 8(b) above is included for the benefit of Phoenix UK Fund, and accordingly, notwithstanding the exclusive agreement in paragraph 8(b) above, Phoenix UK Fund, will retain the right to, and may in its absolute discretion, bring proceedings in the courts of any other country which may have jurisdiction and that the accepting Hornby Shareholder irrevocably submits to the jurisdiction of the courts of any such country.

## Section B: Form of Acceptance

Each Hornby Shareholder by whom, or on whose behalf, any Form of Acceptance is executed and received by the Receiving Agent, irrevocably undertakes, represents, warrants and agrees to and with Phoenix UK Fund and the Receiving Agent (so as to bind him and his personal representatives, heirs, successors and assigns) to the following effect:

- (a) that the execution of the Form of Acceptance shall constitute:
- (i) an acceptance of the Offer in respect of the number of Hornby Shares in certificated form inserted or deemed to be inserted in Box 1 of the Form of Acceptance; and
  - (ii) an undertaking to execute any further documents, take any further action and give any further assurances which may be required in connection with the foregoing,

in each case on and subject to the terms and conditions set out in this document and the Form of Acceptance and that, subject only to the rights of withdrawal set out in paragraph 3 of Section A of this Part II, each such acceptance, election and undertaking shall be irrevocable.

If Box 1 is left blank or a number greater than such Hornby Shareholder's registered holding of Hornby Shares appears in Box 1, but the Form of Acceptance is signed, it will be deemed to be an acceptance by such Hornby Shareholder of the terms of the Offer in respect of the total number of Hornby Shares in certificated form registered in his name.

If the Form of Acceptance is otherwise completed incorrectly, but the Form of Acceptance is signed, it will be deemed to be an acceptance by the relevant Hornby Shareholder of the terms of the Offer in respect of the number of Hornby Shares inserted or deemed to be inserted in Box 1 of the Form of Acceptance;

- (b) that he is irrevocably and unconditionally entitled to transfer the Hornby Shares in respect of which the Form of Acceptance is completed and that the Hornby 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;
- (c) that unless "NO" is inserted or deemed to be inserted in Box 3 of the Form of Acceptance, such Hornby Shareholder:
- (i) has not received or sent copies of this document, the Form of Acceptance or any related offer documents in, into or from any Restricted Jurisdiction or any other jurisdiction where such actions may constitute a breach of any legal or regulatory requirements of such jurisdiction;
  - (ii) has not otherwise utilised in connection with the Offer, directly or indirectly, the use of the mails of or any means or instrumentality (including, without limitation, facsimile transmission, e-mail, telex and telephone) of interstate or foreign commerce, or any facilities of a national securities exchange, of any Restricted Jurisdiction;
  - (iii) is accepting the Offer from outside any Restricted Jurisdiction and was outside all Restricted Jurisdictions when the Form of Acceptance was delivered and at the time of accepting the Offer, and in respect of the Hornby Shares to which the Form of Acceptance relates, is not an agent or fiduciary acting on a non-discretionary basis for a principal who has given any instructions with respect to the Offer from within any Restricted Jurisdiction;
  - (iv) 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
  - (v) if such Hornby Shareholder is a citizen, resident or national of a jurisdiction outside the United Kingdom, he has observed the laws and regulatory requirements of the relevant jurisdiction in connection with the Offer, obtained all governmental, exchange control or other consents, complied with all other necessary formalities and paid any issue, transfer or other taxes or duties or other requisite payments due in any such jurisdiction in connection with such acceptance and that he has not taken or omitted to take any action that will or may result in Phoenix UK Fund or

- any other person acting in breach of the legal or regulatory requirements of any such jurisdiction in connection with the Offer or his acceptance of the Offer;
- (d) the execution of the Form of Acceptance and its delivery to the Receiving Agent constitutes, subject to the accepting Hornby Shareholder not having validly withdrawn his acceptance, the irrevocable separate appointment of each of Phoenix UK Fund and/or its agents as such Hornby Shareholder's attorney and/or agent (**attorney**), with an irrevocable instruction to the attorney to:
- (i) complete and execute all or any form(s) of transfer and/or renunciation and/or other document(s) in the attorney's discretion in relation to the Hornby Shares referred to in paragraph (a)(i) of this Section B in favour of Phoenix UK Fund or as Phoenix UK Fund or its agents may direct;
  - (ii) deliver such form(s) of transfer and/or renunciation and/or other document(s) at the attorney's discretion together with any certificate(s) and/or other document(s) of title relating to such Hornby Shares for registration within six months of the date of this offer document; and
  - (iii) 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 or deemed acceptance of the Offer pursuant to the Form of Acceptance and to vest in Phoenix UK Fund or its nominee the Hornby Shares as aforesaid;
- (e) the execution of the Form of Acceptance and its delivery to the Receiving Agent constitutes, subject to the accepting Hornby Shareholder not having validly withdrawn his acceptance, a separate and irrevocable authority and request:
- (i) to Hornby or its agents to procure the registration of the transfer of those Hornby Shares pursuant to the Offer and the delivery of the share certificate(s) and/or other document(s) of title in respect thereof to Phoenix UK Fund or as it may direct; and
  - (ii) to Phoenix UK Fund or its agents to procure the dispatch 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 in respect of any cash consideration to which he is entitled under the Offer, at the risk of such Hornby 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);
- (f) that the execution of the Form of Acceptance and its delivery constitutes a separate authority to each of Phoenix UK Fund and/or its agents within the terms of Section A and this Section B of this Part II;
- (g) subject to the Panel giving its consent, and pending registration, that:
- (i) Phoenix UK Fund or its agents be entitled to direct the exercise of any votes and any other rights and privileges (including the right to requisition the convening of a general meeting of Hornby or of any class of its shareholders) attaching to any Hornby Shares in certificated form in respect of which the Offer has been accepted, or is deemed to have been accepted, provided that such acceptance is not validly withdrawn;
  - (ii) the execution of a Form of Acceptance by a Hornby Shareholder constitutes, in respect of the Hornby Shares comprised in such acceptance provided that such acceptance has not been validly withdrawn:
    - A. an authority to Hornby and/or its agents from such Hornby Shareholder to send any notice, warrant, document or other communication which may be required to be sent to him as a member of Hornby, to its registered office or care of the Receiving Agent;
    - B. an authority to Phoenix UK Fund and/or its agents to sign any consent to short notice on his behalf and/or attend and/or execute a form of proxy in respect of such Hornby Shares appointing any person nominated by Phoenix UK Fund to attend general meetings and separate class meetings of Hornby or its members (or any of them) (and any adjournments thereof) and to exercise the votes attaching to such shares on his behalf, where relevant, such votes to be cast so far as possible to satisfy any outstanding Condition of the Offer; and
    - C. the agreement of such Hornby Shareholder not to exercise any of such rights without the consent of Phoenix UK Fund and the irrevocable undertaking of such Hornby Shareholder not to appoint a proxy to attend any such general meeting or separate class meeting;

- (h) that he will deliver (or procure the delivery) to the Receiving Agent at the address referred to in paragraph 3(f) of Section A of this Part II his share certificate(s) or other document(s) of title in respect of all Hornby Shares held by him in certificated form in respect of which the Offer has been accepted or is deemed to have been accepted and not validly withdrawn, or an indemnity acceptable to Phoenix UK Fund in lieu thereof, as soon as possible and in any event within six months of the date of this document;
- (i) that, if he accepts the Offer, he will do all such acts and things as shall, in the opinion of Phoenix UK Fund or the Receiving Agent, be necessary or expedient to vest in Phoenix UK Fund or its nominee(s) or such other person as Phoenix UK Fund may decide the number of Hornby Shares inserted or deemed to be inserted in Box 1 of the Form of Acceptance and all such acts and things as may be necessary or expedient to enable the Receiving Agent to perform its functions for the purposes of the Offer;
- (j) that the terms and conditions of the Offer contained in this document will be incorporated and deemed to be incorporated in, and form part of, the Form of Acceptance which will be read and construed accordingly;
- (k) that he will ratify each and every act or thing which may be done or effected by Phoenix UK Fund, the Receiving Agent or any director of Phoenix UK Fund or the Receiving Agent or their respective agents or Hornby or its agents, as the case may be, in the exercise of any of his or its powers and/or authorities hereunder (and to indemnify each such person against any losses arising therefrom);
- (l) that, if any provision of Section A of this Part II or this Section B will be unenforceable or invalid or will not operate so as to afford Phoenix UK Fund, the Receiving Agent or any director or duly authorised representative of any of them or their respective agents the benefit of the authority expressed to be given therein, he agrees with all practicable speed to do all such acts and things and execute all such documents that may be required to enable those persons to secure the full benefits of Section A of this Part II or this Section B;
- (m) 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;
- (n) that the execution of the Form of Acceptance constitutes his submission, in relation to any dispute arising out of or in connection with the Offer and/or the Form of Acceptance and all acceptances and elections in respect thereof (including a dispute relating to any non-contractual obligations arising out of or in connection with the Offer and/or the Form of Acceptance and all acceptances and elections in respect thereof), to the exclusive jurisdiction of the courts of England and that nothing shall limit the right of Phoenix UK Fund to bring any action, suit or proceedings arising out of or in connection with the Offer and/or the Form of Acceptance and all acceptances and elections in respect thereof (including in relation to any non-contractual obligations arising out of or in connection with the Offer and/or the Form of Acceptance and all acceptances and elections in respect thereof) in any other court of competent jurisdiction or concurrently in more than one court of competent jurisdiction; and
- (o) the Form of Acceptance will be deemed to be delivered on the date of its execution and will take effect as a deed.

References in this Section B to a Hornby 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 B shall apply to them jointly and to each of them.

### Section C: Electronic Acceptance

For the purposes of this Section C of this Part II, the phrase “Hornby Shares in uncertificated form comprised in the acceptance” shall mean the number of Hornby Shares which are transferred by the relevant Hornby Shareholder by Electronic Acceptance to an escrow account by means of a TTE Instruction.

Each Hornby Shareholder by whom, or on whose behalf, an Electronic Acceptance is made irrevocably undertakes, represents, warrants and agrees with Phoenix UK Fund and the Receiving Agent (so as to bind him and his personal representatives, heirs, successors and assigns) to the following effect:

- (a) that the Electronic Acceptance shall constitute:
- (i) an acceptance of the Offer in respect of the number of Hornby Shares in uncertificated form to which the TTE Instruction relates; and
  - (ii) an undertaking to execute any further documents, take any further action and give any further assurances which may be required in connection with the foregoing,
- in each case on and subject to the terms and conditions set out or referred to in this document and that, subject to the rights of withdrawal set out in paragraph 3 of Section A of this Part II, each such acceptance, election and undertaking shall be irrevocable;
- (b) that such Hornby Shareholder:
- (i) has not received or sent copies of this document, the Form of Acceptance or any related offer documents, in, into or from any Restricted Jurisdiction or any other jurisdiction where such actions may constitute a breach of any legal or regulatory requirements of such jurisdiction;
  - (ii) has not otherwise utilised in connection with the Offer, directly or indirectly, the use of the mails of or any means or instrumentality (including, without limitation, facsimile transmission, telex and telephone) of interstate or foreign commerce of, or any facilities of a national securities exchange of, any Restricted Jurisdiction;
  - (iii) is accepting the Offer from outside any Restricted Jurisdiction and was outside all Restricted Jurisdictions at the time of the input and settlement of the relevant TTE Instruction(s) and in respect of the Hornby Shares to which an Electronic Acceptance relates, is not an agent or fiduciary acting on a non-discretionary basis for a principal who has given any instructions with respect to the Offer from within any Restricted Jurisdiction;
  - (iv) no TTE Instruction has been sent from any Restricted Jurisdiction; and
  - (v) if such Hornby Shareholder is a citizen, resident or national of a jurisdiction outside the United Kingdom, he has observed the laws and regulatory requirements of the relevant jurisdiction in connection with the Offer, obtained all requisite governmental, exchange control or other consents, complied with all other necessary formalities and paid any issue, transfer or other taxes or duties or other requisite payments due in any such jurisdiction in connection with such acceptance and that he has not taken or omitted to take any action that will or may result in Phoenix UK Fund or any other person acting in breach of the legal or regulatory requirements of any such jurisdiction in connection with the Offer or his acceptance of the Offer;
- (c) that the Electronic Acceptance constitutes, subject to the accepting Hornby Shareholder not having validly withdrawn his acceptance, the irrevocable separate appointment of Phoenix UK Fund, or any of the directors of Phoenix UK Fund, or any person authorised by Phoenix UK Fund, as such Hornby Shareholder’s attorney and/or agent (attorney), with 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 or deemed acceptance of the Offer;
- (d) that the Electronic Acceptance constitutes the irrevocable appointment of the Receiving Agent as such Escrow Agent to the Offer with an irrevocable instruction and authority to the Escrow Agent, subject to an accepting Hornby Shareholder not having validly withdrawn his acceptance, to transfer (if Phoenix UK Fund so requests) to Phoenix UK Fund (or to such other person or persons as Phoenix UK Fund or its agents may direct) by means of CREST all or any of the Hornby Shares in uncertificated form which are the subject of a TTE Instruction in respect of that Electronic Acceptance;
- (e) that the Electronic Acceptance constitutes, subject to an accepting Hornby Shareholder not having validly withdrawn his acceptance, a separate and irrevocable authority and request to Phoenix UK

- Fund or its agents to procure the making of a CREST payment obligation in favour of the Hornby Shareholder's payment bank in accordance with the CREST payment arrangements in respect of the cash consideration to which such Hornby Shareholder is entitled under the Offer, provided that: (i) Phoenix UK Fund may (if, for any reason, it wishes to do so) determine that all or any part of any such cash consideration shall be paid by cheque drawn on a branch of a United Kingdom clearing bank despatched by post; and (ii) if the Hornby Shareholder concerned is a CREST member whose registered address is in a Restricted Jurisdiction, any cash consideration to which such Hornby Shareholder is entitled shall be paid by cheque drawn on a branch of a United Kingdom clearing bank despatched by post, at the risk of such Hornby Shareholder, such cheques shall be despatched to the first-named holder at an address outside a Restricted Jurisdiction stipulated by such Hornby Shareholder or as otherwise determined by Phoenix UK Fund;
- (f) that the Electronic Acceptance constitutes a separate authority to Phoenix UK Fund or the Receiving Agent and/or their respective agents within the terms of Section A and this Section C of Part II;
- (g) subject to the Panel giving its consent, and pending registration, that:
- (i) Phoenix UK Fund or its agents be entitled to direct the exercise of any votes and any other rights and privileges (including the right to requisition the convening of a general meeting of Hornby or of any class of its shareholders) attaching to any Hornby Shares represented by the Hornby Shares comprised or deemed to be comprised in the Electronic Acceptance, and in respect of which such acceptance has not been validly withdrawn; and
  - (ii) an Electronic Acceptance by a Hornby Shareholder constitutes, in respect of the Hornby Shares in uncertificated form comprised in such acceptance and in respect of which such acceptance has not been validly withdrawn:
    - A. an authority to Hornby and/or its agents from such Hornby Shareholder to send any notice, warrant, document or other communication which may be required to be sent to him as a member of Hornby (including any share certificate(s) or other document(s) of title issued) to its registered office or care of the Receiving Agent;
    - B. an irrevocable authority to any directors or managers of, or persons authorised by Phoenix UK Fund and/or their respective agents to sign any document and do such things as may, in the opinion of that agent and/or attorney, seem necessary or desirable in connection with the exercise of any votes or other rights or privileges attaching to the Hornby Shares represented by the Hornby Shares held by him (including, without limitation, signing any consent to short notice on his behalf and/or attending and/or executing a form of proxy in respect of such Hornby Shares represented by the Hornby Shares held in uncertificated form appointing any person nominated by Phoenix UK Fund to attend general meetings and separate class meetings of Hornby or its members (or any of them) (and any adjournments thereof) and to exercise the votes attaching to such Hornby Shares on his behalf; and
    - C. the agreement of such Hornby Shareholder not to exercise any of such rights without the consent of Phoenix UK Fund and the irrevocable undertaking of such Hornby Shareholder not to appoint a proxy to attend any such general meeting or separate class meeting;
- (h) that if, for any reason, any Hornby Shares in respect of which a TTE Instruction has been effected in accordance with paragraph 12(b) of the letter from Phoenix UK Fund contained in Part I of this document converted to certificated form, he will (without prejudice to paragraph (g)(ii)(A) of this Section C) immediately deliver or procure the immediate delivery of the share certificate(s) or other document(s) of title in respect of the Hornby Shares that are so converted to the Receiving Agent at the address referred to in paragraph 3(f) of Section A of this Part II or to Phoenix UK Fund at its registered office or as Phoenix UK Fund 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 B of this Part II in relation to such Hornby Shares without prejudice to the application of this Section C so far as Phoenix UK Fund deems appropriate;
- (i) that the creation of a CREST payment obligation in favour of his payment bank in accordance with the CREST payment arrangements referred to in paragraph (e) of this Section C shall, to the extent of the obligation so created, discharge in full any obligation of Phoenix UK Fund to pay to him the cash consideration to which he is entitled pursuant to the Offer;

- (j) he will do all such acts and things as shall, in the reasonable opinion of Phoenix UK Fund be necessary or desirable to enable the Receiving Agent to perform its function as Escrow Agent for the purposes of the Offer or to vest in Phoenix UK Fund or its nominee(s), subject to the Electronic Acceptance not having been validly withdrawn, the Hornby Shares in uncertificated form comprised or deemed to be comprised in the acceptance;
- (k) he will ratify each and every act or thing which may be done or effected by Phoenix UK Fund, the Escrow Agent or the Receiving Agent or any of their respective directors or agents or Hornby or its agents, as the case may be, in the exercise of any of his or its powers and/or authorities hereunder (and to indemnify each such person against any losses arising therefrom);
- (l) that, if any provision of Section A of this Part II or this Section C will be unenforceable or invalid or will not operate so as to afford Phoenix UK Fund, the Escrow Agent or the Receiving Agent or any director or duly authorised representative of any of them or their respective agents the benefit of the authority expressed to be given therein, he agrees with all practicable speed to do all such acts and things and execute all such documents that may be required to enable those persons to secure the full benefits of Section A of this Part II and this Section C;
- (m) 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; and
- (n) the making of an Electronic Acceptance constitutes his submission, in relation to any dispute arising out of or in connection with the Offer and/or the Electronic Acceptance and all acceptances and elections in respect thereof (including a dispute relating to any non-contractual obligations arising out of or in connection with the Offer and/or the Electronic Acceptance and all acceptances and elections in respect thereof), to the exclusive jurisdiction of the courts of England and that nothing shall limit the right of Phoenix UK Fund to bring any action, suit or proceedings arising out of or in connection with the Offer and/or the Electronic Acceptance and all acceptances and elections in respect thereof (including in relation to any non-contractual obligations arising out of or in connection with the Offer and/or the Electronic Acceptance and all acceptances and elections in respect thereof) in any other court of competent jurisdiction or concurrently in more than one court of competent jurisdiction.

References in this Section C to a Hornby Shareholder shall include references to the person or persons making an Electronic Acceptance.

## PART III

### ADDITIONAL INFORMATION

#### 1. Responsibility

- (a) The issue of this document has been approved by the board of directors of Phoenix UK Fund. The directors of Phoenix UK Fund, whose names appear in paragraph 2(a) below, accept responsibility for the information contained in this document. To the best of their knowledge and belief (having taken all reasonable care to ensure that such is the case), the information contained in this document (other than any information relating to Hornby, Hornby's directors or their immediate families, related trusts and connected persons) for which they are responsible is in accordance with the facts and does not omit anything likely to affect the import of such information.
- (b) Each member of the Phoenix Concert Party accepts responsibility for the information contained in this document relating to each of them (including without limitation in this Part III of the document). To the best of their knowledge and belief (having taken all reasonable care to ensure that such is the case), the information contained in this document (other than any information relating to Hornby, Hornby's directors or their immediate families, related trusts and connected persons) for which they are responsible is in accordance with the facts and does not omit anything likely to affect the import of such information.

#### 2. Directors

##### (a) **Phoenix UK Fund**

The directors of Phoenix UK Fund and their respective positions are set out below:

<i>Name</i>	<i>Position</i>
Steven Tatters	<i>Director</i>
Mark Wildish	<i>Director</i>
Alan Cole	<i>Director</i>

The registered office of Phoenix UK Fund and the correspondence address is c/o Sterling Group, P.O. Box N-9934, Suite 205-A, Saffrey Square, Bay Street, Nassau, Bahamas.

The registered number of Phoenix UK Fund is 72,182B.

##### (b) **Hornby**

The directors of Hornby and their respective positions are set out below:

<i>Name</i>	<i>Position</i>
David Adams	<i>Interim Non-Executive Chairman</i>
Steve Cooke	<i>Chief Executive Officer</i>
David Mulligan	<i>Group Finance Director</i>
Martin George	<i>Non-Executive Director</i>

Roger Canham, the Executive Chairman of Hornby, resigned from the Hornby board on 21 June 2017.

The registered office of Hornby and the correspondence address is Third Floor, The Gateway, Innovation Way, Discovery Park, Sandwich, Kent, England, CT13 9FF.

The registered number of Hornby is 01547390.

#### 3. Disclosure of interests

##### (a) **Definitions**

For the purposes of this paragraph 3:

- (i) **acting in concert** has the meaning attributed to it in the Takeover Code;

- (ii) **arrangement** includes any indemnity or option arrangements and any agreement or understanding, formal or informal, of whatever nature relating to relevant securities which may be an inducement to deal or refrain from dealing;
- (iii) **control** means an interest or interests in shares carrying in aggregate 30 per cent. or more of the voting rights attributable to the share capital of a company which are currently exercisable at a general meeting, irrespective of whether the holding or holdings gives *de facto* control;
- (iv) **dealing or dealt** includes: (i) the acquisition or disposal of relevant securities, of the right (whether conditional or absolute) to exercise or direct the exercise of the voting rights attaching to relevant securities or of general control of relevant securities; (ii) the taking, granting, acquisition, disposal of, entering into, closing out, termination, exercise (by either party) or variation of an option (including a traded option contract) in respect of any relevant securities; (iii) subscribing or agreeing to subscribe for relevant securities; (iv) the exercise or conversion, whether in respect of any new or existing securities, or any relevant securities carrying conversion or subscription rights; (v) the acquisition, disposal of, entering into, closing out, exercising (by either party) of any rights under, or variation of, a derivative referenced, directly or indirectly, to relevant securities; (vi) entering into, terminating or varying the terms of any agreement to purchase or sell relevant securities; and (vii) any other action resulting, or which may result, in an increase or decrease in the number of relevant securities in which a person is interested or in respect of which he has a short position;
- (v) **derivative** includes any financial product the value of which, in whole or in part, is determined directly or indirectly by reference to the price of an underlying security;
- (vi) **disclosure date** means 22 June 2017, being the last dealing day prior to the publication of this document;
- (vii) **disclosure period** means the period which began on 21 June 2016 (being the date 12 months before the start of the offer period) and ended on 22 June 2017 (being the latest practicable date before the publication of this document);
- (viii) a person has an **interest** or is **interested** in relevant securities if he has a long economic exposure, whether absolute or conditional, to changes in the price of those securities (but not if he only has a short position in such securities) and in particular if: (i) he owns them; (ii) he has the right (whether conditional or absolute) to exercise or direct the exercise of the voting rights attaching to them or has general control of them; (iii) by virtue of any agreement to purchase, option or derivative, he: (A) has the right or option to acquire them or call for their delivery; or (B) is under an obligation to take delivery of them, whether the right, option or obligation is conditional or absolute and whether it is in the money or otherwise; or (iv) he is party to any derivative: (I) whose value is determined by reference to their price; and (II) which results, or may result, in his having a long position in them;
- (ix) **related parties**, in relation to a director, means those persons whose interests in shares the director would be required to disclose pursuant to part 22 of the Act and related regulations;
- (x) **relevant securities** includes: (i) Hornby Shares and any other securities of Hornby conferring voting rights; (ii) equity share capital of Hornby; and (iii) securities of Hornby carrying conversion or subscription rights into any of the foregoing;
- (xi) **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; and
- (xii) ownership or control of 20 per cent. or more of the equity share capital of a company is regarded as the test of associated company status and control means a holding, or aggregate holdings, of shares carrying 30 per cent. or more of the voting rights attributable to the share capital of a company which are currently exercisable at a general meeting, irrespective of whether the holding or aggregate holding gives *de facto* control.

(b) **Interests in relevant securities of Hornby**

The Phoenix Concert Party is interested (in aggregate) in 46,704,038 Hornby Shares, being the relevant securities of Hornby, representing 55.217 per cent. of the existing issued share capital, and voting rights, of Hornby. Details of the interests of each member of the Phoenix Concert Party are as follows:

<i>Member of the Phoenix Concert Party</i>	<i>Hornby Shares</i>	<i>Percentage of Hornby Shares (%)</i>
PAMP*	46,664,038	55.169
Roger Canham	40,000	0.047
<b>Total</b>	<b>46,704,038</b>	<b>55.217</b>

\* PAMP's interests in relevant securities of Hornby are held through the discretionary funds identified below (including Phoenix UK Fund)

*PAMP*

PAMP is an investment management firm incorporated in England and Wales on 20 February 1998 with registered number 03514660, and is authorised by the Financial Conduct Authority. It has assets of approximately £739 million under management as at 22 June 2017 (being the latest practicable date prior to this document) and specialises in making long-term, value-based investments based upon its own proprietary research. It is the investment manager to Phoenix UK Fund and AIT, as well as investment adviser to a number of segregated accounts for institutional clients. The investment goals of PAMP are capital preservation and excellent long-term returns.

The shareholders of PAMP and their respective percentage shareholdings as at 22 June 2017 (being the latest practicable date prior to the date of this document) are set out in the table below:

<i>Name</i>	<i>Percentage shareholding in PAMP (%)</i>
Channon Holdings Limited	87.38
Sir Peter Thompson	9.71
Charlotte Maby	2.91
Roger Canham	2.8
Gary Channon	0.000098

A summary of each of the shareholders of PAMP is set out below:

- *Channon Holdings Limited* – Channon Holdings Limited is the majority shareholder of PAMP. It was incorporated on 20 March 2013 for the sole purpose of taking ownership of PAMP from Channon & Co Limited and receives income from its investment in PAMP. Its directors are Gary Channon, Sedef Channon and Steven Tatters. Its shareholders are Gary Channon, Sedef Channon and Steven Tatters who hold 62.64 per cent., 36.8 per cent. and 0.56 per cent respectively.
- *Sir Peter Thompson* – Sir Peter Thompson is a retired businessman, having previously been chairman of NFC Plc, F.I. Group Plc, Community Hospitals Plc and Proshare. He led the successful employee buy-out of NFC Plc from the UK government and, as a result of its success, many of the drivers and fitters who invested in such company saw their share values rise 120 times over a 9 year period.
- *Gary Channon* – Gary Channon co-founded PAMP in 1998 and has managed Phoenix UK Fund since its launch that year. Using the same strategy applied to Phoenix UK Fund, Gary also manages additional segregated accounts for pension fund clients. Gary has over 30 years of business and financial services experience. His career began in fixed income trading at Nikko Securities Europe in 1987. He joined Goldman Sachs in 1989, working in global equity derivative products trading. In 1992, Gary joined Nomura International PLC as head of equity derivative trading. He remained at Nomura International as co-head of equity and equity derivatives trading until moving on to co-found Phoenix.

- *Charlotte Maby* – Charlotte has been with PAMP for 16 years and became a partner in 2010. She is the managing director of PAMP and spends most of her time on research. Her areas of expertise include fast-moving consumer goods (both for national and multi-national companies), grocery retail, banking groups, pub companies and advertising. Before joining PAMP, Charlotte worked in investment management at Ernst & Young LLP, where she passed the ACA Chartered Accountancy exams. She holds a Masters in Mechanical Engineering. Charlotte also studied Manufacture & Management at the University of Birmingham and the University of Illinois and spent two years working in industry at Alvis Aerospace and Procter & Gamble.

PAMP is the largest Hornby Shareholder and, as a result of the Acquisition, is interested in 46,664,038 Hornby Shares, representing 55.169 per cent. of the existing issued share capital, and voting rights, of Hornby.

PAMP interests in relevant securities of Hornby are held through the following discretionary funds:

- (i) *Phoenix UK Fund* – As at 22 June 2017 (being the latest practicable date prior to publication of this document), Phoenix UK Fund is interested in 27,101,679 Hornby Shares, representing approximately 32.041 per cent. of the existing issued share capital, and voting rights, of Hornby. Today, Phoenix UK Fund will transfer 3,423,480 Hornby Shares to AIT, following which Phoenix UK Fund will become interested in 23,678,199 Hornby Shares, representing approximately 27.994 per cent. of the existing issued share capital, and voting rights, of Hornby.
- (ii) *AIT* – AIT is a UK investment trust managed by PAMP and is listed on the Main Market of the Official list. As at 22 June 2017 (being the latest practicable date prior to publication of this document), AIT is interested in 4,000,000 Hornby Shares, representing approximately 4.729 per cent. of the existing issued share capital, and voting rights, of Hornby. Today, Phoenix UK Fund will transfer 3,423,480 Hornby Shares to AIT, following which AIT will become interested in 7,423,480 Hornby Shares, representing approximately 8.777 per cent. of the existing issued share capital, and voting rights, of Hornby.
- (iii) *Fund CN3Q* – Fund CN3Q is a managed account for the pension scheme of the UK subsidiary of a European company. As at 22 June 2017 (being the latest practicable date prior to publication of this document), Fund CN3Q is interested in 3,016,170 Hornby Shares, representing approximately 3.566 per cent. of the existing issued share capital, and voting rights, of Hornby.
- (iv) *Fund BGU02* – Fund BGU02 is a managed account for a Guernsey domiciled multi manager. As at 22 June 2017 (being the latest practicable date prior to publication of this document), Fund BGU02 is interested in 2,530,206 Hornby Shares, representing approximately 2.991 per cent. of the existing issued share capital, and voting rights, of Hornby.
- (v) *Fund 74205* – Fund 74205 is a managed account for a University Endowment. As at 22 June 2017 (being the latest practicable date prior to publication of this document), Fund 74205 is interested in 3,212,497 Hornby Shares, representing approximately 3.798 per cent. of the existing issued share capital, and voting rights, of Hornby.
- (vi) *Fund ACE* – Fund ACE is a managed account for a Switzerland-based family office. As at 22 June 2017 (being the latest practicable date prior to publication of this document), Fund ACE is interested in 680,057 Hornby Shares, representing approximately 0.804 per cent. of the existing issued share capital, and voting rights, of Hornby.
- (vii) *Phoenix R Fund* – Phoenix R Fund is a fund managed on behalf of a UK based wealth manager. As at 22 June 2017 (being the latest practicable date prior to publication of this document), Phoenix R Fund is interested in 6,123,429 Hornby Shares, representing approximately 7.240 per cent. of the existing issued share capital, and voting rights, of Hornby.

The employees and directors of PAMP solely invest in the Phoenix UK Fund and do not participate in any of the other vehicles listed above.

#### *Phoenix UK Fund's directors*

None of the Phoenix UK Fund directors are directly interested in Hornby Shares.

Roger Canham

Roger Canham is a director of PAMP and was formerly the Executive Chairman of Hornby. Roger has been Chairman of PAMP since 2009 and also owns and manages a number of property development companies and was also Chairman of CPP Group PLC, a company in which PAMP has an investment, until May 2016. Prior to that, he was a non-executive director of Goshawk Insurance Holdings PLC as PAMP's representative from 2007 until the business was acquired in 2008, and a director of Brake Bros Limited, for a year following its acquisition of W. Pauley & Co Limited in 2002. He joined W. Pauley & Co Limited in 1990 and became Managing Director in 1996.

Roger Canham is an ex-colleague and acquaintance of Gary Channon. He was appointed to the board of directors of PAMP in July 2009, following the retirement of the then Chairman, Sir Peter Thompson. Save in respect of his historic appointment as a non-executive director of Goshawk Insurance Holdings PLC as PAMP's representative from 2007 until the business was acquired in 2008 and his historic appointment as Chairman of CPP Group PLC until May 2016, a company in which PAMP has an investment, Roger holds no other board positions in PAMP investee companies.

Roger Canham is deemed, by virtue of his office as a director of PAMP, to be acting in concert with PAMP for the purposes of the Takeover Code. As at 22 June 2017 (being the latest practicable date prior to publication of this document), he is interested in 40,000 Hornby Shares, representing approximately 0.047 per cent. of the existing issued share capital, and voting rights, of Hornby.

Roger also has an interest in respect of Phoenix UK Fund (but not in respect of any of the other vehicles described above) in which he first invested in October 2002 and on the same terms as any other investor.

(c) **Dealings in relevant securities of Hornby**

There have been no dealings in relevant securities of Hornby by Phoenix UK Fund or any persons acting in concert with Phoenix UK Fund or Phoenix UK Fund's directors (or any of their respective immediate relatives, related trusts and connected persons) during the disclosure period, other than the following dealings in Hornby Shares by the Phoenix Concert Party:

<i>Completion Date</i>	<i>Transaction Type</i>	<i>Number of Hornby Shares</i>	<i>Price per Hornby Share (pence)</i>
21 June 2017	Purchase	3,423,480	32.375
21 June 2017	Disposal	3,423,480	32.375
21 June 2017	Purchase	17,641,161	32.375
31 March 2017	Purchase	183,200	31.875
31 March 2017	Disposal	183,200	31.875
24 October 2016	Purchase	1,493,000	32.375
24 October 2016	Disposal	1,493,000	32.375
31 October 2016	Purchase	1,242,000	30.125
31 October 2016	Disposal	1,242,000	30.125
8 July 2016	Purchase	3,684,934	27.00
8 July 2016	Purchase	1,643,745	27.00
8 July 2016	Purchase	886,335	27.00
8 July 2016	Purchase	1,125,343	27.00
8 July 2016	Purchase	238,225	27.00
8 July 2016	Purchase	1,186,972	27.00
8 July 2016	Purchase	4,000,000	27.00

(d) **Persons acting in concert with Phoenix UK Fund**

The Phoenix Concert Party comprises PAMP, Phoenix UK Fund, Phoenix UK Fund's directors and Roger Canham. The Offer is being made by the Phoenix UK Fund on behalf of the other members of the Phoenix Concert Party.

In addition to PAMP, Roger Canham and the Phoenix UK Fund directors (together with their close relatives and related trusts and connected persons), the persons who are acting in concert with Phoenix UK Fund for the purposes of the Offer and which are required to be disclosed are:

<i>Person acting in concert</i>	<i>Type of company</i>	<i>Relationship with Phoenix UK Fund</i>	<i>Address</i>
Liberum Capital Limited	Private limited company	Financial adviser to Phoenix UK Fund	Ropemaker Place 25 Ropemaker Street London, EC2Y 9LY
Taylor Wessing LLP	Limited liability partnership	Legal adviser to Phoenix UK Fund	5 New Street Square London, EC4A 3TW

(e) **Arrangements**

Except as disclosed in this document, there no any arrangements of the kind referred to in Note 11 of the definition of acting in concert set out in the Takeover Code relating to relevant securities which exist between Phoenix UK Fund or any person acting in concert with Phoenix UK Fund and any other person.

(f) **Market quotations**

The following table sets out the Closing Price for Hornby Shares on:

- (i) the first dealing day in each of the six months prior to the disclosure date (as defined in paragraph 3 of this Part III);
- (ii) 20 June 2017 (being the last dealing day prior to the commencement of the offer period); and
- (iii) on the disclosure date.

<i>Date</i>	<i>Price per Hornby Share</i>
3 January 2017	31.75p
1 February 2017	31.25p
1 March 2017	34.00p
3 April 2017	32.00p
2 May 2017	31.37p
1 June 2017	32.13p
20 June 2017 (being the last dealing day prior to the commencement of the offer period)	31.25p
22 June 2017 (being the last dealing day prior to the publication of this document)	32.25p

(g) **Ratings**

Neither Phoenix UK Fund nor Hornby has any public, current credit rating or outlook from a ratings agency.

(h) **Material contracts**

No material contracts have been entered into out of the ordinary course of business during the period beginning 2 years before the start of the offer period.

(i) **Financing arrangements and cash confirmation**

It is estimated that full acceptance of the Offer by Hornby Shareholders will result in a maximum cash consideration payable by Phoenix UK Fund of approximately £12.26 million. This is based on the existing issued share capital of 84,583,209 Hornby Shares (as disclosed in the audited financial statements of Hornby for the year ended 31 March 2017), allowing for the Hornby Shares already held by the Phoenix Concert Party as at the date of this document.

The cash consideration payable under the Offer will be funded using Phoenix UK Fund's existing cash resources, which arose from which arose from the investment activities of Phoenix UK Fund. Completion of the Offer will impact Phoenix UK Fund's balance sheet by decreasing its net cash by the amount of consideration paid under the Offer.

Liberum is satisfied that the necessary cash resources are available to Phoenix UK Fund to enable it to satisfy in full the consideration payable by Phoenix UK Fund under the terms of the Offer.

(j) **Bases and sources of information**

The value placed by the Offer on the existing issued and to be issued ordinary share capital of Hornby and taking into account the value of all outstanding options and other statements made by reference to the existing issued and to be issued share capital of Hornby are based upon 84,583,209 Hornby Shares in issue on 22 June 2017 (being the latest practicable date prior to publication of this document) and such options where the exercise price is below the Offer Price and/ or as appropriate, where the relevant performance criteria have been met or waived.

The Closing Prices of Hornby Shares are derived from the Daily Official List of the London Stock Exchange and represent closing middle market prices for Hornby Shares on the relevant dates.

The fully diluted share capital of Hornby is calculated on the basis of 84,583,209 Hornby Shares in issue on 22 June 2017 (being the latest practicable date prior to publication of this document).

The International Securities Identification Number for Hornby Shares is GB00B01CZ652.

(k) **General**

- (i) Save as disclosed in this document, no proposal exists in connection with the Offer that any payment be made or given by Phoenix UK Fund to any person as compensation for loss of office or as consideration for, or in connection with, his retirement from office.
- (ii) Save as disclosed in this paragraph 3, as at the disclosure date, neither Phoenix UK Fund, nor any of the directors of Phoenix UK Fund nor any of such directors' related parties, nor any person acting in concert with Phoenix UK Fund held any interest in, or right to subscribe for, or any short position, including any short position under a derivative in relation to, is party to, any agreement to sell or has any delivery obligation or right to require another person to purchase or take delivery, of any relevant securities of Hornby, nor, save for any borrowed shares which have either been on-lent or sold, had borrowed or lent any relevant securities of Hornby (including for these purposes any financial collateral arrangements of the kind referred to in Note 4 on Rule 4.6 of the Takeover Code), nor has any such person dealt in relevant securities of Hornby during the disclosure period.
- (iii) Neither Phoenix UK Fund nor any person acting in concert with Phoenix UK Fund has received any irrevocable commitment or letter of intent in relation to relevant securities of Hornby.
- (iv) Neither Phoenix UK Fund nor any person acting in concert with Phoenix UK Fund is party to any offer-related arrangements or other agreements, arrangements, commitments permitted under or excluded from Rule 21.2 of the City Code.
- (v) There are no agreements, arrangements, understandings or compensation arrangements between Phoenix UK Fund and any person acting in concert with it and any of the directors, recent directors, shareholders or recent shareholders of Hornby, or any person interested or recently interested in Hornby shares, having any connection with or dependence upon the Offer.
- (vi) The directors of Phoenix UK Fund do not have any interest in, rights to subscribe for, or short positions in, securities in Phoenix UK Fund.
- (vii) There is no agreement, arrangement or understanding whereby the beneficial ownership of any of the Hornby Shares to be acquired pursuant to the Offer will be transferred to any person, except that Phoenix UK Fund reserves the right to transfer any such shares to any member of its group.
- (viii) There are no agreements or arrangements to which Phoenix UK Fund is a party which relate to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Offer.

- (ix) Liberum 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.
- (x) Phoenix UK Fund does not propose to put any incentivisation arrangements in place for Hornby's management following completion of the Offer.

(l) ***Fees and expenses***

The estimated aggregate fees and expenses expected to be incurred by Phoenix UK Fund in connection with the Offer are estimated to amount to approximately £293,600 (exclusive of any applicable VAT). This aggregate number consists of the following categories:

- (i) financial and corporate broking advice: approximately £100,000;
- (ii) legal advice: approximately £170,000;
- (iii) public relations advice: approximately £1,000; and
- (iv) other professional services: approximately £22,600.

(m) ***Documents published on website***

Copies of the following documents will be published on PAMP's website ([www.phoenixassetmanagement.com](http://www.phoenixassetmanagement.com)) and will be available, free of charge, until the end of the Offer:

- (i) the announcement dated 21 June 2017 in relation to Phoenix UK Fund's firm intention to make the Offer (subject to any applicable restrictions with respect to persons resident in Restricted Jurisdictions);
- (ii) this document and the Form of Acceptance;
- (iii) the memorandum and articles of association of Phoenix UK Fund; and
- (iv) the published audited financial statements of Phoenix UK Fund for the period 1 January 2015 to 31 December 2015 and for the period 1 January 2016 to 31 December 2016.

Paragraph 4 of the letter from the board of Phoenix UK Fund incorporates financial information on Hornby by reference to Hornby's published audited annual report and accounts of Hornby for the period 1 April 2015 to 31 March 2016 and for the period 1 April 2016 to 31 March 2017. This information is available for inspection on the Hornby's website ([www.hornby.plc.uk](http://www.hornby.plc.uk)). The memorandum and articles of association of Hornby can be found on Hornby's website ([www.hornby.plc.uk](http://www.hornby.plc.uk)), from where they can be downloaded and printed, and are incorporated into this document by reference to such website in accordance with Rule 24.15 of the Takeover Code. Please see paragraph 3(o) of this Part III for details of obtaining copies of documents incorporated by reference.

For the avoidance of doubt, the contents of the websites are not incorporated by reference and do not form part of this document.

(n) ***Right to receive copies in hard copy form***

Any person entitled to receive a copy of documents, announcements and information relating to the Offer is entitled to receive such documents, free of charge, in hard copy form. Such person may request that all future documents, announcements and information in relation to the Offer are sent to them in hard copy form. A hard copy of such documents will not be sent to such persons unless requested by way written request to the Receiving Agent at Capita Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU. If requested, copies will be provided within two Business Days of the request.

(o) ***Documents incorporated by reference***

A person who has received this document may request a copy of any documents that are incorporated in it by reference. A copy of any such documents or information incorporated by reference will not be sent to such persons unless requested from the Receiving Agent in writing to the Receiving Agent at Capita Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU. If requested, copies will be provided, free of charge, within two Business Days of the request.

## **PART IV**

### **DEFINITIONS**

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

“Act”	the Companies Act 2006 (as amended)
“Acquisition”	has the meaning given in paragraph 1 of Part I of this document
“AIM”	the AIM Market operated by London Stock Exchange plc
“AIT”	Aurora Investment Trust plc, a company incorporated in England & Wales with registration number 03300814
“Australia”	the Commonwealth of Australia, its possessions, states and territories and all areas subject to its jurisdiction and any political sub-division thereof
“Business Day”	a day, not being a Saturday or Sunday nor any other day which is a public holiday in England and Wales
“Canada”	Canada, its possessions, provinces and territories and all areas under its jurisdiction or any political sub divisions thereof
“Capita Asset Services”	a trading name of Capita Registrars Limited
“Closing Price”	the closing middle-market quotation of a Hornby Share as derived from the Daily Official List of the London Stock Exchange
“CMA Phase 2 reference”	a reference of an offer or possible offer to the chair of The Competition and Markets Authority for the constitution of a group under Schedule 4 to the Enterprise and Regulatory Reform Act 2013
“CREST”	means the relevant system (as defined in the CREST Regulations) of which Euroclear is the Operator (as defined in the CREST Regulations)
“CREST Manual”	means the manual published by Euroclear for further information on the CREST procedure
“CREST member”	a person who is, in relation to CREST, a system member (as defined in the CREST Regulations)
“CREST participant”	a person who is, in relation to CREST, a system participant (as defined in the CREST Regulations)
“CREST payment”	has the meaning given in the CREST Manual
“CREST Regulations”	the Uncertified Securities Regulations 2001
“CREST sponsor”	a person who is, in relation to CREST, a sponsoring system participant (as defined in the CREST Regulations)
“CREST sponsored member”	a CREST member admitted to CREST as a sponsored member
“Daily Official List”	means the daily official list of the London Stock Exchange
“Dealing Disclosure”	has the meaning given in Rule 8 of the Takeover Code

“Disclosure Period”	has the meaning set out in paragraph 3(a)(iii) of Part III of this document
“Electronic Acceptance”	means 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”	the Receiving Agent in its capacity as escrow agent (as defined in the CREST Manual)
“Euroclear”	Euroclear UK & Ireland Limited
“Form of Acceptance”	the form of acceptance for use by Hornby Shareholders holding Hornby Shares in certified form in connection with the Offer
“Hornby” or the “Company”	Hornby plc, a company incorporated in England & Wales with registration number 01547390
“Hornby Option holders” or “Option holder”	a holder of options under the Hornby Share Option Scheme
“Hornby Share Option Scheme”	The Hornby Plc Long Term Incentive Plan 2016
“Hornby Share(s)”	the existing issued or unconditionally allotted and paid (or credited as fully paid) ordinary shares of 1 pence each in the capital of Hornby and any further shares which are unconditionally allotted or issued fully paid (or credited as fully paid) on or prior to the date on which the Offer closes (excluding, for the avoidance of doubt, treasury shares)
“Hornby Shareholders”	the holders of Hornby Shares
“Japan”	Japan, its cities, prefectures, territories and possessions
“Liberum”	Liberum Capital Limited, financial adviser to Phoenix UK Fund
“Listing Rules”	the rules and regulations made by the Financial Conduct Authority exercising its functions under the Financial Services and Markets Act 2000 and contained in the UK Listing Rules publication of the same name
“London Stock Exchange”	London Stock Exchange plc or its successor
“Member account ID”	the identification code or number attached to any member account in CREST
“NPIL”	New Pistoia Income Limited
“Offer”	the mandatory cash offer by Phoenix UK Fund to acquire all the Hornby Shares not already owned by the Phoenix Concert Party on the terms set out in this document and the Form of Acceptance and, where the context permits, any subsequent revision or variation of such offer or any extension or renewal thereof
“offer period”	the period commencing on 21 June 2017 and ending on the 21st day after the date of publication of this document or (if that day is a Saturday, Sunday or a public holiday) on the next succeeding business day
“Offer Price”	32.375 pence per Hornby Share

“Official List”	the Official List of the UKLA
“Opening Position Disclosure”	has the meaning given to it in Rule 8 of the Takeover Code
“PAMP”	Phoenix Asset Management Partners Limited, the investment adviser to the Phoenix UK Fund, a company incorporated in England & Wales with registration number 03514660
“Panel”	the Panel on Takeovers and Mergers
“Participant ID”	the identification code or membership number used in CREST to identify a particular CREST member or other CREST participant
“person”	a person (including an individual, partnership, unincorporated syndicate, limited liability company, unincorporated organisation, trust, trustee, executor, administrator, or other legal representative)
“Phoenix Concert Party”	together being PAMP, Phoenix UK Fund, the directors of Phoenix UK Fund and Roger Canham (who for the purposes of the Takeover Code are considered to be acting in concert)
“Phoenix UK Fund”	Phoenix UK Fund Ltd, a company incorporated in The Commonwealth of the Bahamas with registration number 72,182B
“Pound Sterling” or “£”	UK pound sterling (and references to “pence” shall be construed accordingly)
“Previous Acceptor”	has the meaning given to it in paragraph 4(a) of Section A of Part II of this document
“QCA Corporate Governance Code”	Quoted Companies Alliance Corporate Governance Code for Small and Mid-Size Quoted Companies 2013
“Receiving Agent”	Capita Asset Services
“Regulatory Information Service”	has the meaning set out in the Listing Rules
“Restricted ESA Instruction”	has the meaning given in paragraph 6(h) of Section A of Part II of this document
“Restricted Escrow Transfer”	has the meaning given in paragraph 6(h) of Section A of Part II of this document
“Restricted Jurisdiction”	subject always to the requirements of Rule 23.2 of the Takeover Code in relation to the distribution of offer documentation to jurisdictions outside the UK, any jurisdiction where extension of the Offer would violate the law of that jurisdiction
“subsidiary”	has the meanings given to them in the Act
“Takeover Code”	the City Code on Takeovers and Mergers
“TTE Instruction”	means a transfer to escrow instruction (as described in the CREST Manual in relation to Hornby Shares in uncertified form meeting the requirements of paragraph 12(b) of the letter from Phoenix UK Fund set out in Part I of this document
“UKLA”	the Financial Conduct Authority exercising its functions under Part VI of the Financial Services and Markets Act 2000

“United Kingdom” or “UK”

the United Kingdom of Great Britain and Northern Ireland and its dependent territories

“United States”, “US” or “USA”

the United States of America, its territories and possessions, any state of the United States of America, the District of Columbia and all other areas subject to its jurisdiction and any political subdivision thereof

