

The contents of this document have not been approved by an authorised person within the meaning of the Financial Services and Markets Act 2000 (as amended) (“**FSMA**”). Reliance on this document for the purpose of engaging in any business investment activity may expose an individual to a significant risk of losing all amounts invested.

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document and/or the action you should take, you should immediately consult your stockbroker, bank manager, solicitor, accountant or other independent financial adviser duly authorised for the purposes of FSMA who specialises in advising on the acquisition of shares and other securities if you are in the United Kingdom or, if not, another appropriately authorised independent financial adviser.**

If you have sold or otherwise transferred, or you sell or otherwise transfer, all of your registered holding of Existing Ordinary Shares held in certificated form prior to the Ex-entitlement Date, please immediately forward this document, together with the accompanying Form of Proxy but not the accompanying personalised Application Form, to the purchaser or transferee or to the stockbroker, bank or other agent through or by whom the sale or transfer was or is effected for onward delivery to the purchaser or transferee. If you have sold or otherwise transferred, or you sell or otherwise transfer Existing Ordinary Shares held in an uncertificated form prior to the Ex-entitlement Date, a claim transaction will automatically be generated by Euroclear which, on settlement, will transfer the appropriate number of Open Offer Entitlements to the purchaser or transferee through CREST. If you have sold or otherwise transferred, or you sell or otherwise transfer, only part of your registered holding of Existing Ordinary Shares held in certificated form, before the Ex-entitlement Date, please immediately contact your stockbroker, bank or other agent through or by whom the sale or transfer was effected and refer to the instructions regarding split applications set out in the Application Form.

The distribution of this document and the accompanying Form of Proxy and, where applicable, Application Form and/or the transfer of Open Offer Entitlements through CREST or otherwise in jurisdictions other than the United Kingdom may be restricted by applicable laws or regulations and, therefore, persons into whose possession these documents come should inform themselves about and observe any of those restrictions. Any failure to comply with any of those restrictions may constitute a violation of the securities laws of any such jurisdiction.

The Existing Ordinary Shares are admitted to trading on AIM. Application will be made to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on AIM. Subject to, amongst other things, the passing of the Resolutions at the General Meeting, it is expected that admission to trading on AIM and dealings in the New Ordinary Shares will commence on AIM on or around 8.00 a.m. on 7 December 2017. The New Ordinary Shares will not be admitted to trading on any other investment exchange. The New Ordinary Shares will, on Admission, rank *pari passu* in all respects with the Existing Ordinary Shares in the Company and will rank in full for all dividends and other distributions thereafter declared, made or paid on the ordinary share capital of the Company.

The total consideration under the Open Offer will be less than €5.0 million (or an equivalent amount) in aggregate and the Placing Shares will only be available to qualified investors for the purposes of the Prospectus Rules or otherwise in circumstances not resulting in an offer of transferable securities to the public under section 102B of FSMA. Neither the Placing nor the Open Offer constitute an offer to the public requiring an approved prospectus under section 85 of FSMA and, accordingly, this document does not constitute, and is not required to be, a prospectus for the purposes of the Prospectus Rules made by the Financial Conduct Authority (“**FCA**”) pursuant to sections 73A(1) and (4) of FSMA. This document has not been, and will not be, approved by or filed with the FCA. In addition, this document does not constitute an AIM Admission Document drawn up in accordance with the AIM Rules.

The Company and the Directors, whose names and positions are set out on page 7 of this document, accept responsibility, both collectively and individually, for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document for which they take responsibility is in accordance with the facts and does not omit anything likely to affect the import of such information.

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## **Hornby PLC**

*(incorporated and registered in England and Wales with registered number 01547390)*

### **Placing and Open Offer of 40,677,968 New Ordinary Shares to raise £12.0 million and Acquisition of 49 per cent. of LCD Enterprises Limited and Notice of General Meeting**

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Liberum Capital Limited, which is authorised and regulated in the United Kingdom by the FCA, is acting for the Company in connection with the Placing and Open Offer and is not acting for any other persons in relation to the Placing and Open Offer. Liberum Capital Limited is retained by the Company in connection with the Placing and Open Offer and shall not be responsible to any other party for providing advice or taking any other action in relation to the Placing and Open Offer. Persons receiving this document should note that Liberum Capital Limited will not be responsible to anyone other than the Company for providing the protections afforded to clients of

Liberum Capital Limited or for advising any other person on the arrangements described in this document. Liberum Capital Limited has not authorised the contents of, or any part of, this document and no liability whatsoever is accepted by Liberum Capital Limited nor does it make any representation or warranty, express or implied, for the accuracy of any information or opinion contained in this document or for the omission of any information. No representation, responsibility or warranty, express or implied, is made by Liberum Capital Limited or any of its directors, officers, employees or agents as to the contents of this document in connection with the Placing and Open Offer or any other matters referred to in this document. Accordingly, Liberum Capital Limited disclaims all and any responsibility or liability whether arising in tort, contract or otherwise which it might otherwise have in respect of this document. Nothing in this paragraph shall serve to exclude or limit any responsibilities which Liberum Capital Limited may have under FSMA or the regulatory regime established thereunder.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the United Kingdom Listing Authority (being the FCA acting as competent authority for the purposes of Part VI of FSMA) (“UKLA”). A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. The London Stock Exchange has not itself examined or approved the contents of this document. A prospective investor should consider carefully whether an investment in the Company is suitable for him in light of his personal circumstances and the financial resources available to him. The AIM Rules are less demanding than those of the Official List of the UKLA. It is emphasised that no application is being made for admission of the New Ordinary Shares to the Official List of the UKLA.

**This document should be read as a whole and in its entirety. Your attention is drawn to the letter from the Interim Chairman of the Company which is set out in Part 1 of this document, which contains the unanimous recommendation of the Independent Directors that Shareholders vote in favour of Resolutions 2 and 3 to be proposed at the General Meeting and the unanimous recommendation of the Acquisition Independent Directors that Shareholders vote in favour of Resolution 1 to be proposed at the General Meeting. In addition, your attention is drawn to the Risk Factors in Part 2 of this document which contain certain general and specific risks and uncertainties for the Group that should be considered by prospective investors when considering whether or not to make an investment in the Company.**

**Notice convening a General Meeting of the Company, to be held at 9.00 a.m. on 5 December 2017 at the offices of the Company’s solicitors, Taylor Wessing LLP, 5 New Street Square, London EC4A 3TW, is set out at the end of this document.**

**The action to be taken by Shareholders in respect of the General Meeting is set out on pages 25 and 26 of this document. Whether or not you intend to attend the General Meeting, you are urged to complete the accompanying Form of Proxy and return it in accordance with the instructions printed thereon as soon as possible, but in any event so as to be received by post or, during normal business hours only, by hand, by the Registrars, Link Asset Services, at PXS 1, 34 Beckenham Road, Beckenham, Kent BR3 4TU, by no later than 9.00 a.m. on 1 December 2017 (or, in the case of an adjournment of the General Meeting, not later than 48 hours before the time fixed for the holding of the adjourned meeting). The completion and return of a Form of Proxy will not prevent you from attending and voting at the General Meeting in person should you wish to do so.**

**The latest time and date for acceptance and payment in full under the Open Offer is 11.00 a.m. on 4 December 2017. The procedure for application and payment for Qualifying Shareholders is set out in Part 3 of this document and, where relevant, in the accompanying Application Form. Shareholders are advised to return the Application Form using the enclosed reply-paid envelope, which can also be used for return of completed Forms of Proxy.**

This document does not constitute a prospectus for the purposes of section 85 of FSMA and any offer to the public is exempt by virtue of section 86 of FSMA, nor does it constitute an admission document drawn up in accordance with the AIM Rules. This document has not been approved for issue by any person for the purposes of section 21 of FSMA. This document and (where applicable) the Application Form do not constitute or form part of any offer to sell or invitation to subscribe for, or solicitation of an offer to subscribe for or buy or issue New Ordinary Shares or any other securities to any person or to otherwise engage in any investment activity in any jurisdiction in which the same is unlawful, nor shall it, or any part of it, or the fact of its distribution, form the basis of, or be relied on in connection with, any contract therefor. Any failure to comply with these restrictions may constitute a violation of applicable securities laws in such jurisdictions. In particular, this document must not be taken, transmitted, distributed or sent, directly or indirectly, in, or into, the United States of America, Canada, Australia, Japan or the Republic of South Africa or transmitted, distributed or sent to, or by, any national, resident or citizen of such countries. Accordingly, the New Ordinary Shares may not, subject to certain exceptions, be offered or sold, directly or indirectly, in, or into, or credited to the stock account of any person in the United States of America, Canada, Australia, Japan or the Republic of South Africa or in any other country, territory or possession where to do so may contravene local securities laws or regulations and, therefore, persons into whose possession this document comes should inform themselves about and observe such restrictions. The New Ordinary Shares have not been, and will not be, registered under the United States Securities Act of 1933 (as amended) or under the securities legislation of any state of the United States of America, any province or territory of Canada, Australia, Japan or the Republic of South Africa and they may not be offered or sold, directly or indirectly, within the United States of America or Canada, Australia, Japan or the Republic of South Africa or to or for the account or benefit of any national, citizen or resident of the United States of America, Canada,

Australia, Japan or the Republic of South Africa or to any US person (within the definition of Regulation S made under the US Securities Act 1933 (as amended)). In addition, offers, sales or transfers of the New Ordinary Shares in or into the United States for a period of time following completion of the Placing and Open Offer by a person (whether or not participating in the Placing and/or Open Offer) may violate the registration requirement of the US Securities Act 1933 (as amended). Overseas Shareholders and any person (including, without limitation, nominees and trustees), who have a contractual or other legal obligation to forward this document to a jurisdiction outside the UK should seek appropriate advice before taking any action.

A copy of this document will also be available from the Company's website, [www.Hornby.plc.uk](http://www.Hornby.plc.uk).

This document contains (or may contain) certain forward-looking statements with respect to the Company and certain of its goals and expectations relating to its future financial condition and performance which involve a number of risks and uncertainties. No forward-looking statement is a guarantee of future performance and actual results could differ materially from those contained in any forward-looking statements. All statements, other than statements of historical facts, contained in this document, including statements regarding the Group's future financial position, business strategy and plans, business model and approach and objectives of management for future operations, are forward-looking statements. Generally, the forward-looking statements in this document use words such as "aim", "anticipate", "target", "expect", "estimate", "plan", "goal", "believe", "will", "may", "could", "should", "future", "intend", "opportunity", "potential", "project", "seek" and other words having a similar meaning. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances, including, but not limited to, economic and business conditions, the effects of changes in interest rates and foreign exchange rates, changes in legislation, changes in consumer habits and other factors outside the control of the Company, that may cause actual results, performance or achievements to be materially different from any results, performance or achievements expressed or implied by such forward-looking statements. All forward-looking statements contained in this document are based upon information available to the Directors at the date of this document and the posting or receipt of the document shall not give rise to any implication that there has been no change in the facts set forth herein since such date. Investors are urged to read this entire document carefully before making an investment decision. The forward-looking statements in this document are based on the relevant Directors' beliefs and assumptions and information only as of the date of this document, and the forward-looking events discussed in this document might not occur. Accordingly, investors should not place any reliance on any forward-looking statements. Except as required by law or regulation, the Directors undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future earnings or otherwise.

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## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Open Offer Record Date	5.00 p.m. on 15 November 2017
Announcement of the Placing and Open Offer	17 November 2017
Date of this document and of the posting of this document, Application Forms and Forms of Proxy	17 November 2017
Date Existing Ordinary Shares marked 'ex-entitlement' by the London Stock Exchange	8.00 a.m. on 20 November 2017
Open Offer Entitlements and Excess Open Offer Entitlements credited to CREST stock accounts of Qualifying CREST Shareholders	8.00 a.m. on 21 November 2017
Recommended latest time and date for requesting withdrawal of Open Offer Entitlements and Excess Open Offer Entitlements from CREST	4.30 p.m. on 28 November 2017
Latest time and date for depositing Open Offer Entitlements and Excess Open Offer Entitlements into CREST	3.00 p.m. on 29 November 2017
Latest time and date for splitting Application Forms (to satisfy <i>bona fide</i> market claims in relation to Open Offer Entitlements only)	3.00 p.m. on 30 November 2017
Last time and date for receipt of completed Forms of Proxy and receipt of electronic proxy appointments via the CREST system	9.00 a.m. on 1 December 2017
Last time and date for receipt of completed Application Forms and payment in full under the Open Offer or settlement of the relevant CREST instructions (as appropriate)	11.00 a.m. on 4 December 2017
<b>General Meeting</b>	<b>9.00 a.m. on 5 December 2017</b>
Results of the General Meeting and the Placing and Open Offer expected to be announced through a Regulatory Information Service	5 December 2017
<b>Admission and commencement of dealings in the New Ordinary Shares on AIM expected to commence</b>	<b>8.00 a.m. on 7 December 2017</b>
Expected date for CREST accounts to be credited with New Ordinary Shares in uncertificated form	7 December 2017
<b>Completion of the Acquisition</b>	<b>8 December 2017</b>
Expected date for dispatch of definitive share certificates in respect of New Ordinary Shares to be issued in certificated form	by 15 December 2017

**Each of the times and dates in the table above is indicative only and may be subject to change. If any of the details contained in the timetable above should change, the revised times and dates will be notified by means of an announcement through a Regulatory Information Service. References to times in this document are to Greenwich Mean Time ("GMT") unless stated otherwise. The timetable above assumes that all the Resolutions are passed at the General Meeting without amendment.**

**Note:**

If you have any questions on how to complete the Form of Proxy and, in the case of Qualifying Non-CREST Shareholders, the Application Form, please contact the Registrars, Link 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. – 5.30 p.m., Monday to Friday excluding public holidays in England and Wales. Please note that Link Asset Services cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

The issue of, Admission and commencement of dealings in the New Ordinary Shares on AIM are conditional on, amongst other things, the Acquisition Agreement having become unconditional in all respects (save for the condition relating to the Placing and Open Offer Agreement) and the passing of the Resolutions at the General Meeting. Neither the Placing nor the Open Offer will proceed if Admission does not occur.

## PLACING AND OPEN OFFER STATISTICS

Number of Existing Ordinary Shares in issue at the date of this document (excluding treasury shares)	84,583,204
Issue Price per New Ordinary Share	29.5 pence
Aggregate number of New Ordinary Shares being issued pursuant to the Placing and Open Offer	40,677,968
Number of Placing Shares being issued pursuant to the Firm Placing	33,898,306
Maximum number of Placing Shares being issued pursuant to the Conditional Placing <sup>(i)</sup> and available under the Open Offer <sup>(ii)</sup>	6,779,662
Open Offer Entitlements under the Open Offer	1 New Ordinary Share for every 12.476020780977 Existing Ordinary Shares
Enlarged Share Capital	125,261,172
Number of Placing Shares being issued pursuant to the Firm Placing as a percentage of the Enlarged Share Capital	27.06%
Maximum number of Placing Shares being issued pursuant to the Conditional Placing as a percentage of the Enlarged Share Capital <sup>(i)</sup>	5.41%
Open Offer Shares as a percentage of the Enlarged Share Capital <sup>(ii)</sup>	5.41%
New Ordinary Shares as a percentage of the Enlarged Share Capital	32.47%
Gross proceeds of the Firm Placing	£10.0 million
Maximum gross proceeds of the Conditional Placing <sup>(i)</sup> and the Open Offer <sup>(ii)</sup>	£2.0 million
Gross proceeds of the Placing and Open Offer	£12.0 million
Expected market capitalisation of the Company on Admission at the Issue Price	£37.0 million
ISIN code for Open Offer Entitlements	GB00BF29RT77
ISIN code for Excess Open Offer Entitlements	GB00BF29RV99
ISIN code for the Existing Ordinary Shares and, following Admission, the New Ordinary Shares	GB00B01CZ652

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- (i) Subject to clawback under the Open Offer  
(ii) Subject to the Open Offer being taken up in full

## DIRECTORS, COMPANY SECRETARY AND ADVISERS

<b>Directors</b>	David Adams ( <i>Interim Chairman</i> ) Lyndon Davies ( <i>Chief Executive Officer</i> ) David Mulligan ( <i>Group Finance Director</i> ) Martin George ( <i>Non-Executive Director</i> ) James Wilson ( <i>Non-Executive Director</i> )
<b>Registered Office</b>	3rd Floor, The Gateway Innovation Way Discovery Park Sandwich Kent CT13 9FF
<b>Company Secretary</b>	David Mulligan
<b>Nominated Adviser and Broker</b>	Liberum Capital Limited Ropemaker Place 25 Ropemaker Street London EC2Y 9LY
<b>Auditor to the Company</b>	PricewaterhouseCoopers LLP The Portland Building 25 High Street Crawley RH10 1BG
<b>Solicitors to the Company</b>	Taylor Wessing LLP 5 New Street Square London EC4A 3TW
<b>Solicitors to Liberum Capital</b>	Bird & Bird LLP 12 New Fetter Lane London EC4A 1JP
<b>Registrar and Receiving Agent</b>	Link Asset Services Corporate Services The Registry 34 Beckenham Road Beckenham Kent BR3 4TU

## DEFINITIONS

The following definitions apply throughout this document, the accompanying Form of Proxy and (where applicable) the Application Form, unless the context requires otherwise:

<b>“Acquisition”</b>	the proposed acquisition by the Company of 49 per cent. of the issued ordinary share capital of LCD Enterprises, pursuant to the Acquisition Agreement
<b>“Acquisition Agreement”</b>	the conditional sale and purchase agreement entered into between (1) the Company, (2) the Seller, and (3) Catherine Davies, dated 17 November 2017, containing the terms and conditions on which the Company shall make the Acquisition
<b>“Acquisition Independent Directors”</b>	the Directors other than Lyndon Davies
<b>“Act”</b>	the Companies Act 2006 (as amended)
<b>“Admission”</b>	the admission of the New Ordinary Shares to trading on AIM becoming effective in accordance with the AIM Rules
<b>“AIM”</b>	AIM, a market operated by the London Stock Exchange
<b>“AIM Rules”</b>	the AIM Rules for Companies published by the London Stock Exchange from time to time
<b>“Amended and Restated RCF”</b>	the Existing Bank Facility, as so amended and restated by the Amendment and Restatement
<b>“Amendment and Restatement”</b>	the amendment and restatement agreement entered into by Barclays, the Company and certain members of the Company’s Group, dated 17 November 2017, in respect of an amendment and restatement of the Existing Bank Facility
<b>“Application Form”</b>	the personalised application form accompanying this document (where appropriate) pursuant to which Qualifying Non-CREST Shareholders (other than certain Overseas Shareholders) may apply to subscribe for Open Offer Shares under the Open Offer
<b>“Barclays” or “Lender”</b>	Barclays Bank PLC
<b>“Board” or “Directors”</b>	the directors of the Company as at the date of this document whose names are set out on page 7 of this document
<b>“Borrower”</b>	Hornby Hobbies Limited
<b>“Business Day”</b>	a day not being a Saturday, Sunday or public holiday in England on which clearing banks are open for business in the City of London
<b>“CCSS”</b>	the CREST Courier and Sorting Service established by Euroclear to facilitate, amongst other things, the deposit and withdrawal of securities
<b>“certificated” or “in certificated form”</b>	a share or other security not held in uncertificated form (i.e. not in CREST)
<b>“Closing Price”</b>	the closing middle market quotation of the Existing Ordinary Shares, as derived from the Daily Official List of the London Stock Exchange
<b>“Company” or “Hornby”</b>	Hornby PLC, a company incorporated in England & Wales and with registered number 01547390
<b>“Conditional Placees”</b>	those placees who have conditionally agreed to subscribe for up to 6,779,662 Placing Shares, subject to clawback by Qualifying Shareholders to satisfy valid applications made by them to subscribe for New Ordinary Shares under the Open Offer and <b>“Conditional Placee”</b> shall mean any one of them



<b>“Conditional Placing”</b>	the conditional placing by Liberum Capital of 6,779,662 Placing Shares at the Issue Price with the Conditional Placees pursuant to the Placing and Open Offer Agreement, as described in Part 1 of this document
<b>“CREST”</b>	a relevant system (as defined in the CREST Regulations) in respect of which Euroclear is the Operator (as defined in the CREST Regulations)
<b>“CREST Manual”</b>	the rules governing the operation of CREST, consisting of the CREST Reference Manual, CREST International Manual, CREST Central Counterparty Service Manual, CREST Rules, CCSS Operations Manual and CREST Glossary of Terms (all as defined in the CREST Glossary of Terms promulgated by Euroclear on 15 July 1996 and as amended since)
<b>“CREST Member”</b>	a person who has been admitted to Euroclear as a system-member (as defined in the CREST Regulations)
<b>“CREST Participant”</b>	a person who is, in relation to CREST, a system-participant (as defined in the CREST Regulations)
<b>“CREST Payment”</b>	shall have the meaning given in the CREST Manual
<b>“CREST Regulations”</b>	the Uncertificated Securities Regulations 2001 (SI 2001/3755), including any enactment or subordinate legislation which amends or supersedes those regulations and any applicable rules made under those regulations or any such enactment or subordinate legislation for the time being in force
<b>“CREST Sponsor”</b>	a CREST participant admitted to CREST as a CREST sponsor
<b>“CREST Sponsored Member”</b>	a CREST Member admitted to CREST as a sponsored member
<b>“DTR”</b>	The Disclosure Guidance and Transparency Rules made by the FCA in exercise of its powers under FSMA
<b>“EBITDA”</b>	earnings before interest, taxes, depreciation and amortization and exceptional items and loss on disposal of property, plant and equipment
<b>“Enlarged Share Capital”</b>	the issued ordinary share capital of the Company as enlarged by the issue of the New Ordinary Shares
<b>“€” or “Euros”</b>	the single European currency unit
<b>“Excess Application Facility”</b>	the arrangement pursuant to which Qualifying Shareholders may apply for any number of Open Offer Shares in excess of their Open Offer Entitlement provided that they have agreed to take up their Open Offer Entitlement in full
<b>“Excess CREST Open Offer Entitlements”</b>	in respect of each Qualifying CREST Shareholder, the entitlement (in addition to his/her Open Offer Entitlement) to apply for Open Offer Shares pursuant to the Excess Application Facility, which is conditional on him/her taking up his/her Open Offer Entitlement in full
<b>“Excess Open Offer Entitlement”</b>	in respect of each Qualifying Shareholder, the entitlement (in addition to his/her Open Offer Entitlement) to apply for Open Offer Shares pursuant to the Excess Application Facility, which is conditional on him/her taking up his/her Open Offer Entitlements in full
<b>“Ex-entitlement Date”</b>	the date on which the Existing Ordinary Shares are marked “ex” for entitlement under the Open Offer, being 8.00 a.m. on 20 November 2017

<b>“Existing Bank Facility”</b>	the multi-currency revolving credit facility agreement originally dated 29 July 2009 and as amended from time to time (including pursuant to letters of variation dated 18 October 2011 and 13 December 2012 and as amended and restated pursuant to amendment and restatement agreements dated 26 June 2014 and 18 June 2015, as amended by way of an amendment letter on 7 December 2015 and as further amended by an amendment and restatement agreement dated 22 June 2016, and as amended by a deferral letter dated 31 October 2017)
<b>“Existing Ordinary Shares”</b>	the 84,583,204 existing Ordinary Shares in issue as at 16 November 2017 (being the latest practicable date prior to publication of this document)
<b>“FCA”</b>	the Financial Conduct Authority in its capacity as the competent authority for the purposes of Part VI of FSMA
<b>“Firm Placees”</b>	those placees whose Placing Shares have been placed firm with them pursuant to the Firm Placing and <b>“Firm Placee”</b> shall mean any one of them
<b>“Firm Placing”</b>	the placing by Liberum Capital of 33,898,306 Placing Shares at the Issue Price with the Firm Placees pursuant to the Placing and Open Offer Agreement, as described in Part 1 of this document
<b>“Form of Proxy”</b>	the form of proxy for use by Shareholders in connection with the General Meeting and accompanying this document
<b>“FSMA”</b>	the Financial Services and Markets Act 2000 (as amended)
<b>“General Meeting”</b>	the general meeting of the Company to be held at the offices of the Company’s solicitors, Taylor Wessing LLP, 5 New Street Square, London EC4A 3TW at 9.00 a.m. on 5 December 2017, or any adjournment thereof, notice of which is set out at the end of this document
<b>“Group”</b>	the Company and its subsidiary undertakings
<b>“Independent Directors”</b>	the Directors other than James Wilson
<b>“Irrevocable Undertakings”</b>	the irrevocable undertakings described at paragraph 15 of Part 1 of this document
<b>“Issue Price”</b>	the price at which the New Ordinary Shares are to be issued and allotted pursuant to the Placing and Open Offer, being 29.5 pence per New Ordinary Share
<b>“LCD Enterprises”</b>	LCD Enterprises Limited, a company incorporated in England & Wales and with registered number 03005140
<b>“Liberum Capital”</b>	Liberum Capital Limited, the Company’s nominated advisor and broker in connection with the Placing and Open Offer
<b>“Lock-In Period”</b>	the period beginning on the date of the Acquisition Agreement and ending on the third anniversary of completion of the Acquisition
<b>“London Stock Exchange”</b>	London Stock Exchange plc
<b>“Member Account ID”</b>	the identification code or number attached to any member account in CREST
<b>“Money Laundering Regulations”</b>	the Money Laundering Regulations 2007 (SI 2007/2157) (as amended), the money laundering provisions of the Criminal Justice Act 1993, the Proceeds of Crime Act 2002 and the Criminal Finances Act 2017
<b>“New Ordinary Shares”</b>	the 40,677,968 new Ordinary Shares to be issued pursuant to the Placing and the Open Offer
<b>“Notice of the General Meeting”</b>	the notice of the General Meeting set out at the end of this document

<b>“Official List”</b>	the Official List of the FCA
<b>“Open Offer”</b>	the conditional invitation made by the Company to Qualifying Shareholders to subscribe for the Open Offer Shares at the Issue Price on the terms and subject to the conditions set out in Part 3 of this document and, in the case of Qualifying Non-CREST Shareholders, in the Application Form accompanying this document
<b>“Open Offer Entitlement”</b>	the <i>pro rata</i> basic entitlement of a Qualifying Shareholder, pursuant to the Open Offer, to apply to subscribe for 1 Open Offer Share for every 12.476020780977 Existing Ordinary Shares registered in its name as at the Open Offer Record Date
<b>“Open Offer Record Date”</b>	the record date in relation to the Open Offer, being 5.00 p.m. on 15 November 2017
<b>“Open Offer Shares”</b>	6,779,662 New Ordinary Shares to be issued by the Company to Qualifying Shareholders in connection with the Open Offer
<b>“Ordinary Shares”</b>	the ordinary shares of 1 pence each in the share capital of the Company
<b>“Overseas Shareholders”</b>	Shareholders with registered addresses in, or who are citizens, residents or nationals of, jurisdictions outside of the UK
<b>“Oxford Diecast Group”</b>	Oxford Diecast Limited, a company incorporated in England and Wales, Oxford Diecast (HK) Limited, a company incorporated in Hong Kong, and Oxford Diecast USA LLP, a partnership incorporated in USA
<b>“Participant ID”</b>	the identification code or membership number used in CREST to identify a particular CREST Member or other CREST Participant
<b>“Phoenix”</b>	Phoenix Asset Management Partners Limited
<b>“Placees”</b>	the Firm Placees and the Conditional Placees
<b>“Placing”</b>	the conditional placing by Liberum Capital on behalf of the Company of the Placing Shares with the Placees pursuant to the Placing and Open Offer Agreement, comprising the Firm Placing and the Conditional Placing
<b>“Placing and Open Offer Agreement”</b>	the conditional agreement dated 17 November 2017 entered into between the Company and Liberum Capital in respect of the Placing and Open Offer, as described in paragraph 6.19 of Part 1 of this document
<b>“Placing Shares”</b>	33,898,306 New Ordinary Shares to be placed for cash with Firm Placees and up to 6,779,662 New Ordinary Shares to be placed for cash with Conditional Placees (subject to clawback by Qualifying Shareholders to satisfy valid applications made by them to subscribe for New Ordinary Shares under the Open Offer)
<b>“Prospectus Rules”</b>	the prospectus rules made by the FCA in exercise of its functions as competent authority pursuant to Part VI of FSMA, as amended from time to time
<b>“Public Record”</b>	information which is in the public domain and which includes, without limitation, all information accessed on <a href="http://www.londonstockexchange.com">www.londonstockexchange.com</a> , all information included on the National Storage Mechanism on <a href="http://www.hemscott.com/nsm.do">www.hemscott.com/nsm.do</a> and all information available on Company’s website on <a href="http://www.Hornby.plc.uk">www.Hornby.plc.uk</a>
<b>“Qualifying CREST Shareholders”</b>	Qualifying Shareholders whose Existing Ordinary Shares on the register of members of the Company on the Open Offer Record Date are held in uncertificated form

<b>“Qualifying Non-CREST Shareholders”</b>	Qualifying Shareholders whose Existing Ordinary Shares on the register of members of the Company on the Open Offer Record Date, are held in certificated form
<b>“Qualifying Shareholders”</b>	Shareholders on the register of members of the Company on the Open Offer Record Date with the exclusion (subject to exemptions) of persons with a registered address or located or resident in a Restricted Jurisdiction and <b>“Qualifying Shareholder”</b> shall mean any one of them
<b>“Registrar” or “Receiving Agent”</b>	Link Asset Services, a trading name of Link Market Services Limited, a private limited company incorporated in England & Wales under registered number 02605568 and having its registered office at The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU, United Kingdom the Company’s registrar and receiving agent. Link Asset Services can be contacted 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. – 5.30 p.m., Monday to Friday excluding public holidays in England and Wales. Please note that Link Asset Services cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes
<b>“Regulated Information Service”</b>	means: <ul style="list-style-type: none"> <li>(a) a primary information provider; or</li> <li>(b) an incoming information society service that has its establishment in an EEA State other than the United Kingdom and that disseminates regulated information in accordance with the minimum standards set out in article 12 of the TD implementing directive; or</li> <li>(c) a person to whom DTR TP 22 applies, for as long as DTR TP 22 remains in force</li> </ul>
<b>“Resolutions”</b>	the resolutions to be proposed at the General Meeting, as set out in the Notice of General Meeting and <b>“Resolution”</b> shall be a reference to any one of them
<b>“Restricted Jurisdiction”</b>	any jurisdiction where local laws or regulations may result in a significant risk of civil, regulatory or criminal exposure for the Company if information or documentation concerning the proposals set out in this document is sent or made available to Shareholders in that jurisdiction including, without limitation, the United States of America, Canada, Australia, Japan and the Republic of South Africa
<b>“Seller”</b>	Lyndon Davies
<b>“Shareholders”</b>	the holders of Existing Ordinary Shares and <b>“Shareholder”</b> shall mean any one of them
<b>“Takeover Code”</b>	the City Code on Takeovers and Mergers
<b>“uncertificated” or “in uncertificated form”</b>	recorded on the register of members of the Company as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST
<b>“United Kingdom” or “UK”</b>	the United Kingdom of Great Britain and Northern Ireland
<b>“United States” or “US”</b>	the United States of America
<b>“US Securities Act”</b>	the US Securities Act of 1933, as amended from time to time and the rules and regulations promulgated thereunder

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# PART 1 – LETTER FROM THE INTERIM CHAIRMAN

## HORNBY PLC

*(a public limited company incorporated in England and Wales with registered number 01547390)*

### *Directors:*

David Adams (Interim Chairman)  
Lyndon Davies (Chief Executive Officer)  
David Mulligan (Group Finance Director)  
Martin George (Non-Executive Director)  
James Wilson (Non-Executive Director)

### *Registered Office:*

3rd Floor, The Gateway  
Innovation Way  
Discovery Park  
Sandwich, Kent  
CT13 9FF

17 November 2017

*To Shareholders and, for information only, to holders of share options and/or awards under any of the Company's employee share schemes*

Dear Shareholder,

**Placing and Open Offer of 40,677,968 New Ordinary Shares to raise £12.0 million  
and  
Acquisition of 49 per cent. of LCD Enterprises Limited  
and  
Notice of General Meeting**

### **1 INTRODUCTION**

- 1.1 On 17 November 2017, the Company announced that it had entered into the Acquisition Agreement, pursuant to which terms the Company has agreed to acquire a 49 per cent. stake in LCD Enterprises, for £1.6 million in cash. LCD Enterprises is a private limited company wholly owned by the Company's Chief Executive Officer, Lyndon Davies, and his wife, Catherine Davies. LCD Enterprises holds majority interests in the Oxford Diecast Group, which supplies diecast model vehicles and railway products to the collector, gift and hobby markets in the UK, Hong Kong and North America. The terms of the Acquisition also provide for the Company in certain circumstances to acquire the outstanding 51 per cent. of LCD Enterprises or to sell its 49 per cent. stake back to the Seller. Further information in relation to the Oxford Diecast Group and the terms of the Acquisition Agreement are set out at paragraphs 2.11 and 7 respectively of this Part 1.
- 1.2 **To finance the Acquisition, provide sufficient funds to reduce the net debt drawn down under the Existing Bank Facility and provide working capital to the Group, the Board also announced on 17 November 2017, that it was raising, in aggregate, approximately £12.0 million (before expenses) through the issue of 40,677,968 New Ordinary Shares pursuant to a Placing and Open Offer. The Placing and the Open Offer have been arranged by Liberum Capital.**
- 1.3 The Placing comprises a Firm Placing and a Conditional Placing. Under the Firm Placing, 33,898,306 Placing Shares have been placed firm with the Firm Placees (being certain existing institutional investors) at the Issue Price of 29.5 pence per Placing Share, thereby raising £10.0 million. A further 6,779,662 Placing Shares have also been placed with the Conditional Placees (also being certain existing institutional investors) at the Issue Price, thereby raising a further £2.0 million (before expenses). Such Placing Shares have been placed with the Conditional Placees, subject to clawback by Qualifying Shareholders in order to satisfy valid applications made by them under the Open Offer. The Issue Price is equal to the Closing Price of 29.5 pence per Existing Ordinary Share on 16 November 2017.
- 1.4 The Company considers it important that Shareholders who have not taken part in the Firm Placing have an opportunity to participate in the proposed fundraising. The Company is therefore providing Qualifying Shareholders with the opportunity to subscribe for up to 6,779,662 New Ordinary Shares at the Issue Price pursuant to the Open Offer. Any Open Offer Shares not applied for under the Open Offer will be taken up by Conditional Placees pursuant to the Conditional Placing.

- 1.5 The Directors currently have existing authorities to allot shares and disapply pre-emption rights under section 551 and section 570 of the Act which were obtained at the Company's Annual General Meeting held on 6 September 2017. However, these are insufficient to enable the Company to allot and issue the full amount of New Ordinary Shares pursuant to the Placing and Open Offer. Accordingly, the Placing and Open Offer are both conditional upon, amongst other things, the Directors obtaining appropriate Shareholder authorities at the General Meeting to allot the Placing Shares and the Open Offer Shares and to disapply statutory pre-emption rights which would otherwise apply to such allotment.
- 1.6 Phoenix, in its capacity as manager of certain discretionary funds which hold, in aggregate, 71.42 per cent. of the issued ordinary share capital of the Company, has agreed to subscribe for 27,814,973 New Ordinary Shares as a Firm Placee pursuant to the Placing and up to 5,562,995 New Ordinary Shares as a Conditional Placee, subject in each case to the passing of the Resolutions and, in the case of its participation in the Placing as a Conditional Placee, to clawback under the Open Offer.
- 1.7 The Placing and Open Offer and the Acquisition are each conditional, *inter alia*, on the passing of the Resolutions by the Shareholders at the General Meeting, which has been convened for 9.00 a.m. on 5 December 2017, notice of which is set out at the end of this document. If the Resolutions are not approved by Shareholders at the General Meeting, the Placing and Open Offer and Acquisition will not proceed. Subject to the Resolutions being passed at the General Meeting and any other relevant conditions being satisfied (or, if applicable, waived), it is expected that the New Ordinary Shares will be admitted to trading on AIM at 8.00 a.m. on 7 December 2017. **Further details regarding the Placing and Open Offer and the Acquisition are set out at paragraph 2 of this Part 1.**
- 1.8 **Shareholders' attention is drawn to the statements on use of proceeds, importance of vote and current trading and prospects set out in paragraphs 3 to 5 (inclusive) respectively of this Part 1.**
- 1.9 **Shareholders are advised to read this document in its entirety and not just this Part 1.**
- 1.10 The purpose of this document is to (i) outline the reasons for, and provide further information on, the proposed Placing and Open Offer and Acquisition, (ii) explain why the Independent Directors believe the Placing and the Open Offer and the Acquisition Independent Directors believe the Acquisition, to be in the best interests of the Company and its Shareholders as a whole and (iii) seek your approval for the Resolutions to be proposed at the General Meeting. As such:
- (a) the Acquisition Independent Directors unanimously recommend that Shareholders vote in favour of Resolution 1, relating to the Acquisition, as David Adams has irrevocably undertaken to do in respect of his own beneficial holdings of Existing Ordinary Shares (or, where applicable, procured to do, in respect of Existing Ordinary Shares held by his connected persons) amounting to 22,500 Existing Ordinary Shares, representing approximately 0.03 per cent. of the existing issued ordinary share capital of the Company; and
- (b) the Independent Directors unanimously recommend that Shareholders vote in favour of Resolutions 2 and 3, relating to the Placing and Open Offer, as David Adams has irrevocably undertaken to do in respect of his own beneficial holdings of Existing Ordinary Shares (or, where applicable, procured to do, in respect of Existing Ordinary Shares held by his connected persons) amounting to 22,500 Existing Ordinary Shares, representing approximately 0.03 per cent. of the existing issued ordinary share capital of the Company.
- 1.11 At the end of this document, you will find a Notice of the General Meeting setting out the Resolutions to be proposed at the General Meeting to approve the Acquisition, the allotment of New Ordinary Shares and the disapplication of statutory pre-emption rights for the purposes of the Placing and Open Offer. The General Meeting has been convened for 9.00 a.m. on 5 December 2017 and will take place at the offices of the Company's solicitors, Taylor Wessing LLP at 5 New Street Square, London EC4A 3TW. The actions that you should take to vote on the Resolutions and/or apply for Open Offer Shares are set out in paragraph 16 of this Part 1 and the recommendations of the Independent Directors and the Acquisition Independent Directors are set out in paragraph 18 of this Part 1.

## **2 BACKGROUND TO AND REASONS FOR THE PLACING AND OPEN OFFER AND ACQUISITION**

### **Results of the strategy review**

- 2.1 Since the announcement of his appointment as Chief Executive Officer of the Company on 3 October 2017, Lyndon Davies has led the Board in undertaking a review of the Company's strategy. Mr Davies, together with Tim Mulhall and Simon Kohler, have drawn upon their combined industry experience totalling nearly 100 years in conducting an initial review of the Group's business, operations and its strategy. As a result of that review, the following opportunities have been identified by the Board with the potential both to drive growth and operational efficiency, with a view to returning the Group to long term sustainable profitability and positive cash generation.

#### *Reinvigorate and grow key brands and products*

- 2.2 The focus on tight cost control has caused the Group to reduce its expenditure on product development across its key brands. The Group intends to utilise approximately £1.0 million of the proceeds from the Placing and Open Offer to invest in additional capital expenditure over and above the existing level to improve the product offering for its key brands and support new product development.
- 2.3 In addition, the Group's population of enthusiasts for many of its key brands is ageing. As a result, the Company plans to develop products which are targeted at younger aged groups to attract a new generation of consumers.

#### *Grow our European brands*

- 2.4 The Group owns a number of well established brands in the European model trains market. However, these brands have suffered from underinvestment as management's time was focused on cost control to improve cash generation. As a result, the Board believes that there is a significant opportunity to drive revenue growth across the Group's European markets by improving the product offering in line with each brand's core values, and through improving engagement with consumers in these markets.

#### *Maintain appropriate product pricing*

- 2.5 As part of the previous turnaround plan, the Group focussed on discounting and promotions in order to drive revenue growth and cash generation. The Board considers that the Group's use of discounting and promotions has led to an expectation by retailers that they do not need to acquire new products upon their release as they would shortly be discounted, thereby undermining the value of those product lines and ultimately the brand. This has also had an impact on the Company's relationship with retailers who have acquired stock from the Company at full price, only to have to write down the value of that stock once discounts are made available.
- 2.6 As announced on 17 October 2017, in order to maximise the value of its brands over the longer term, the Group will no longer offer large quantities of stock at a discount. However, in the short term, this is likely to lead to a reduction in revenue whilst the market adjusts to the Group's new pricing strategy. This reduction in revenue will reduce the Group's cashflows and create a short term working capital requirement, resulting in the need to strengthen the balance sheet of the Company.

#### *Streamline the Group's systems and processes*

- 2.7 Utilising the industry experience of the new operational management team, several opportunities have been identified to restructure the Group's systems and processes, which should lead to management and cost efficiencies and ultimately further reduce the fixed cost base of the Group.

### **Background to and reasons for the Placing and Open Offer**

- 2.8 The Company intends to undertake the proposed Placing and Open Offer to provide the funding required to implement the new Group strategy outlined above, fund the consideration for the Acquisition and to further strengthen the Company's balance sheet. In addition to implementing the new strategy the Company also intends to use the fundraising proceeds to reduce its net debt under the Existing Bank Facility.



## **Background to and reasons for the Acquisition**

### *Reasons for the Acquisition*

- 2.9 The Company believes that the Oxford Diecast Group's portfolio of brands will be complimentary to its existing brand portfolio and that opportunities exist for the two businesses to work collaboratively together to add scale to the Oxford Diecast Group's business.
- 2.10 Further, given Mr Davies' appointment as Chief Executive Officer of the Company, the Board is keen to ensure that the interests of both the Company and LCD Enterprises, the holding company of the Oxford Diecast Group, are aligned and the Acquisition provides an opportunity to achieve this.

### *Information on the Oxford Diecast Group*

- 2.11 LCD Enterprises is the holding company for Oxford Diecast Group of businesses. The Oxford Diecast Group supplies various scales of diecast and railway products to the collector, gift, hobby and promotional markets. The group was founded in 1993 and led by Lyndon Davies since 2002 and has operations in UK, Hong Kong and North America. It sells its products worldwide and in 2017 launched over 400 new products.
- 2.12 In October 2017, Lyndon Davies became Chairman of the Oxford Diecast Group and Eloise Davies (Mr Davies' daughter) was appointed as Managing Director of the Oxford Diecast Group, which has enabled Mr Davies to focus on his role as Chief Executive Officer of the Company.

## **Incentive arrangements**

- 2.13 Following completion of the proposals, the Board intends to put in place appropriate incentive arrangements for the executive team of the Group, in order to align their interests with those of Shareholders'.

## **3 USE OF PROCEEDS**

It is currently expected that the gross proceeds of the Placing and Open Offer, expected to be £12.0 million, will be utilised as follows:

£1.6 million	to fund the Acquisition consideration;
£1.0 million	to reinvigorate the Group's key brands through additional capital expenditure;
£2.4 million	to fund expected restructuring costs (including £0.5 million of expected costs of the Placing and Open Offer, the Acquisition and the Amendment and Restatement);
£3.2 million	to reduce the Group's net debt under the Existing Bank Facility; and
£3.8 million	to provide working capital to support appropriate product pricing.

## **4 IMPORTANCE OF VOTE**

- 4.1 Shareholders should note that unless the Resolutions are passed by Shareholders at the General Meeting, the Placing and Open Offer and Acquisition cannot be implemented. In such circumstances, the Company will not receive the proceeds of either the Placing or the Open Offer. If this were to happen, the Company is expected to be unable to comply with one or more financial covenants that are in place under the terms of its Existing Bank Facility.
- 4.2 In the above circumstances, the Company would need to enter into further negotiation with Barclays to relax the relevant covenant(s) or to request that any breach of the relevant covenant(s) be waived. Barclays have been supportive of the Company to date and most recently in the context of the Amendment and Restatement. However, there is no guarantee that this will be the case in the future, particularly if the Company's financial position or trading performance were to deteriorate. If Barclays remained supportive, the Directors believe that any amendment or waiver would be likely to require the payment of additional fees and potentially to result in the imposition of more onerous obligations and restrictions on the Group than those which the Group has negotiated to date. In the event that Barclays were not supportive of the Company, and any such amendment or waiver were not agreed, a failure to comply with any relevant financial covenants would constitute an event of default under the Existing Bank Facility and would entitle demand to be made for repayment of all

outstanding amounts and cancel the Existing Bank Facility. This could lead to enforcement action over all or part of the Company's assets (or those of certain of its subsidiaries), including executing a disposal of any such assets.

- 4.3 Shareholders should further note that if the Resolutions are not passed by Shareholders at the General Meeting, such that the Placing and Open Offer and Acquisition cannot be implemented, the Company is expected by 31 December 2017 to be unable to comply with one or more financial covenants under the terms of its Existing Bank Facility and may find itself unable to prepare accounts on a going concern basis without first securing further external bank finance and/or other alternative sources of financing which may or may not be forthcoming.
- 4.4 **The Directors consider that the scenarios described in paragraphs 4.1 to 4.3 (inclusive) would not be in the best interests of the Company or its Shareholders as a whole and that any alternative financing, if available, would be on less favourable terms and could lead to more substantial dilution for Shareholders than would be the case under the proposed Placing and Open Offer and Acquisition. Accordingly, the Independent Directors and, where appropriate, the Acquisition Independent Directors, believe that the passing of the Resolutions is in the best interests of Shareholders and the Independent Directors and, where appropriate, the Acquisition Independent Directors unanimously recommend that Shareholders vote in favour of the Resolutions.**

## **5 CURRENT TRADING AND PROSPECTS**

- 5.1 The current financial year represents a period of change for the Group, but as the management team looks to reshape the business in line with the new strategy, this will result in full year revenue reducing significantly year on year. At the half year, Group revenue was 22 per cent. lower than the previous year and while this performance reflects the timing of new product releases being more weighted to the second half of the year, it also reflects softer market demand over the summer months and increased competition in the important UK Independent channel.
- 5.2 Revenue for the six weeks to 12 November 2017 was 10 per cent. lower than the previous year. The previous year's figures included the effect of significant discounting and promotional activity. Overall, the Board remain confident that the changes now being implemented are the correct course of action to protect the value of the Group's brands and build a stronger platform for the future growth of the Company for the benefit of all stakeholders.

## **6 DETAILS OF THE PLACING AND OPEN OFFER**

- 6.1 The Company is proposing to raise, in aggregate, approximately £12.0 million (before expenses) through the issue of 40,677,968 New Ordinary Shares pursuant to a Placing and an Open Offer at the Issue Price. Under the Firm Placing, 33,898,306 Placing Shares have been placed firm with the Firm Placees and with a further 6,779,662 Placing Shares having been placed conditionally pursuant to the Conditional Placing with the Conditional Placees, subject to take-up of those shares by Qualifying Shareholders under the Open Offer. 6,779,662 New Ordinary Shares are being offered to Qualifying Shareholders pursuant to the Open Offer at the Issue Price. The Conditional Placing is intended to ensure that any Open Offer Shares not applied for under the Open Offer may instead be taken up by the Conditional Placees pursuant to the Placing.
- 6.2 The aggregate number of New Ordinary Shares to be issued pursuant to the Placing and Open Offer will, on Admission, represent approximately 32.47 per cent. of the Enlarged Share Capital.
- 6.3 The Placing and Open Offer will result in a proportionate dilution of the holdings of existing Shareholders. On Admission, Shareholders who do not participate in the Placing or the Open Offer will experience an immediate dilution of approximately 32.47 per cent.
- 6.4 The Issue Price is equal to the Closing Price of 29.5 pence per Ordinary Share on 16 November 2017. The Issue Price has been set by the Directors following their assessment of market conditions and following a "book-building" exercise, which is a mechanism through which investor support for a fundraising such as the Placing and Open Offer is ascertained. Further details of the book-building exercise and the results of the book-build will be announced on 17 November 2017.

- 6.5 Application will be made to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on AIM. On the assumption that, amongst other things, the Resolutions are passed by Shareholders at the General Meeting, it is expected that Admission of the New Ordinary Shares will become effective at 8.00 a.m. on 7 December 2017.
- 6.6 The New Ordinary Shares will be issued credited as fully paid and will rank in full for all dividends and other distributions declared, made or paid after Admission in respect of Ordinary Shares and will otherwise rank on Admission *pari passu* in all respects with the Existing Ordinary Shares. The New Ordinary Shares are not being made available to the public and are not being offered or sold in any jurisdiction where it would be unlawful to do so.

#### *The Firm Placing*

- 6.7 Liberum Capital has, subject to the Acquisition Agreement becoming unconditional in all respects (save for the condition relating to the Placing and Open Offer Agreement) and the passing of the Resolutions at the General Meeting, conditionally placed, on behalf of the Company, 33,898,306 Placing Shares firm with the Firm Placees in order to raise approximately £10.0 million (before expenses).
- 6.8 The Placing Shares to be issued to Firm Placees represent 40.1 per cent. of the existing issued ordinary share capital of the Company as at 16 November 2017 (being the latest practicable date prior to the publication of this document) and will, on Admission, represent approximately 27.1 per cent. of the Enlarged Share Capital.

#### *The Conditional Placing*

- 6.9 Liberum Capital has also conditionally placed, on behalf of the Company, up to 6,779,662 Placing Shares with Conditional Placees, subject to clawback under the Open Offer so as to ensure that, in the event that the Open Offer is not taken up in full, the balance of any New Ordinary Shares not taken up as Open Offer Shares by Qualifying Shareholders will be taken up by the Conditional Placees. This is intended to ensure that the Placing and Open Offer are fully subscribed and accordingly that the gross proceeds of the fundraising (and which the Company requires) do not fall short of expectations. Once the outcome of the Open Offer is known and, specifically, what proportion of the Open Offer Shares have been taken up by Qualifying Shareholders, the Directors shall allocate the available New Ordinary Shares to Conditional Placees in such manner as the Directors may determine, in their absolute discretion.
- 6.10 If the Open Offer is taken up in full by Qualifying Shareholders:
- (a) Firm Placees will receive their placing participation in full; and
  - (b) Conditional Placees will not receive any New Ordinary Shares.

#### *The Open Offer*

- 6.11 The Company considers it important that Shareholders who have not taken part in the Placing have an opportunity to participate in the proposed fundraising. The Company is therefore providing all Qualifying Shareholders with the opportunity to subscribe for up to 6,779,662 Open Offer Shares at the Issue Price pursuant to an Open Offer to raise, in aggregate, up to £2.0 million (before expenses). This will allow Qualifying Shareholders to participate on a pre-emptive basis whilst providing the Company with the flexibility to raise additional equity capital to further improve its financial position.
- 6.12 Subject to fulfilment of the conditions set out below, and in Part 3 of this document, the Open Offer provides Qualifying Shareholders with the opportunity to apply to acquire Open Offer Shares at the Issue Price *pro rata* to their holdings of Existing Ordinary Shares as at the Open Offer Record Date on the following basis:

#### **1 Open Offer Share for every 12.476020780977 Existing Ordinary Shares**

and in proportion for any other number of Existing Ordinary Shares then held.

- 6.13 Entitlements to apply to acquire Open Offer Shares will be rounded down to the nearest whole number and any fractional entitlements to Open Offer Shares will be disregarded in calculating an Open Offer Entitlement and will be aggregated and made available to Qualifying Shareholders pursuant to the Excess Application Facility.

6.14 The Open Offer is conditional upon, *inter alia*, the Acquisition Agreement becoming unconditional in all respects (save for the condition relating to the Placing and Open Offer Agreement) and the passing of the Resolutions and Admission. The proceeds of the Open Offer are anticipated to amount to up to £2.0 million, before expenses. If the conditions of the Open Offer are not satisfied, the Open Offer will not proceed and any Open Offer Entitlements admitted to CREST will thereafter be disabled and application monies under the Open Offer will be refunded to the applicants, by cheque (at the applicant's risk) in the case of Qualifying Non-CREST Shareholders and by way of a CREST payment in the case of Qualifying CREST Shareholders, without interest, as soon as practicable, but within 14 days, thereafter.

#### *Excess Applications*

6.15 The Open Offer is structured to allow Qualifying Shareholders to subscribe for Open Offer Shares at the Issue Price *pro rata* to their holdings of Existing Ordinary Shares. Qualifying Shareholders may also make applications in excess of their *pro rata* initial entitlement up to an amount equal to the total number of Open Offer Shares available under the Open Offer less an amount equal to such Qualifying Shareholder's Open Offer Entitlement. To the extent that *pro rata* entitlements to Open Offer Shares are not subscribed for by Qualifying Shareholders, such Open Offer Shares will be available to satisfy such excess applications. Applications under the Excess Application Facility may be allocated in such manner as the Directors may determine, in their absolute discretion, and no assurance can be given that any applications under the Excess Application Facility by Qualifying Shareholders will be met in full or in part or at all.

6.16 Qualifying Shareholders should note that the Open Offer is not a rights issue. Qualifying Non-CREST Shareholders should be aware that the Application Form is not a negotiable document and cannot be traded. Qualifying Shareholders should also be aware that in the Open Offer, unlike in a rights issue, any Open Offer Shares not applied for will not be sold in the market nor will they be placed for the benefit of Qualifying Shareholders who do not apply under the Open Offer.

#### *Overseas Shareholders*

6.17 Certain Overseas Shareholders may not be permitted to subscribe for Open Offer Shares pursuant to the Open Offer and should refer to paragraph 6 of Part 3 of this document.

#### *CREST instructions*

6.18 Application has been made for the Open Offer Entitlements and Excess Open Offer Entitlements for Qualifying CREST Shareholders to be admitted to CREST. It is expected that the Open Offer Entitlements will be admitted to CREST on 21 November 2017. The Excess Open Offer Entitlements will also be enabled for settlement in CREST on 21 November 2017. Applications through the CREST system will only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a *bona fide* market claim. Qualifying CREST Shareholders claiming Excess Open Offer Entitlements by virtue of a *bona fide* market claim are advised to contact the Receiving Agent to request a credit of the appropriate number of entitlements to their CREST account.

#### *Placing and Open Offer Agreement*

6.19 A placing and open offer agreement has been entered into between (1) the Company and (2) Liberum Capital in connection with the Placing and Open Offer and pursuant to which Liberum Capital has agreed, in accordance with its terms, to use reasonable endeavours to place the Placing Shares with Placees. The terms of the Placing and Open Offer Agreement provide that the Placing is conditional, amongst other things, on:

- (a) the passing of the Resolutions;
- (b) the Acquisition Agreement (i) having become unconditional in all respects save for the condition relating to the Placing and Open Offer Agreement, and (ii) not having been terminated in accordance with its terms or varied or amended without the consent of Liberum Capital;
- (c) the conditions in the Placing and Open Offer Agreement being satisfied or (if applicable) waived and the Placing and Open Offer Agreement not having been terminated in accordance with its terms prior to Admission; and

- (d) Admission becoming effective by no later than 8.00 a.m. on 7 December 2017 (or such later time and/or date, being no later than 5.00 p.m. on 15 December 2017 as the Company and Liberum Capital may agree in writing).

The Placing and Open Offer Agreement contains customary warranties given by the Company to Liberum Capital as to matters relating to the Group and its business and a customary indemnity given by the Company to Liberum Capital in respect of liabilities arising out of or in connection with the Placing and Open Offer. Liberum Capital is entitled to terminate the Placing and Open Offer Agreement in certain circumstances prior to Admission including circumstances where there is a breach of warranty or on the occurrence of certain force majeure events.

*Admission, settlement and dealings*

- 6.20 Application will be made to the London Stock Exchange for the New Ordinary Shares, to be admitted to trading on AIM. Subject to certain conditions, it is expected that Admission will become effective and that dealings in respect of such New Ordinary Shares will commence at 8.00 a.m. on 7 December 2017. Further information in respect of settlement and dealings in the Open Offer Shares is set out in paragraph 7 of Part 3 of this document.
- 6.21 The actions to be taken for Qualifying Shareholders to apply for Open Offer Shares is described in paragraph 16 of this Part 1.

## **7 TERMS OF THE ACQUISITION**

- 7.1 On 17 November 2017, the Company entered into the Acquisition Agreement with the Seller (Lyndon Davies) and his wife, Catherine Davies, to conditionally acquire 49 per cent. of the issued share capital of LCD Enterprises. The consideration payable for the Acquisition is £1.6 million, to be satisfied in cash following receipt by the Company of the proceeds of the Placing and the Open Offer.
- 7.2 Under the Acquisition Agreement the Seller and Mrs Davies have undertaken not, for the duration of the Lock-In Period, to dispose of, or agree to dispose of, directly or indirectly, any of the remaining 51 per cent. of the share capital of LCD Enterprises which will be held by the Seller and Mrs Davies following completion of the Acquisition.
- 7.3 As the Group's business and the Oxford Diecast Group business (including LCD Enterprises) will be run independently following completion of the Acquisition, to protect the Company's interests in LCD Enterprises, the Seller and Mrs Davies have undertaken, for the duration of the Lock-In Period, to provide the Company with all information it may reasonably require in relation to LCD Enterprises and the Oxford Diecast Group, including financial information and business plans. In addition, the Acquisition Agreement contains customary consent rights in favour of the Company (whilst it continues to hold shares in LCD Enterprises) in respect of the ongoing operations of LCD Enterprises and the Oxford Diecast Group.
- 7.4 The Acquisition Agreement also contains rights in favour of the parties to buy or sell LCD shares in certain specified circumstances as follows:
- (a) if the Seller ceases to hold the position of Chief Executive Officer of the Company for any reason other than his death or incapacity, at the expiry of the Lock-In Period, the Seller will become entitled to acquire the 49 ordinary shares of £1.00 each in the capital of LCD Enterprises acquired by the Company pursuant to the Acquisition Agreement, for a purchase price of £1,600,000; and
- (b) if, at the expiry of the Lock-In Period, the Seller continues to hold the position of Chief Executive Officer of the Company, the Company will become entitled to acquire the outstanding 51 ordinary shares of £1.00 each in the capital of LCD Enterprises for an aggregate purchase price of £1,600,000 or at a price to be negotiated (capped at £7.0 million) in the event that the underlying after tax earnings (with extraordinary, exceptional and non-recurring items deducted and added back) of LCD Enterprises and the Oxford Diecast Group (as derived from the most recently completed financial year of LCD Enterprises for which audited accounts have been published), are materially (materially for this purpose meaning a 10 per cent. increase or decrease) different to those of the Oxford Diecast Group for the financial year ending on 31 December 2016.

The Acquisition Agreement also provides that in the event of the death or incapacity of the Seller during the Lock-In Period, the Company will be obliged to purchase the remaining 51% stake in LCD Enterprises at a price of four times the underlying after tax earnings (with extraordinary, exceptional and non-recurring items deducted and added back) of LCD Enterprises and the Oxford Diecast Group (capped at £7.0 million) as derived from the most recently completed financial year of LCD Enterprises for which audited accounts have been published.

- 7.5 Completion of the Acquisition Agreement is conditional on, *inter alia*:
- (a) the passing of the Resolutions;
  - (b) the Placing and Open Offer Agreement (i) having become unconditional save for the conditions relating to the Acquisition Agreement, and (ii) not having been terminated in accordance with its terms; and
  - (c) Admission becoming effective by no later than 8.00 a.m. on 7 December 2017 (or such later time and/or date, being no later than 5.00 p.m. on 15 December 2017 as the Company and Liberum Capital may agree in writing).
- 7.6 In addition, the Company is entitled to terminate the Acquisition Agreement in certain circumstances, including *inter alia* if at any time before completion of the Acquisition Agreement there is any breach of any of the warranties which is material in the context of the purchase by the Company or if anything occurs which has, or might reasonably be expected to have, a material adverse effect on the financial position or prospects of LCD Enterprises or the Oxford Diecast Group.
- 7.7 The Seller has provided warranties as to title and capacity with respect to himself and Mrs Davies and their shares in LCD Enterprises and customary business, trading and tax warranties with regard to LCD Enterprises and the Oxford Diecast Group.
- 7.8 The maximum liability of the Seller with respect to any claim under the Acquisition Agreement, including in relation to a breach of any of the warranties is limited to £1.6 million. The time limit for notification of warranty claims is two years in respect of non-tax warranties and seven years in respect of the tax warranties.

## **8 RELATED PARTY TRANSACTIONS**

- 8.1 As at 16 November 2017 (being the latest practicable date prior to publication of this document), Phoenix manages discretionary funds which, in aggregate, hold 60,406,594 Ordinary Shares representing approximately 71.42 per cent. of the issued ordinary share capital of the Company. Additionally, Lyndon Davies is a director of the Company.
- 8.2 The participation of (i) Phoenix in the Placing and Open Offer, and (ii) Lyndon Davies and his wife in the Acquisition are, for the purposes of AIM Rule 13, considered as "Related Party Transactions". The Independent Directors (in respect of the Placing and Open Offer) and the Acquisition Independent Directors (in respect of the Acquisition) consider, having consulted with the Company's nominated adviser, Liberum Capital, that the terms of the Placing and Open Offer and the Acquisition are fair and reasonable insofar as Shareholders are concerned.
- 8.3 Following Admission, the discretionary funds which Phoenix manages will, in aggregate, have a minimum holding of 88,221,567 Ordinary Shares, representing 70.43 per cent. of the Enlarged Share Capital (assuming full take up of the Open Offer by shareholders other than the Placees) and otherwise, a maximum of 93,784,562 Ordinary Shares, representing 74.87 per cent. of the Enlarged Share Capital (assuming that the Open Offer is not taken up by Qualifying Shareholders).

## **9 SUBSTANTIAL PROPERTY TRANSACTION**

As Lyndon Davies is a majority shareholder of LCD Enterprises and the sole director of the Company, and due to the fact that the consideration payable for the Acquisition is for an amount in excess of £100,000, and the consideration which will become payable in the event that either (i) the Company purchases the remaining 51% stake in LCD Enterprises or (ii) the Seller re-acquires the 49% stake in LCD Enterprises, will be in excess of £100,000, the Acquisition and the possible subsequent share transfers constitute, collectively and individually, substantial property transactions under sections 190 and 191 of the Act. Sections

190 and 191 of the Act require that any substantial property transaction with a director of a company must be approved in advance by shareholders at a general meeting of the company. Consequently, completion of the Acquisition is conditional upon obtaining the approval of Shareholders. Resolution 1 is an ordinary resolution that seeks Shareholder approval of the Acquisition.

## **10 DILUTION RESULTING FROM THE PLACING AND OPEN OFFER**

The Placing and Open Offer will result in a proportionate dilution of the holdings of existing Shareholders. On Admission, Shareholders who do not participate in the Placing or Open Offer will experience an immediate dilution of approximately 32.47 per cent.

## **11 AMENDMENT, CONFIRMATION AND WAIVER OF THE EXISTING BANK FACILITY**

- 11.1 In conjunction with the Placing and Open Offer, the Company, together with certain members of its Group, has entered into the Amendment and Restatement. Pursuant to the terms of the Amendment and Restatement, the Existing Bank Facility made available to the Borrower will be amended and restated (the terms of the Existing Bank Facility, as so amended and restated, being the "Amended and Restated RCF"). The Amended and Restated RCF will continue to be guaranteed by the Company, Hornby Industries Limited and H&M (Systems) Limited. Completion of the Amended and Restated RCF is conditional on, amongst other things, the occurrence of Admission by not later than a long stop date of 15 December 2017.
- 11.2 Interest on drawings under the Amended and Restated RCF will be payable at a percentage rate per annum equal to a margin of 3.75 per cent. over LIBOR for the relevant currency (other than euro or Hong Kong dollars) (or over such other cost of funds basis as determined in accordance with the terms of the Amended and Restated RCF). The Amended and Restated RCF will also be subject to commitment and utilisation fees payable quarterly dependent on the level of drawings under the revolving credit facility. Drawings under the Amended and Restated RCF may be made in sterling, euro, Hong Kong dollars and US dollars or such other currency approved by the Lender. The Lender will only be obliged to make available a drawing under the revolving credit facility if the conditions precedent have been satisfied, including that no event of default is continuing or would result from the proposed loan.
- 11.3 As is customary, the Amended and Restated RCF contains financial covenants which the Group must comply with and which are to be tested quarterly. Through to and including 31 December 2018, such financial covenants will include a minimum EBITDA test and a current asset (stock and receivables) to net debt test. Thereafter, such financial covenants will revert to customary leverage and interest cover financial covenants (with the current asset (stock and receivables) to net debt continuing). The Amended and Restated RCF also contains various representations and warranties given by the Company and various members of the Group. In the Amended and Restated RCF, the Company also gives various information undertakings and (on behalf of itself and each other member of the Group) various general undertakings. Breach of an undertaking, financial covenant, representation or warranty given by the Company or other member of the Group under the Amended and Restated RCF will, subject to grace periods in certain circumstances, constitute an event of default and entitle the Lender to cancel the revolving credit facility and make demand for all amounts outstanding under the Amended and Restated RCF. Other events of default relating to the Group are contained in the Amended and Restated RCF whose occurrence would also entitle the Lender to cancel the revolving credit facility and make demand for all amounts outstanding under the Amended and Restated RCF. These include events of default relating to non-payment, cross-default, insolvency, insolvency proceedings, creditors' process, unlawfulness, cessation of business, expropriation, repudiation, litigation and material adverse change.
- 11.4 The Amendment and Restatement also contains an additional term, pursuant to which the net proceeds of any sale of shares held by the Company in LCD Enterprises and its subsidiaries (including those acquired from the Company by Mr Davies pursuant to the exercise of the option referred to in paragraph 7.4 above) will be required to be applied in reducing the Existing Bank Facility up to a maximum of £1.0 million, together with any interest and break costs thereon.

## 12 DIVIDENDS

The challenges facing the business during the past 12 months have been significant and consequently trading has been impacted. Accordingly, the Board has once more decided not to pay a dividend in 2017 (2016 – 0.0p). The Board will continue to keep the dividend policy under review. Under the Existing Bank Facility, the Group is permitted to make dividends on the basis that such dividends do not exceed 60 per cent. of amounts available for distribution in any relevant financial period and it continues to forecast compliance with its financial covenants for the next 12 months. A similar restriction on share buy-backs has also been put in place.

## 13 RISK FACTORS AND ADDITIONAL INFORMATION

The attention of Shareholders is drawn to the risk factors set out in Part 2 and the information contained in Parts 3 and 4 of this document, which provide additional information on the Placing and Open Offer.

## 14 GENERAL MEETING

- 14.1 The Directors currently have existing authorities to allot shares and disapply pre-emption rights under section 551 and section 570 of the Act which were obtained at the Company's Annual General Meeting held on 6 September 2017. However, these are insufficient to enable the Company to allot and issue the full amount of New Ordinary Shares pursuant to the Placing and Open Offer. Accordingly, in order for the Company to allot and issue the New Ordinary Shares, the Company needs to first obtain approval from its Shareholders to grant to the Board additional authority to allot the New Ordinary Shares and disapply statutory pre-emption rights which would otherwise apply to such allotment. The Company is therefore also seeking Shareholder authority to increase the Director's general authority to allot securities and disapply pre-emption rights pursuant to sections 551 and 570 of the Act respectively.
- 14.2 As further described at paragraph 9 of this Part 1, the Company is also seeking Shareholder approval of the Acquisition.
- 14.3 Set out at the end of this document is a notice convening the General Meeting of the Company to be held at the offices of the Company's solicitors, Taylor Wessing LLP at 5 New Street Square, London EC4A 3TW on 5 December 2017 at 9.00 a.m., at which the Resolutions will be proposed. Please note that the summary and explanation set out below is not the full text of the Resolutions and Shareholders should read the full text of the Resolutions as set out in the Notice of General Meeting before returning their Forms of Proxy.
- 14.4 The Resolutions are all inter-conditional such that if any Resolution is not passed by Shareholders at the General Meeting, the Placing and Open Offer and Acquisition will not proceed. The Resolutions can be summarised as follows:
- (a) **Resolution 1** – this will be proposed as an ordinary resolution and seeks the approval of Shareholders to the Acquisition, which is a substantial property transaction for the purposes of the Act;
  - (b) **Resolution 2** – this will be proposed as an ordinary resolution and seeks the approval of Shareholders to authorise the Directors to allot the New Ordinary Shares in connection with the Placing and Open Offer; and
  - (c) **Resolution 3** – this will be proposed as a special resolution and seeks the approval of Shareholders to authorise the Directors to disapply pre-emption rights in connection with the allotment of the New Ordinary Shares.
- 14.5 Save in respect of the allotment of the Placing Shares and Open Offer Shares, the grant of options to employees under employee share plans or other similar incentive arrangements and pursuant to any exercise of existing options in respect of Ordinary Shares, the Directors have no current intention to allot shares, or rights to subscribe or convert into shares, in the capital of the Company.
- 14.6 **Shareholders should note that, if the Resolutions are not passed by Shareholders at the General Meeting, the Placing and Open Offer and Acquisition will not proceed and that, as explained in paragraph 1 of this Part 1, the Company will not receive the full amount of the anticipated proceeds of the fundraising. Without the full anticipated proceeds of the Placing and Open Offer, the consequences described at paragraph 1**



of this Part 1 will arise, including the need for the Board to consider alternative sources of financing, which may or may not be forthcoming. In light of this, the Independent Directors and, where appropriate the Acquisition Independent Directors, believe that the Placing and Open Offer and Acquisition are in the best interests of Shareholders and the Independent Directors and, where appropriate the Acquisition Independent Directors, unanimously recommend that Shareholders vote in favour of the Resolutions so that the Placing and Open Offer and Acquisition can be implemented.

## 15 IRREVOCABLE UNDERTAKINGS

- 15.1 David Adams, a Director who holds 22,500 Existing Ordinary Shares, representing 0.03 per cent. of the issued Existing Ordinary Shares, has given an irrevocable undertaking to vote or, where applicable, to procure the casting of votes by his connected persons (as defined in section 252 of the Act), in favour of the Resolutions in respect of his own (or, as applicable, his connected persons') beneficial holding of Existing Ordinary Shares.
- 15.2 Phoenix (in its capacity as manager of certain discretionary funds which hold, in aggregate 71.42 per cent. of the issued ordinary share capital of the Company) has:
- (a) given an irrevocable undertaking to:
    - (i) vote or, where applicable, to procure the casting of votes by its connected persons (as defined in section 252 of the Act), in favour of the Resolutions; and
    - (ii) not to take up any of its Open Offer Entitlement under the Open Offer, in respect of its own (or, as applicable, its connected persons') beneficial holdings of Existing Ordinary Shares together totalling 60,406,594 Existing Ordinary Shares, representing in aggregate 71.42 per cent. of the Existing Ordinary Shares; and
  - (b) contractually agreed with Liberum Capital, as the Company's agent, the discretionary funds managed by Phoenix will subscribe as Firm Placees for 27,814,973 New Ordinary Shares at the Issue Price pursuant to the Placing and as Conditional Placees for up to 5,562,995 additional New Ordinary Shares also at the Issue Price pursuant to the Placing, subject to the clawback under the Open Offer.

## 16 ACTIONS TO BE TAKEN

- 16.1 Please check that you have received, together with this document, a Form of Proxy for use in respect of the General Meeting and, if you are a Qualifying Non-CREST Shareholder, an Application Form for use in connection with the Open Offer.

### *General Meeting*

- 16.2 Whether or not you propose to attend the General Meeting in person, you are urged to complete, sign and return your Form of Proxy in accordance with the instructions printed thereon as soon as possible, but in any event so as to be received, by post or, during normal business hours only, by hand, by the Registrar, Link Asset Services, PXS 1, 34 Beckenham Road, Beckenham, Kent BR3 4TU, by no later than 9.00 a.m. on 1 December 2017 (or, in the case of an adjournment of the General Meeting, not later than 48 hours before the time fixed for the holding of the adjourned meeting (excluding any part of a day that is not a Business Day)). If you are posting your completed Form of Proxy in the UK, you may do so using the reply-paid card printed on the reverse of the Form of Proxy.
- 16.3 Appointing a proxy in accordance with the instructions set out above will enable your vote to be counted at the General Meeting in the event of your absence. The completion and return of the Form of Proxy will not prevent you from attending and voting at the General Meeting, or any adjournment thereof, in person should you wish to do so.

### *Open Offer*

- 16.4 If you are a Qualifying Non-CREST Shareholder you will have received an Application Form which gives details of your entitlement under the Open Offer (as shown by the number of Open Offer Entitlements allocated to you). If you wish to apply for Open Offer Shares under the Open Offer (whether in respect of your Open Offer Entitlement or both your Open Offer

Entitlement and any Excess Open Offer Entitlement), you should complete the accompanying Application Form in accordance with the procedure for application set out in Part 3 of this document and on the Application Form itself.

- 16.5 If you are a Qualifying CREST Shareholder and do not hold any Existing Ordinary Shares in certificated form, no Application Form is enclosed with this document and you will receive a credit to your appropriate stock account in CREST in respect of the Open Offer Entitlements representing your entitlement under the Open Offer except (subject to certain exceptions) if you are an Overseas Shareholder who has a registered address in, or is a resident in or a citizen of a Restricted Jurisdiction. Applications by Qualifying CREST Shareholders for Excess Open Offer Entitlements in excess of their Open Offer Entitlements should be made in accordance with the procedures set out in Part 3 of this document, unless you are an Overseas Shareholder. Qualifying CREST Shareholders claiming Excess Open Offer Entitlements by virtue of a *bona fide* market claim are advised to contact the Receiving Agent to request a credit of the appropriate number of entitlements to their CREST account.
- 16.6 **The latest time for applications under the Open Offer to be received is 11.00 a.m. on 4 December 2017. The procedure for application and payment depends on whether, at the time at which application and payment is made, you have an Application Form in respect of your Open Offer Entitlements or have Open Offer Entitlements credited to your stock account in CREST in respect of such entitlement. The procedures for application and payment are set out in Part 3 of this document.**
- 16.7 Qualifying Non-CREST Shareholders are advised to return the Application Form using the enclosed reply-paid envelope, which can also be used for return of completed Forms of Proxy. Qualifying CREST Shareholders who are CREST sponsored members should refer to their CREST sponsors regarding the action to be taken in connection with this document and the Open Offer.
- 16.8 **If you are in any doubt as to what action you should take, you should immediately seek your own personal financial advice from your stockbroker, bank manager, solicitor, accountant or other independent professional adviser duly authorised under the FSMA if you are resident in the United Kingdom or, if not, from another appropriately authorised independent financial adviser.**

## 17 OVERSEAS SHAREHOLDERS

It is the responsibility of any person receiving a copy of this document, the Open Offer Entitlements and/or the Application Form outside of the United Kingdom to satisfy himself/herself as to the full observance of the laws and regulatory requirements of the relevant territory in which that person is located and/or of which it is a citizen, including obtaining any governmental or other consents which may be required or observing any other formalities required to be observed in such territory and paying any other issue, transfer or other taxes due in such territory. Such persons should consult their professional advisers as to whether they require any governmental and/or other consents or need to observe any other formalities to enable them to take up their entitlements. Persons (including, without limitation, nominees and trustees) receiving this document, the Open Offer Entitlements and/or the Application Form should not, in connection with the Placing and Open Offer, distribute or send them into any jurisdiction when to do so would, or might, contravene local securities laws or regulations. Any person who does forward this document into any such jurisdictions should draw the recipient's attention to the contents of paragraph 6 of Part 3 of this document regarding Overseas Shareholders. If you are an Overseas Shareholder, it is important that you read that part of this document.

## 18 RECOMMENDATIONS

- 18.1 **Shareholders should note that if the Resolutions are not passed by Shareholders at the General Meeting, the Placing and Open Offer and Acquisition will not proceed and that, as explained in paragraph 1 of this Part 1, the Company will not receive the full amount of the anticipated proceeds of the fundraising. Without the full anticipated proceeds of the Placing and Open Offer, the consequences described at paragraph 1 of this Part 1 will arise and the Company is expected by 31 December 2017 to be unable to comply with one or more financial covenants under the terms of its Existing**

Bank Facility, may find itself unable to prepare accounts on a going concern basis and the Board may need to consider further external bank finance and/or other alternative sources of financing which may or may not be forthcoming.

- 18.2 The Independent Directors (in the case of the Placing and the Open Offer) and the Acquisition Independent Directors (in the case of the Acquisition), having consulted with the Company's nominated adviser, Liberum Capital, consider the terms of the Placing and Open Offer and Acquisition to be fair and reasonable and in the best interests of Shareholders and of the Company as a whole.
- 18.3 The Independent Directors consider the Placing and Open Offer and the Acquisition Independent Directors consider the Acquisition to be in the best interests of the Company and Shareholders as a whole. Accordingly:
- (a) the Acquisition Independent Directors recommend that Shareholders vote in favour of the Acquisition Resolution (Resolution 1) at the General Meeting as David Adams, an Independent Director, intends to do in respect of his entire holding which amount to interests in 22,500 Ordinary Shares, representing approximately 0.03 per cent. of the existing issued ordinary share capital of the Company; and
  - (b) the Independent Directors recommend that Shareholders vote in favour of the share authority resolutions (Resolutions 2 and 3) at the General Meeting as David Adams intends to do in respect of his entire holding which amount to interests in 22,500 Ordinary Shares, representing approximately 0.03 per cent. of the existing issued ordinary share capital of the Company.

## 19 DOCUMENTS AVAILABLE

This document will also be available on the Company's website, [www.Hornby.plc.uk](http://www.Hornby.plc.uk).

Yours faithfully

**David Adams**  
Interim Chairman

## PART 2 – RISK FACTORS

In addition to the other information set out in this document, the risks described below should be carefully considered by investors prior to making any investment decision relating to the Ordinary Shares. The risks set out below are those risks which the Directors consider to be material as at the date of this document, but do not necessarily comprise all those risks associated with an investment in the Ordinary Shares or the Company and are not intended to be presented in any assumed order of priority. There may be additional risks that the Directors do not currently consider to be material or of which the Directors are not aware, which may affect the Group's financial condition, performance, prospects, results and/or the price of Ordinary Shares.

An investment in the Ordinary Shares involves significant risks and investors may lose a substantial portion or even all of the money that they invest in the Company. An investment in the Company is therefore only suitable for financially sophisticated investors who are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear losses (which may equal the whole amount invested) that may result from such an investment. An investment in the Ordinary Shares should constitute part of a diversified investment portfolio. Typical investors are expected to be professionally advised private investors and professional investors. Prospective investors should review carefully and evaluate the risks and other information contained in this document before making a decision to invest in the Ordinary Shares.

### 1 RISKS RELATING TO THE SECTOR IN WHICH THE GROUP OPERATES

#### 1.1 **The Group operates in highly competitive markets. Any failure by the Group to compete effectively may have a material adverse effect on the Group's business, financial condition or results of operations**

The retail markets in which the Group competes include not only the model railway, slot cars, plastic modelling, collectable models and specialist paints but also, more generally, the market for hobby and toy products. Such markets are highly competitive and the Group and the key retail customers selling the Group's products compete on the basis of product variety, quality, novelty and availability, price, delivery methods (including fast and reliable fulfilment), convenience of store and product location and price and store design, customer support and service, customer insight and engagement, functionality and reliability of online and mobile platforms, promotional activities and brand recognition. The Group and key retail customers compete with a range of local, national and international hobby and toy product retailers of varying sizes and covering different product categories, including general and specialist retailers, boutique and chain retailers, department stores and internet-only, catalogue businesses. Notwithstanding that in many of the Group's markets the Group enjoys a strong market position due to the continued development of the Group's brands, there is a risk that some of these competitors will enter the Group's markets where, unlike for example the model sector, market entry costs are less prohibitive, offering products at significantly lower prices. This may result in the Group's products being seen as relatively expensive, particularly if the Group fails to engage actively with customers to emphasise quality and service. Current competitors and potential new entrants may have greater resources, lower operating costs, greater purchasing economies of scale, greater market presence and brand recognition, a larger customer base and more developed online businesses, and they may be able to respond more swiftly to changes in market conditions and consumer demand. In addition, they may be able to secure better terms from manufacturers, suppliers and distributors, adopt more aggressive pricing and devote more resources to technology, infrastructure, fulfilment, inventory management and promotional activities. For example, due to their size, scalability and diversified product offering, certain competitors have in the past, and may in the future, heavily discount products or run short-term loss-making campaigns on products in order to increase sales and build traffic for other product categories. Internet-only retailers may also have greater pricing flexibility in light of the structure of their cost base. Given that the Directors believe that demand for the Group's products is sensitive to pricing and value considerations, any pricing pressure may have an adverse impact on the Group's ability to compete and/or force the Group to reduce prices or increase spending on promotional activities, which could reduce its revenue and profitability.

**1.2 The purchase of hobby and toy products represent a discretionary expenditure for consumers and thus a reduction in consumer spending levels for any reason could negatively affect the results of the Group's operations**

Demand for hobby and toy products is influenced by prevailing economic conditions and, in particular, consumer spending levels. These are, in turn, determined by, among other factors, consumer and retailer confidence, the changing retail landscape, income levels and interest rates. As a result, and due to the discretionary nature and timing of most hobby and toy product purchases, consumers are more likely to defer the purchase of hobby and toy products in times of economic uncertainty or personal economic hardship.

At present, the UK market represents a significant part of the Group's revenue with 80 per cent. of such revenue derived in the UK in 2017 (76 per cent. in 2016). The Group is therefore exposed to a downturn in the performance of its brands in the UK as well as to the downturn in the UK economy. The Board's strategy continues to be to have international sales through its key brands Airfix, Humbrol, Corgi, Rivarossi, Arnold and Jouef which have provided the Group with a significant share of the model railway, model and die-cast markets in continental Europe, with the objective of facilitating further growth in the medium term.

**1.3 Certain adverse macroeconomic or political changes may have a material adverse effect on the Group's business**

Adverse changes or increased uncertainty in the macroeconomic or political climate, such as the breakup of the Eurozone, the exact timing of the UK's exit from the European Union as well as the ultimate outcome of any agreement between the UK and the European Union, a decline in economic results in the UK and the exact policies pursued by the minority Conservative Government, could have an additional adverse impact on the macroeconomic environment which may have a material adverse effect on the Group's business, financial condition and/or results of operations. As a result of the above, orders for the Group's products may decline, and/or it may experience an over or undersupply of components, raw materials and/or production capacity, each of which could have a material adverse effect on its business, results of operations, financial condition and prospects. In reviewing future forecasts for the business, the Directors consider reasonable changes in macro-economic and associated market conditions recognising the potential for a negative impact on the Group's results.

**1.4 The Group's UK business is highly seasonal and, as a result, adverse factors experienced during peak selling seasons could have a disproportionate impact on the Group's business, reputation, results of operations or financial condition and prospects**

The Group's sales of hobby and toy products are highly seasonal, particularly in the UK, primarily due to the popularity of hobby and toy products as Christmas presents. Any factors adversely affecting sales in the UK in the third quarter of any year, including, but not limited to, weaker footfall, prolonged adverse weather conditions, outbreak of pandemic disease, labour strikes and work stoppages, terrorist acts, disruptions to the supply chain or other disruptive events, incorrect stock forecasting, unfavourable economic conditions or promotional activity and trading pressures in and around peak periods, could have a disproportionately adverse effect on the Group's results of operations for the entire financial year.

Seasonality generally varies from one international territory to another and may be affected by religious or other local holidays, climatic conditions or local shopping habits. In addition, the Group's mix of product sales may vary as a result of changes in seasonal and related geographic demand for particular products. If sales during peak periods in the UK or in international markets are lower than expected for any reason, there may be a build-up of unsold stock and the Group may need to lower its prices to reduce stock levels. Conversely, if the Group fails to order sufficient quantities of products or fails to receive delivery of such products from third parties, prior to or during peak periods, it may not have an adequate supply to meet customer demand, which could have a material adverse effect on the Group's business, reputation, results of operations or financial condition and prospects.

**1.5 The Group's retail market has experienced, and will continue to experience, a structural shift due to the emergence and growth of online, mobile and other non-traditional retail channels. Failure by the Group or its distributors to compete with, or to develop successfully their own online (including mobile) and other non-traditional retail channels, may have a material adverse effect on the Group's current business model, its results of operations or financial condition**

The retail landscape is changing with the Group's traditional high street independent distribution network under significant commercial pressure from online retailers and discounters. The structural transition following a shift in consumer purchasing habits towards online and mobile channels has affected, and is expected to continue to affect, sales as customers opt to purchase products online rather than in-store. High street failures will reduce the traditional customer base sales levels and increase credit risk. Customers are becoming increasingly reliant on the internet, in particular, researching heavily on price and using mobile devices to research online when in store. Such websites and applications enable customers not only to compare the price of the Group's products against those of its competitors but also purchase such products from competitors. The use of these websites and mobile applications by the Group's competitors has facilitated pricing pressure by allowing them to reach a large customer base without necessarily incurring significant upfront marketing costs.

Whilst the Group formulates its business strategy, including the website and direct to consumer channels, based on the changing retail dynamics, if the Group is unable to compete with other key players, including multi-channel retailers as well as internet-only businesses, its sales could decline. Further the Group may be unable to respond effectively or swiftly enough to changing customer shopping trends and/or monetise online or mobile user traffic, which would have a material adverse effect on its sales through direct web based selling.

**1.6 The Company may not be able to accurately predict consumer preferences or demand, which may damage the Group's competitive position and the market and lead to inventory risks**

Hobby and toy products are subject to changing consumer tastes and trends. Although some of the Company's traditional product ranges are less sensitive to consumer trends. Its success depends in part on its ability to effectively predict and respond to changing consumer tastes, in particular with respect to its contemporary product ranges, and to translate consumers' preferences effectively into marketable designs. The Group is therefore exposed to finished goods inventory risk in the same way as other retailers in the sector that carry stock. If the Group is unable to successfully and rapidly lead and/or respond to changes in consumer tastes and trends, its sales may decline. This could have a material adverse effect on the Group's business, results of operations and financial condition and prospects as well as the Group's competitive position within the hobby and toy retail market.

**1.7 The Group is subject to extensive UK, EU and international legislation and regulation and failure to comply with, or changes in, regulation, may have a material adverse effect on the Group's business, results of operations or financial condition**

The Group is subject to laws and regulations in each of the markets in which it supplies or sources its products, in particular with respect to the quality and safety of products. Among other things, relevant legislation and regulation in both the UK and overseas governs product composition, product safety, manufacturing processes, packaging, labelling, advertising, consumer protection, the health, safety and working conditions of the Group's employees, the provision of online payment services, privacy, data protection, content, intellectual property, taxation, the Group's pension arrangements and the Group's competitive practices and market conduct. The Group's operations and properties are also subject to local environmental laws and regulations in the jurisdictions in which the Group supplies or sources its products and owns or leases property. A number of the Group's agreements with distributors are also governed by local laws. There may also from time to time be determinations by a court of law, regulator or tribunal, in the UK or overseas, as a result of which the Group could be exposed to increased costs or liabilities and/or required to change its business practices.

Failure to comply with applicable laws, regulations and/or judicial and/or regulatory authority determinations may result in civil or criminal sanctions, including fines, injunctions, product recalls, asset seizures, revocation of licences and regulatory authorisations and may adversely

affect customers' perception of the Group and its brand image, any of which could adversely affect the Group's business, results of operations or financial condition. In addition, any changes in applicable laws or regulations, including as a result of changing government policy, may result in increased compliance costs, capital expenditure and other financial obligations or impose restrictions on the Group's operations, any of which could have a material adverse effect on the Group's business, results of operations or financial condition.

## **2 RISKS RELATING TO THE GROUP'S BUSINESS AND OPERATIONS**

### **2.1 A large portion of the Company's products are supplied by a small number of manufacturers, some of whom are located outside of the UK**

The Group purchases goods, in the main, from third party suppliers based in Hong Kong due to the significant cost advantage when compared to products manufactured in Europe. Any significant disruption or other adverse event affecting any of the Group's key suppliers or its relationship with any of them could have a material adverse effect on its business, financial condition and results of operations. To the extent that any of the Group's key suppliers fail to satisfy their delivery obligations (for example, due to transportation or logistics interruptions, accidents, equipment breakdowns or work stoppages), particularly during a peak delivery period, this could adversely affect the Group's business. If the Group is required to replace any of its key manufacturers for any reason, it may face risks and costs associated with a transfer of operations, and the failure to replace any of its key manufacturers on commercially reasonable terms, or at all, could have a material adverse effect on its business, financial condition or results of operations.

The Group does not have exclusive arrangements with its suppliers and there is a risk that competition for manufacturing capacity could lead to delays in introducing new products or servicing existing demand. In addition, input cost escalation in China could reduce or remove the Group's pricing advantage and impact margins. The Group is continuing to develop and diversify its supplier portfolio, which includes suppliers in India and in the UK and closely monitors production through directly employed staff who ensure the maintenance of quality standards.

The Group faces a variety of risks generally associated with doing business in foreign markets and importing products from these regions, including, among others, political instability; increased security requirements applicable to foreign goods; the imposition of taxes, duties, other charges and restrictions on imports; currency and exchange rate fluctuations; risks related to labour practices, environmental matters or other issues in the foreign countries or factories in which the Group's products are manufactured; delays in shipping; and increased costs of transportation. There is also a risk of the Group's suppliers experiencing financial distress or insolvency, with the potential for significant and prolonged disruption to one or more of its trading relationships. Further, the ability of the Group's suppliers to rely on credit insurance to protect against purchaser payment default (including by the Group) may from time to time be limited depending on the economic climate, which may restrict the ability of the Group's suppliers to do business with their respective customers, including the Group, or affect such suppliers' financial position. Any of these risks, in isolation or in combination, could adversely affect the Company's reputation, financial condition and results of operations.

### **2.2 The Group's business, reputation or results of operations may be materially adversely affected if suppliers or distributors fail to deliver products that conform to the Group's standards and requirements on a timely basis and in anticipated quantities**

The Group's business is materially dependent on its suppliers and distributors to produce and/or deliver products that conform to the Group's quality control standards and other requirements on a timely basis and in anticipated quantities. Any disruption or other adverse event affecting any one or more of the Group's suppliers or distributors, particularly if significant or prolonged, or any failure by the Group's suppliers or distributors to fulfil their contractual obligations (including failure to supply the Group with products that comply with its quality control standards) in a timely manner, or at all, could in turn have a material adverse effect on the Group's ability to meet customer demand and result in product recalls, inventory shortages, reduced sales and profits, customer experience of the Group's brands and/or customer complaints. This could have a material adverse effect on the Group's business, reputation or results of operations.

**2.3 The Group supplies and sources its products in a number of countries in which bribery and corruption pose significant risks, and the Group may be exposed to liability under anti-corruption laws for any violations. In addition, any violation of applicable money laundering laws could also have a material adverse effect on the Group**

The Group is subject to anti-corruption and bribery laws and regulations that prohibit the Group and its intermediaries from making improper payments or offers of payments to foreign governments, their officials and political parties or private parties, for the purpose of gaining or retaining business, including the UK Bribery Act 2010 and similar laws worldwide. As a result, the Company has an Anti-Bribery & Corruption Policy and a Whistle-blowing Policy in place which is reviewed and implemented by the Company's existing Audit Committee. Given the nature of the Group's international business, particularly in emerging markets, where bribery and corruption may be more commonplace, the Group is exposed to significant risks, particularly with respect to suppliers and distributors that are not within the Group's control. The Group may also be held liable for successor liability violations of such laws committed by companies in which the Group invests in or which it acquires. Moreover, due to the significant amounts of money involved in global supply contracts, there is also potential for suppliers to attempt to bribe the Group's employees and sourcing agents. Actual or alleged violations of anti-corruption and bribery laws could result in material adverse consequences, including, but not limited to, civil and criminal sanctions, termination of contracts and arrangements by the Group's counterparties, disruptions to the Group's business, and reputational harm, all of which could have a material adverse effect on the Group's financial condition or results of operations. The Group also deals with significant amounts of cash in its operations and is subject to various reporting and anti-money laundering regulations. Any violation of anti-money laundering laws or regulations by the Group could have a material adverse effect on its business, reputation or results of operations.

**2.4 Substantial harm to the Group's reputation, or the reputation of, or value associated with, the Group's brands may have a material adverse effect on the Group's business, results of operations or financial condition**

The Group markets its products under a number of strong brands well known in their respective markets including Hornby, Scalextric, Jouef, Rivarossi, Arnold, Airfix, Humbrol and Corgi. The Group's brands and level of brand recognition are important assets of the Group's UK and international businesses. Maintaining the reputation of, and value associated with, the Group's brands and product offering is central to the success of its business. As a result, the Group's ability to maintain the reputation of its brand with respect to the quality, value and design of its products and high levels of customer service are important factors in earning and maintaining customer goodwill. Any damage to the Group's brands or reputation, or any decline in supplier, customer or other counterparty confidence in the Group or its products could have a material adverse effect on the Group's business results of operations and/or financial position. Various factors may adversely impact the Group's brand image and reputation, including product quality inconsistencies, product safety issues, pricing policies and the methods and practices of third parties that are part of the Group's supply chain, including labour standards, health, safety and environmental standards, raw material sourcing and ethical standards in the countries in which the Group sources or supplies its products. Any perceived or actual concerns related to the Group's products, supply chain or its distributors and/or its wholesale customers (whether well-founded or not) may be widely disseminated online, on consumer blogs or other social media sites or via print and broadcast media. Similarly, any litigation that the Group may face could subject it to increasing negative attention in the press. This in turn could have a material adverse effect on the Group's business, results of operations or financial condition.

**2.5 The loss of, or a significant reduction in business from, one or more key retail customers could have a material adverse effect on the Group's business, results of operations or financial condition**

The Group is materially dependent upon a small number of its retail customers for a significant amount of its income. Although the Group has established long-standing relationships with key retail customers, any damage to, or loss of, the Group's relationships with its key retail customers, in particular due to adverse events or circumstances affecting such retail customers and their ability to continue to purchase products from the Group, could have a material adverse effect on the Group's business, results of operations or financial



condition. Like-for-like sales in the UK and in the Group's international business may not meet the Group's expectations or forecasts, which may have a material adverse effect on the Group's business, results of operations or financial condition.

**2.6 A loss of key personnel or of the Group's ability to attract and retain experienced employees, as well as the associated higher labour costs, could adversely affect its business**

The Group's business is highly dependent upon key senior management personnel who have extensive experience and knowledge of the UK retail and manufacturing industry. The successful implementation of its strategy depends on the continuing availability of senior management and its ability to continue to attract, motivate and retain other highly qualified and dependable employees, for whom it competes with other retailers. If members of the Group's senior management depart, the Group may not be able to find effective replacements in a timely manner, or at all, and its business may be disrupted or damaged. In addition, the loss of key members of senior management to competitors could have a material adverse effect on the Group's competitive position within the hobby and toy retail market.

The nature of, for example, the model railway business worldwide is that products are largely country-specific which therefore requires high levels of knowledge and expertise in each individual market. The Group therefore also faces the challenge of attracting, developing and retaining the right calibre of staff for its product design team, manufacturing plants, distribution centres and aftermarket services teams while controlling its labour costs. The Group's ability to achieve this is subject to many external factors, including competition for and availability of qualified personnel in a given market, unemployment levels within those markets, prevailing wage rates, minimum wage laws, health and other insurance costs, union membership levels and activity among its employees and changes in employment and labour laws or other workplace regulation. The failure to recruit and retain key senior management and other skilled or semi-skilled personnel could adversely impact the Group's sales performance, increase its wage costs, and adversely affect its business, results of operations, financial condition, or prospects. The supply of such employees is limited and competition to hire and retain them results in higher labour costs, which could adversely affect the Group's profitability.

**2.7 The Group's business is subject to product liability claims, which could have a material adverse effect on the Group's business, reputation, results of operations or financial condition**

The Group is at risk of legal proceedings and claims arising out of the use of its products, including as a result of unanticipated malfunctions, side effects or issues that become evident only after products are widely introduced into the marketplace. In the event that the Group's products are not used in accordance with the instructions and guidance provided, there is a risk of harm that could be significant, particularly due to the young age of a significant proportion of the Group's target market.

The Group may be required in the future, to pay compensation for losses or injuries that are allegedly caused by the Group's products. Product liability claims may arise, among other things, from claims that the Group's products are defective, provide inadequate warnings or instructions or cause personal injury. Product liability claims, if resolved unfavourably, or if settled, could result in injunctions and/or may require the Group to pay substantial damages and related costs and result in the imposition of civil and criminal sanctions.

The Group may in the future be required or may voluntarily decide to make precautionary recalls or recall a defective product and/or alter its trademarks, labels or packaging, which could result in adverse publicity and loss of revenue. Any of these events can give rise to costs, adverse publicity and loss of customer trust as well as a heightened risk of claims for personal injury and/or damage, which in turn could have adverse financial consequences for the Group. In addition, a recall of a competitor's product that is similar to the Group's products may result in a decline in consumer confidence in the Group's products, which may consequently impact its business and results of operations.

**2.8 The Group may be subject to investigations, litigation in respect of claims outside the product liability area and potential enforcement action, which could have a material adverse effect on its business, results of operations or financial condition**

Outside the product liability area, the Group is subject to legal proceedings and other claims arising out of the ordinary course of business. It is possible that the Group may be subject to regulatory investigations or additional legal and/or regulatory action from time to time that targets an industry, a set of business practices or the Group's specific operations, in any of the jurisdictions in which the Group supplies or sources its products. This may or may not arise during the ordinary course of business and could potentially have a material adverse effect on the Group's business, reputation, results of operations or financial condition.

The Group cannot predict the outcome of individual legal actions and may settle litigation or regulatory proceedings prior to a final judgment or determination of liability to avoid the cost, management effort or negative business, regulatory or reputational consequences of continuing to contest liability, even where the Directors believe that the Group has valid defences to liability. Where appropriate, the Group establishes provisions to cover potential litigation-related costs. Such provisions may turn out to be insufficient, and any insurance coverage that the Group maintains may not cover the Group's losses fully, or at all.

**2.9 Ongoing legal dispute**

In June 2016, Hornby Hobbies Limited, a subsidiary undertaking of the Company, took the decision to cancel production of a range of Heico model fire engines which did not sell in line with the Group's expectations. Hornby Hobbies Limited terminated a manufacturing agreement with a German business and following a period of discussions between Hornby Hobbies Limited and the manufacturer, in June 2017 the manufacturer commenced legal proceedings in the UK against Hornby Hobbies Limited, claiming losses of €0.7 million for termination of the relevant agreement. Hornby Hobbies Limited's position, having taken legal advice, is that the quantum claimed is currently unsubstantiated and it has made efforts to settle the claim which have so far been rejected. Hornby Hobbies Limited continues to defend the claim.

**2.10 A disruption in the Group's information technology systems and/or website could adversely affect the Group's operations**

The Group uses information technology systems for, among other things, its business intelligence tools, hardware, network, applications and website. A significant portion of communications among Group personnel, customers, suppliers and other trading partners relies on the efficient performance of information technology systems. The Group also stores sensitive data, including intellectual property, proprietary business information and personally identifiable information of its employees and the secure maintenance and transmission of this information is critical to its operations. The Group's ability to protect these processes and systems against unexpected adverse events is a key factor in continuing to offer consumers its full complement of products on time in an uninterrupted manner. The Group's operations are vulnerable to interruption from a variety of sources, many of which are not within its control, such as: power loss and telecommunications failures; software and hardware errors, failures, defects, or crashes; computer viruses and similar disruptive problems; fire, flood, and other natural disasters; cyber-attacks on its network or damage to business intelligence tools, software and systems carried out by hackers or internet criminals; and the performance of third party vendors. Delays or interruptions in the delivery of the Group's products could result from unknown data, software, or hardware defects, insufficient capacity, or the failure of the Group's website hosting and telecommunications vendors to provide continuous and uninterrupted service. Interruptions in these systems, whether due to system failures, computer viruses, software errors or physical or electronic break-ins, could affect the security or availability of its websites and prevent or inhibit the ability of users to access the Group's services. Since the Group's customers may rely on the Group's websites to preview its products, problems with the reliability, availability or security of its websites could damage the Group's businesses, harm its reputation, result in a loss of customers and advertisers, result in additional costs, any of which could harm the Group's financial condition.

**2.11 Data security and failure to protect customers' confidential information could harm the Group's reputation and expose the Group to litigation**

The Group must comply with restrictions on the use of customer data and ensure that confidential information (such as credit or debit card numbers) is transmitted in a secure manner over public networks. The entry into force on 25 May 2018 of the General Data Protection Regulation ("GDPR") will also impose even more stringent data protection and privacy obligations on the Group, resulting in higher compliance burdens. Further, the European Commission's proposed Regulation on Privacy and Electronic Communications ("PECR") (to enter into force at or around the same time as the GDPR) will increase the compliance obligations of those using electronic means to send marketing communications and those using technologies such as cookies to track the activities of customers and potential customers. The proposed PECR also provides for significant increases in penalties for those that fail to meet these new standards, in line with those under the GDPR.

Despite controls to ensure the confidentiality and integrity of customer data, the Group may breach restrictions or may be subject to attack from computer programmes that attempt to penetrate the network security and misappropriate confidential information. Any such breach or compromise of security could adversely impact the Group's reputation with existing and potential customers and consumers, lead to litigation or fines, and as a result, have a material adverse effect on its business, results of operations and financial condition.

**2.12 The Group is exposed to exchange rate fluctuations**

The Group purchases goods in US Dollars and sells in Pounds Sterling, Euros and US Dollars and it reports its consolidated financial results in pounds sterling. The Group's business is therefore subject to risks due to fluctuations in the currency exchange rates to which it is subject. Although the Group continues to hedge short-term exposures, this may not adequately protect its operating results from the effects of exchange rate fluctuations or may limit any benefit that it might otherwise receive from favourable movements in exchange rates.

**2.13 Increased supply chain costs, which are not matched by a commensurate increase in revenue, may have a material adverse effect on the Group's results of operations**

The Group's results of operations are impacted by its ability to manage its supply chain costs. Manufacture of the Group's products requires various raw materials, including petroleum-based products (such as plastic), aluminium and steel. Significant price fluctuations or shortages of these or other raw materials, including increases in the price of transporting such materials or finished products, foreign currency fluctuations against the pound sterling and/or increases in labour rates, could increase the cost of the Group's products, which may in turn have a material adverse effect on the Group's margins (particularly if the Group is unable or chooses not to pass on cost increases to consumers) and results of operations.

**2.14 The Group's business, profitability and liquidity may be adversely affected by deterioration in the creditworthiness of, or defaults by, third parties with which it conducts business**

In common with all businesses, the Group is exposed to the credit risk of the third parties with which it conducts business, including suppliers and customers, who may default on the amounts that they owe to the Group due to bankruptcy, insolvency, lack of liquidity, adverse economic conditions, operational failure, fraud or other reasons. A default could adversely affect the Group's level of bad debt. In particular the Group is exposed to the risk that, in particular retail customers, fail to make payments to the Group, fail to pay royalties in a timely manner, or at all, whether due to financial difficulty or otherwise.

**2.15 The Group may not be able to secure debt financing in the future on commercially acceptable or affordable terms**

The Group intends to use the net proceeds of the Placing and Open Offer to further strengthen the Company's balance sheet, alleviating short-term covenant pressure and provide working capital to implement the business restructuring. However, in the event that the Placing and Open Offer do not proceed, the Group will be unable to comply with one or more financial covenants that are in place under the terms of its Existing Bank Facility.

Any breach of such covenants would be an event of default under the terms of the Existing Bank Facility and would entitle the Group's lenders to demand immediate repayment of all outstanding amounts. Although the Group expects to be able to address any potential covenant breach prior to any such breach occurring, it may be unable to do so simply by

negotiation with its existing lenders and may be required to seek alternative sources of finance. In the event that the Group is unable to reach agreement with its existing lenders or secure alternative means of finance, in those circumstances, the Group would consider taking immediate steps, such as disposing of certain of the Company's assets.

There can be no assurance that the Group will in the future be able to secure debt finance on commercially acceptable terms and any failure to do so could have a material adverse effect on the Group's results of operations, financial condition and prospects.

**2.16 The Group may be unable to secure and protect its intellectual property rights and may face challenges to its intellectual property rights, including allegations of infringement of others' rights**

The Group's trademarks are central to the value of the Group's brands and the Group licenses certain of its intellectual property rights to its retail customers in exchange for a royalty fee. The Group has not registered all trademarks in all of the international markets in which its retail customers operate. The Group may not be able to protect its intellectual property rights in existing international markets or in additional international markets in future and, even if it succeeds in doing so, these rights may subsequently be invalidated, circumvented or challenged in future. Third parties may infringe or misappropriate the Group's rights by, for example, asserting rights in, or ownership of, its trademarks, trade dress rights, designs, copyrights or other intellectual property rights. In international markets, the Group relies, to some extent, on notification from its retail customers of any actual or threatened infringement or misappropriation of the Group's rights.

**3 RISKS RELATING TO THE TRANSACTION AND THE ORDINARY SHARES**

**3.1 The price of the Ordinary Shares may fluctuate significantly and investors could lose all or part of their investment**

The share price of AIM companies can be highly volatile, which may prevent Shareholders from being able to sell their Ordinary Shares at or above the price they paid for them. The Issue Price may not be indicative of prices that will prevail in the trading market and investors may not be able to resell the Ordinary Shares at or above the price they paid for them. The market price and the realisable value for the Ordinary Shares could fluctuate significantly for various reasons, many of which are outside the Group's control. In addition, the published market price of the Ordinary Shares will be, typically, their middle market price. Due to the potential difference between the middle market price of the Ordinary Shares and the price at which the Ordinary Shares can be sold, there is no guarantee that the realisable value of the Ordinary Shares will be the same as the published market price.

**3.2 There may not be a liquid secondary market for the Ordinary Shares, the price of which may fluctuate significantly and shareholders could lose all or part of their investment**

The Company is currently traded on AIM which is perceived to involve a higher degree of risk and to be less liquid than the Official List. Shareholders do not have a right for their Ordinary Shares to be redeemed and the Company does not have a fixed winding-up date. Those Shareholders wishing to realise their investment will be required to dispose of their Ordinary Shares on the stock market or vote to wind up the Company. Admission should not be taken as implying that there will be a liquid market for the New Ordinary Shares. There is no guarantee that an active market will arise or be sustained for the Ordinary Shares. If an active trading market is not maintained, the liquidity and trading price of the Ordinary Shares could be adversely affected. Even if an active trading market is maintained, the market price for the Ordinary Shares may fall below their original issue price and Shareholders may not realise their initial investment.

**3.3 There is no guarantee that dividends will be paid by the Company**

Any dividend on the Ordinary Shares will be limited by the Group's performance. The Company continues to keep its dividend policy under review. The Company may revise its dividend policy from time to time. Under the Existing Bank Facility, the Group is permitted to make dividends on the basis that such dividends do not exceed 60 per cent. of amounts available for distribution in any relevant financial period and it continues to forecast compliance with its financial covenants for the next 12 months. A similar restriction on share buy-backs has also been put in place. This dividend policy should not be construed as a

dividend forecast. As a holding company, the Company's ability to pay dividends in the future is affected by a number of factors, principally the Company's generation of distributable profits and the receipt of sufficient dividends from its subsidiaries. The Group's members may be precluded from paying dividends by various factors, such as their own financial condition, restrictions in existing or future financing documents to which they are party or applicable law. Under English law, a company can only pay cash dividends to the extent that it has distributable reserves and cash available for this purpose. In addition, the Company may not pay dividends if the Directors believe this would cause the Company to be inadequately capitalised or if, for any other reason, the Directors conclude it would not be in the best interests of the Company. Any of the foregoing could limit the payment of dividends to Shareholders or, if the Company does pay dividends, the amount of such dividends.

**3.4 Phoenix will retain significant interests in the Company following Admission and their respective interests may differ from those of the other Shareholders**

Following Admission, Phoenix (in its capacity as manager of certain discretionary funds) will continue to have substantial interests in the Company. As a result of its substantial interests Phoenix will, subject to the articles of association of the Company and applicable laws and regulations, be able to exercise significant influence over all matters requiring Shareholder approval, including the composition of the Board, the timing and amount of dividend payments and the approval of general corporate transactions. The interests of Phoenix and those of the other Shareholders may not be aligned.

**3.5 Choosing not to participate in the Open Offer will result in dilution of holdings of non-participating Shareholders**

For those Qualifying Shareholders who do not participate in the Open Offer, their proportionate ownership and voting interest in the Company will be reduced as a consequence of the Open Offer. In particular, to the extent that Qualifying Shareholders do not take up the offer of Offer Shares under the Open Offer, their proportionate ownership and voting interest in the Company will be further reduced and the percentage that their shareholdings represent of the ordinary share capital of the Company will, following Admission, be reduced accordingly. Subject to certain exceptions, Qualifying Shareholders in the United States and other Restricted Jurisdictions will not be able to participate in the Open Offer. Qualifying Shareholders should note that their holdings and voting interest in the Company will be reduced, whether or not they elect to participate in the Open Offer, as a result of the Placing.

**3.6 Future issuances of Ordinary Shares may dilute the holdings of Shareholders and may depress the price of the Ordinary Shares**

Other than in connection with the Placing and Open Offer or pursuant to employee share plans or other similar incentive arrangements, the Company has no current plans for an offering of Ordinary Shares. However, it is possible that the Company may decide to offer additional Ordinary Shares in the future. Future sales or the availability for sale of substantial amounts of Ordinary Shares in the public market could dilute the holdings of Shareholders, adversely affect the prevailing market price of the Ordinary Shares and impair the Company's ability to raise capital through future offerings of equity securities.

**3.7 Execution of the new strategy**

The proposed new strategy is described in paragraph 2 of Part 1 of this document. There is a risk that the execution of the new strategy may not fully achieve the aims described in described in paragraph 2 of Part 1 of this document including, for example, ending the Company's previous discount pricing strategy, investing in key brands and products, driving revenue in the Group's European markets and/or restructuring the Group's systems and processes to achieve cost efficiencies currently anticipated by the Board. In such circumstances, the Company may be unable to meet its objective of moving towards a position of sustainable profitability and cash generation as currently anticipated.

**3.8 The Acquisition**

Completion of the Acquisition is subject to the fulfilment of certain conditions, including, the passing of the Resolutions. If these conditions are not satisfied or, where applicable, not waived, neither the Acquisition nor the Placing and Open Offer will proceed, the benefits expected to result from the Acquisition will not be achieved, none of the New Ordinary Shares

will be issued and the market price of the Existing Ordinary Shares may be adversely affected. Further, if the Acquisition does not complete, the Company will have incurred substantial professional advisers' fees and its ability to deliver value for Shareholders may be prejudiced.

The Acquisition and any future acquisition (including, subject to the Company exercising its option or the Seller dying or becoming incapacitated in the period prior to the expiry of the Lock-In Period (as more fully described in paragraph 7.4 of Part 1 of this document), the potential acquisition by the Company of the outstanding 51 per cent. of LCD Enterprises from the Seller (or its representative) and Mrs Davies, pursuant to which LCD Enterprises will become a wholly owned subsidiary of the Company), pose risks which may significantly affect the Company's results or operations and the Company's business may not turn out to be profitable. In particular:

- there can be no assurance that the Company will in fact acquire the outstanding 51 per cent. of LCD Enterprises. If, upon the expiry of the Lock-In Period, the Seller ceases to hold his position as Chief Executive Officer of the Company for any reason other than his death or incapacity, the Company will become obliged to sell back to the Seller the 49 per cent. stake in LCD Enterprises which the Company will acquire under the Acquisition;
- the purchase price payable by the Company on the potential acquisition of the outstanding 51 per cent. of LCD Enterprises (following the exercise of its option or the Seller dying or becoming incapacitated in the period prior to the expiry of the Lock-In Period) is not yet certain and is dependent on the future profitability of LCD Enterprises. There can be no assurance that the Company will, at the relevant time, have the necessary funding available to satisfy the purchase price, which would result in the Company being unable to comply with its contractual obligations under the Acquisition Agreement without securing further external bank finance and/or other alternative sources of financing which may or may not be forthcoming;
- the structuring of the enlarged business may take longer than anticipated or might be more difficult or expensive than the Directors have anticipated. In particular, there can be no assurance that the Group and the Oxford Diecast Group won't produce products in the future that compete for the same discretionary expenditure of consumers; and
- the operation and management of additional businesses, assets or customers may require additional resources, beyond that which is anticipated by Directors. There can be no assurance that the Company will be able to procure the additional resources to cope with the growth in the number of assets under the Company's management.

Resolving problems arising in connection with the structuring of any enlarged group may also take a significant amount of management time and divert management away from other activities. Some of the key potential difficulties relating to the integration of the Oxford Diecast Group business into the Group's business include:

- challenges in managing the increased scope and complexity of the enlarged group's operations;
- the unexpected loss of key personnel and customers;
- difficulties in integrating the financial, technological and management standards, processes, procedures and controls of the Oxford Diecast Group;
- attempts by third parties to terminate or alter their existing contracts with the Company or the Oxford Diecast Group; and
- changes in the political and economic landscape that could impact the ability to realise full value from the synergies.

If such difficulties are significant, this could adversely affect the operational and financial performance of the enlarged group.

### **3.9 Potential UK exit from the European Union**

The UK held a referendum on its membership of the European Union on 23 June 2016, the result of which was a majority vote in favour of the UK's exit from the European Union ("Brexit"). Following this vote, on 29 March 2017, the UK Government triggered Article 50 of the Lisbon Treaty to commence the process of the UK leaving the European Union. The

political, economic, legal and social consequences, the exact timing of the UK's exit from the European Union, as well as the potential ultimate outcome of any agreement between the UK and the European Union, remain uncertain as at the date of this document. Brexit could have a significant impact on the Group, the value of the Company's investments and the value of the Ordinary Shares. The extent of the impact of a Brexit on the Group would depend in part on the nature of the arrangements that are put in place between the UK and the EU following Brexit and the extent to which the UK continues to apply laws that are based on EU legislation. In addition, the macroeconomic effect on the Group's business is unknown. As such, it is not possible to state the impact that Brexit would have on the Group and its business. Brexit may also make it more difficult for the Group to do business and raise capital in the EU and/or increase the regulatory compliance burden on the Group. This could restrict the Group's future activities and thereby negatively affect returns. In addition, Brexit and the risk of Brexit could result in greater volatility in the value of sterling, which to the extent the Group makes investments denominated in currencies other than sterling could result in greater volatility in the value of those investments. Increased volatility in the value of sterling may also increase the cost of any currency hedging employed by the Group.

### **3.10 Importance of passing the Resolutions to complete the Placing and Open Offer and Acquisition**

Unless the Resolutions are passed by Shareholders at the General Meeting, the Placing and Open Offer and Acquisition cannot be implemented. In such circumstances, the Company will not receive the proceeds of either the Placing or the Open Offer. If this were to happen, the Company is expected to be unable to comply with one or more financial covenants that are in place under the terms of its Existing Bank Facility.

In the above circumstances, the Company would need to enter into further negotiation with Barclays to relax the relevant covenant(s) or to request that any breach of the relevant covenant(s) be waived. Barclays have been supportive of the Company to date and most recently in the context of the Amendment and Restatement. However, there is no guarantee that this will be the case in the future, particularly if the Company's financial position or trading performance were to deteriorate. If Barclays remained supportive, the Directors believe that any amendment or waiver would be likely to require the payment of additional fees and potentially to result in the imposition of more onerous obligations and restrictions on the Group than those which the Group has negotiated to date. In the event that Barclays were not supportive of the Company, and any such amendment or waiver were not agreed, a failure to comply with any relevant financial covenants would constitute an event of default under the Existing Bank Facility and would entitle demand to be made for repayment of all outstanding amounts and cancel the Existing Bank Facility. This could lead to enforcement action over all or part of the Company's assets (or those of certain of its subsidiaries), including executing a disposal of any such assets.

Shareholders should further note that, if the Resolutions are not passed by Shareholders at the General Meeting, such that the Placing and Open Offer and Acquisition cannot be implemented, the Company is expected by 31 December 2017 to be unable to comply with one or more financial under the terms of its Existing Bank Facility and may find itself unable to prepare accounts on a going concern basis without first securing further external bank finance and/or other alternative sources of financing which may or may not be forthcoming.

## PART 3 – TERMS AND CONDITIONS OF THE OPEN OFFER

### 1 INTRODUCTION

As explained in the letter from the Interim Chairman of the Company set out in Part 1 of this document, the Company is proposing to raise, in aggregate, approximately £12.0 million (before expenses) through the issue of 40,677,968 New Ordinary Shares pursuant to a conditional Placing and an Open Offer. The Placing comprises a Firm Placing, pursuant to which the Company intends to raise approximately £10.0 million (before expenses) through the issue of 33,898,306 New Ordinary Shares to Firm Placees, and a Conditional Placing, pursuant to which the Company intends to raise up to a further £2.0 million through the issue of 6,779,662 New Ordinary Shares to Conditional Placees, both at a price of 29.5 pence per New Ordinary Share. The number of New Ordinary Shares to be issued pursuant to the Conditional Placing is subject to clawback under the Open Offer to satisfy valid applications made to acquire Open Offer Shares by Qualifying Shareholders.

The Company intends to raise up to £2.0 million (before expenses) under the Open Offer being made to Qualifying Shareholders comprising up to 6,779,662 New Ordinary Shares at a price of 29.5 pence per New Ordinary Share. Any Open Offer Shares not applied for under the Open Offer will instead be taken up by Conditional Placees pursuant to the Conditional Placing. Accordingly, if the Open Offer is taken up in full by Qualifying Shareholders, Firm Placees will receive their placing participation in full and Conditional Placees will not receive any New Ordinary Shares.

Qualifying Shareholders are being offered the right to subscribe for Open Offer Shares at the Issue Price *pro rata* to their holdings of Existing Ordinary Shares in accordance with the terms of the Open Offer set out in this Part 3 and also, in the case of Qualifying Non-CREST Shareholders, the Application Form. Qualifying Shareholders are not being offered the right to subscribe as either Firm Placees or Conditional Placees pursuant to the Placing.

This Part 3 and also, in the case of Qualifying Non-CREST Shareholders, the Application Form, contain the formal terms and conditions of the Open Offer. Your attention is drawn to the letter from the Interim Chairman of the Company contained in Part 1 of this document, which sets out the background to and the reasons for the Placing and Open Offer.

Subject to availability, the Excess Application Facility will enable Qualifying Shareholders to apply for further Open Offer Shares. Further details in relation to the Excess Application Facility are set out in paragraph 4.1.4 below and, for Qualifying Non-CREST Shareholders, the Application Form.

The Open Offer Record Date for entitlements under the Open Offer for both Qualifying CREST Shareholders and Qualifying Non-CREST Shareholders is 5.00 p.m. on 15 November 2017. Application Forms are expected to be posted to Qualifying Non-CREST Shareholders on the date of this document together with this document. Open Offer Entitlements are expected to be credited to stock accounts of Qualifying CREST Shareholders in CREST on 21 November 2017. The latest time and date for receipt of completed Application Forms and payment in full under the Open Offer and settlement of relevant CREST instructions (as appropriate) is expected to be 11.00 a.m. on 4 December 2017 with Admission and commencement of dealings in the Open Offer Shares expected to take place at 8.00 a.m. on 7 December 2017, following the passing of the Resolutions at the General Meeting to be held at 9.00 a.m. on 5 December 2017. Your attention is drawn to paragraph 4 of this Part 3 of this document which gives details of the procedure for application and payment for the Open Offer Shares and any additional shares applied for pursuant to the Excess Application Facility.

The Open Offer Shares will, when issued and fully paid, rank equally in all respects with the Existing Ordinary Shares, including the right to receive all dividends or other distributions made, paid or declared, if any, by reference to a record date after the date of their issue.

The Company is proposing to issue up to 6,779,662 Open Offer Shares at the Issue Price subject to Admission, in respect of valid applications made by Qualifying Shareholders. Application will be made to the London Stock Exchange for the Placing Shares and Open Offer Shares to be admitted to trading on AIM.



The Open Offer is an opportunity for Qualifying Shareholders to apply for up to 6,779,662 Open Offer Shares *pro rata* to their current holdings at the Issue Price in accordance with the terms of the Open Offer. Qualifying Shareholders are also being offered the opportunity to apply for additional Open Offer Shares in excess of their Open Offer Entitlement to the extent that other Qualifying Shareholders do not take up their Open Offer Entitlements in full.

The Open Offer Shares have been placed with Conditional Placees pursuant to the Conditional Placing subject to clawback by Qualifying Shareholders under the Open Offer. Any Open Offer Shares not applied for under the Open Offer may therefore be taken up by Conditional Placees pursuant to the Placing. Accordingly, if the Open Offer is taken up in full by Qualifying Shareholders, Firm Placees will receive their placing participation in full and Conditional Placees will not receive any New Ordinary Shares.

**Any Qualifying Shareholder who has sold or transferred all or part of his/her registered holding(s) of Existing Ordinary Shares prior to the Ex-entitlement Date is advised to consult his/her stockbroker, bank or other agent through or to whom the sale or transfer was effected as soon as possible since the invitation to apply for Open Offer Shares under the Open Offer may be a benefit which may be claimed from him/her by the purchaser(s) under the rules of the London Stock Exchange.**

## **2 DETAILS OF THE OPEN OFFER**

Subject to the terms and conditions set out below (and, in the case of Qualifying Non-CREST Shareholders, in the Application Form), Qualifying Shareholders are being given the opportunity under the Open Offer to apply for Open Offer Shares at the Issue Price *pro rata* to their holdings, payable in full on application.

The Issue Price is equal to the Closing Price of 29.5 pence per Existing Ordinary Share on 16 November 2017.

Qualifying Shareholders have Open Offer Entitlements of:

### **1 Open Offer Share for every 12.476020780977 Existing Ordinary Shares**

registered in their name at 5.00 p.m. on the Open Offer Record Date and so in proportion for any greater or lesser number of Ordinary Shares then held.

Fractions of Open Offer Shares will not be allotted to Qualifying Shareholders in the Open Offer and entitlements under the Open Offer will be rounded down to the nearest whole number of Open Offer Shares. Any fractional entitlements to Open Offer Shares will not be allocated but will be aggregated and made available in the Excess Application Facility and/or to Conditional Placees pursuant to the Conditional Placing.

Holdings of Existing Ordinary Shares in certificated and uncertificated form will be treated as separate holdings for the purpose of calculating entitlements under the Open Offer, as will holdings under different designations and in different accounts.

If you are a Qualifying Non-CREST Shareholder, the Application Form shows the number of Existing Ordinary Shares registered in your name on the Open Offer Record Date (in Box 3).

Subject to availability, the Excess Application Facility will enable Qualifying Shareholders, provided they have taken up their Open Offer Entitlement in full, to apply for any whole number of further Open Offer Shares in excess of their Open Offer Entitlement. Further details in relation to the Excess Application Facility are set out in this Part 3 and, for Qualifying Non-CREST Shareholders only, the Application Form.

Qualifying Non-CREST Shareholders who wish to apply to subscribe for more than their Open Offer Entitlement should complete Boxes 6 to 9 on the Application Form. Qualifying CREST Shareholders will have Open Offer Entitlements and Excess CREST Open Offer Entitlements credited to their stock accounts in CREST and should refer to paragraph 4.2 of this Part 3 for information on the relevant CREST procedures and further details on the Excess Application Facility. Qualifying CREST Shareholders can also refer to the CREST Manual for further information on the relevant CREST procedures.

There is no limit on the number of Open Offer Shares that can be applied for by Qualifying Shareholders under the Excess Application Facility, save that the maximum number of Ordinary Shares to be allotted and issued under the Excess Application Facility will be limited by the maximum size of the Open Offer, being a maximum of 6,779,662 Open Offer Shares.

If applications under the Excess Application Facility are received for more than the total number of Open Offer Shares available following take up of Open Offer Entitlements, such applications may be allocated in such manner as the Directors may determine, in their absolute discretion, and no assurance can be given that any applications under the Excess Application Facility by Qualifying Shareholders will be met in full or in part or at all. As described above, holdings of Existing Ordinary Shares in certificated and uncertificated form will be treated as separate holdings for the purpose of calculating entitlements under the Open Offer.

Please refer to paragraphs 4.1.4 and 4.2.10 of this Part 3 for further details of the Excess Application Facility.

The Open Offer is not a rights issue. Qualifying Non-CREST Shareholders should note that their respective Application Forms are not negotiable documents and cannot be traded. Qualifying CREST Shareholders should note that, although the Open Offer Entitlements and Excess CREST Open Offer Entitlements will be credited to CREST and be enabled for settlement, applications in respect of entitlements under the Open Offer may only be made by the Qualifying CREST Shareholder originally entitled or by a person entitled by virtue of a *bona fide* market claim raised by Euroclear's Claims Processing Unit in respect of Open Offer Entitlements only. Qualifying CREST Shareholders claiming Excess Open Offer Entitlements by virtue of a *bona fide* market claim are advised to contact the Receiving Agent to request a credit of the appropriate number of entitlements to their CREST account.

Open Offer Shares not applied for under the Open Offer will not be sold in the market for the benefit of those who do not apply under the Open Offer and Qualifying Shareholders who do not apply to take up Open Offer Shares will have no rights under the Open Offer. Any Open Offer Shares which are not applied for by Qualifying Shareholders under their Open Offer Entitlements will be issued to Qualifying Shareholders who have made an application for Open Offer Shares in excess of their Open Offer Entitlement under the Excess Application Facility. The Open Offer Shares have been placed with Conditional Placees pursuant to the Placing, subject to clawback pursuant to the Open Offer. Any Open Offer Shares not applied for under the Open Offer may therefore be taken up by Conditional Placees pursuant to the Conditional Placing. Consequently, there may be no or fewer than 6,779,662 Open Offer Shares issued pursuant to the Open Offer.

Application will be made for the Open Offer Entitlements and Excess CREST Open Offer Entitlements to be credited to Qualifying CREST Shareholders' CREST accounts. The Open Offer Entitlements and Excess CREST Open Offer Entitlements are expected to be credited to CREST accounts as soon as possible after 8.00 a.m. on 21 November 2017.

The Existing Ordinary Shares are already admitted to CREST. No further application for admission to CREST is accordingly required for the New Ordinary Shares. All such shares, when issued and fully paid, may be held and transferred by means of CREST.

The Open Offer Shares will be issued credited as fully paid and will rank in full for all dividends and other distributions declared, made or paid, if any, by reference to a record date after the date of their issue and otherwise *pari passu* in all respects with the other Existing Ordinary Shares. The Open Offer Shares are not being made available in whole or in part to the public except under the terms of the Open Offer.

The attention of Overseas Shareholders is drawn to paragraph 6 of this Part 3.

### **3 CONDITIONS AND FURTHER TERMS OF THE OPEN OFFER**

The Open Offer is conditional upon, *inter alia*, the Acquisition Agreement having become unconditional in all respects (save for the condition relating to the Placing and Open Offer Agreement), the passing of the Resolutions at the General Meeting, completion of the Placing and Admission becoming effective by not later than 8.00 a.m. on 7 December 2017 (or such later time and/or date as the Company may determine, not being later than 8.00 a.m. on 15 December 2017).

Accordingly, if these conditions are not satisfied or waived (where capable of waiver), the Open Offer will not proceed and any applications made by Qualifying Shareholders will be rejected. In such circumstances, application monies will be returned (at the applicant's sole risk), without payment of interest, as soon as practicable but within 14 days thereafter.

No temporary documents of title will be issued in respect of Open Offer Shares held in uncertificated form. Definitive certificates in respect of Open Offer Shares taken up are expected to be posted, at his or her own risk, to those Qualifying Shareholders who have validly elected to hold their Open Offer Shares in certificated form by 15 December 2017. In respect of those Qualifying Shareholders who have validly elected to hold their Open Offer Shares in uncertificated form, the Open Offer Shares are expected to be credited to their stock accounts maintained in CREST as soon as possible after 8.00 a.m. on 7 December 2017.

Application will be made for the Open Offer Shares to be admitted to trading on AIM. Admission is expected to occur on 7 December 2017, when dealings in the Open Offer Shares are expected to begin.

All monies received by the Receiving Agent in respect of Open Offer Shares will be credited to a non-interest bearing account by the Receiving Agent.

If for any reason it becomes necessary to adjust the expected timetable as set out in this document, the revised times and/or dates will be notified by means of an announcement to a Regulatory Information Service.

#### **4 PROCEDURE FOR APPLICATION AND PAYMENT**

**If you are in any doubt about the contents of this document and/or the action you should take, you should immediately consult your stockbroker, bank manager, solicitor, accountant or other independent financial adviser duly authorised for the purposes of FSMA who specialises in advising on the acquisition of shares and other securities if you are in the United Kingdom or, if not, another appropriately authorised independent financial adviser.**

The action to be taken by you in respect of the Open Offer depends on whether, at the relevant time, you have an Application Form in respect of your Open Offer Entitlement under the Open Offer or you have Open Offer Entitlements and Excess CREST Open Offer Entitlements credited to your CREST stock account in respect of such entitlement.

Qualifying Shareholders who hold all their Existing Ordinary Shares in certificated form have been sent an Application Form together with this document. Box 3 of the Application Form shows the number of Existing Ordinary Shares held on the Open Offer Record Date. At Box 4 of the Application Form it also shows Qualifying Shareholders the number of Open Offer Shares available under their Open Offer Entitlement that can be allotted in certificated form. Qualifying Shareholders who hold all their Existing Ordinary Shares in CREST will be allotted Open Offer Shares in CREST. Qualifying Shareholders who hold part of their Existing Ordinary Shares in uncertificated form will be allotted Open Offer Shares in uncertificated form to the extent that their entitlement to Open Offer Shares arises as a result of holding Existing Ordinary Shares in uncertificated form. However, it will be possible for Qualifying Shareholders to deposit Open Offer Entitlements into, and withdraw them from, CREST. Further information on deposit and withdrawal from CREST is set out in paragraph 4.2 of this Part 3.

CREST Sponsored Members should refer to their CREST Sponsor, as only their CREST Sponsor will be able to take the necessary action specified below to apply under the Open Offer in respect of the Open Offer Entitlements and Excess CREST Open Offer Entitlements of such members held in CREST.

CREST Members who wish to apply under the Open Offer in respect of their Open Offer Entitlements and Excess CREST Open Offer Entitlements in CREST should refer to the CREST Manual for further information on the CREST procedures referred to below.

**Qualifying Shareholders who do not want to apply for the Open Offer Shares under the Open Offer should take no action and should not complete or return the Application Form, or send a USE message through CREST.**

#### 4.1 If you have an Application Form in respect of your Open Offer Entitlements under the Open Offer

##### 4.1.1 **General**

Subject as provided in paragraph 6 of this Part 3 in relation to certain Overseas Shareholders, Qualifying Non-CREST Shareholders will have received an Application Form enclosed with this document. Box 3 of the Application Form shows the number of Existing Ordinary Shares registered in their name on the Open Offer Record Date. At Box 4 of the Application Form it also shows the Open Offer Entitlement allocated to them. Entitlements to Open Offer Shares are rounded down to the nearest whole number and fractional Open Offer Entitlements have therefore also been rounded down. Box 5 shows how much they would need to pay if they wish to take up their Open Offer Entitlements in full. Qualifying Non-CREST Shareholders may apply for less than their entitlement should they wish to do so. Qualifying Non-CREST Shareholders may also hold such an Application Form by virtue of a *bona fide* market claim.

Under the Excess Application Facility, provided they have agreed to take up their Open Offer Entitlement in full, Qualifying Non-CREST Shareholders may apply for more than the amount of their Open Offer Entitlement should they wish to do so. If applications under the Excess Application Facility are received for more than the total number of Open Offer Shares available following take up of Open Offer Entitlements, such applications may be allocated in such manner as the Directors may determine, in their absolute discretion, and no assurance can be given that any applications under the Excess Application Facility by Qualifying Shareholders will be met in full or in part or at all.

The instructions and other terms set out in the Application Form forms part of the terms of the Open Offer in relation to Qualifying Non-CREST Shareholders.

##### 4.1.2 **Bona fide market claims**

Applications to subscribe for Open Offer Shares may only be made on the Application Form which is personal to the Qualifying Non-CREST Shareholder named thereon or by a person entitled by virtue of a *bona fide* market claim in relation to a purchase of Existing Ordinary Shares through the market prior to the date upon which the Existing Ordinary Shares were marked “ex” the entitlement to participate in the Open Offer. Application Forms may not be sold, assigned, transferred or split, except to satisfy *bona fide* market claims in relation to purchases of Existing Ordinary Shares through the market up to 3.00 p.m. on 30 November 2017. The Application Form is not a negotiable document and cannot be separately traded. A Qualifying Non-CREST Shareholder who has, prior to the “ex-entitlement” date, sold or otherwise transferred all or part of his/her holding of Existing Ordinary Shares prior to the date upon which the Existing Ordinary Shares were marked “ex” the entitlement to participate in the Open Offer, should consult his/her stockbroker, bank or other agent authorised under FSMA through whom the sale or transfer was effected as soon as possible and refer to the instructions on split applications set out on page 2 of the Application Form, since the invitation to subscribe for Open Offer Shares under the Open Offer may represent a benefit which can be claimed from them by the purchaser or transferee.

Qualifying Non-CREST Shareholders who have sold all or part of their registered holdings should, if the market claim is to be settled outside CREST, complete Box 10 on the Application Form and immediately send it to the stockbroker, bank or other agent authorised under FSMA through whom the sale or transfer was effected for onward transmission to the purchaser or transferee. The Application Form should not, however, be forwarded to or transmitted in or into the United States or any Restricted Jurisdiction. If the market claim is to be settled outside CREST, the beneficiary of the claim should follow the procedures set out in the accompanying Application Form. If the market claim is to be settled in CREST, the beneficiary of the claim should follow the procedure set out in paragraph 4.2.2 below.

Qualifying CREST Shareholders claiming Excess Open Offer Entitlements by virtue of a *bona fide* market claim are advised to contact the Receiving Agent to request a credit of the appropriate number of entitlements to their CREST account.

##### 4.1.3 **Application procedures**

Qualifying Non-CREST Shareholders wishing to apply to acquire Open Offer Shares (whether in respect of all or part of their Open Offer Entitlement or in addition to their Open Offer Entitlement under the Excess Application Facility) should complete and sign the

accompanying Application Form in accordance with the instructions printed on it. Qualifying Non-CREST Shareholders may only apply for additional Open Offer Shares under the Excess Application Facility if they have agreed to take up their Open Offer Entitlements in full. If applications under the Excess Application Facility are received for more than the total number of Open Offer Shares available following take up of Open Offer Entitlements, such applications may be allocated in such manner as the Directors may determine, in their absolute discretion, and no assurance can be given that any applications under the Excess Application Facility by Qualifying Shareholders will be met in full or in part or at all.

Completed Application Forms should be posted in the accompanying pre-paid envelope or returned by post, or by hand (during normal business hours only) to the Receiving Agent at Link Asset Services Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU together with a cheque or banker's draft for the full amount payable in respect of the number of Open Offer Shares applied for, so as to be received by the Receiving Agent by no later than 11.00 a.m. on 4 December 2017, after which time Application Forms will not be valid. Qualifying Non-CREST Shareholders should note that applications, once made, will be irrevocable and receipt thereof will not be acknowledged. If an Application Form is being sent by first-class post in the UK, Qualifying Non-CREST Shareholders are recommended to allow at least four working days for delivery.

All payments must be made in pounds sterling and by cheque or banker's draft made payable to "**Link Market Services Limited re Hornby PLC Open Offer A/C**" and crossed "**A/C Payee Only**". Cheques or banker's drafts must be drawn on a bank or building society or branch of a bank or building society in the United Kingdom or Channel Islands which is either a settlement member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques and banker's drafts to be cleared through the facilities provided by any of those companies or committees and must bear the appropriate sort code in the top right-hand corner and must be for the full amount payable on application. Third party cheques may not be accepted with the exception of building society cheques or banker's drafts where the building society or bank has confirmed the name of the account holder by stamping or endorsing the cheque or draft to confirm that the relevant Qualifying Non-CREST Shareholder has title to the underlying funds. The account name should be the same as that shown on the Application Form. Post-dated cheques will not be accepted.

Cheques or banker's drafts will be presented for payment upon receipt. The Company reserves the right to instruct the Receiving Agent to seek special clearance of cheques and banker's drafts to allow the Company to obtain value for remittances at the earliest opportunity (and withhold definitive share certificates (or crediting to the relevant member account, as applicable) pending clearance thereof). No interest will be paid on payments. It is a term of the Open Offer that cheques shall be honoured on first presentation and the Company may elect to treat as invalid acceptances in respect of which cheques are not so honoured. All documents, cheques and banker's drafts sent through the post will be sent at the risk of the sender. Payments via CHAPS, BACS or electronic transfer will not be accepted.

If cheques or banker's drafts are presented for payment before the conditions of the Placing and Open Offer are fulfilled, the application monies will be credited to a non-interest bearing account by the Receiving Agent. If the Placing, the Open Offer and the Acquisition do not become unconditional, no Open Offer Shares will be issued and all monies will be returned (at the applicant's sole risk), without payment of interest, to applicants as soon as practicable, but within 14 days, following the lapse of the Placing and Open Offer.

The Company may at its sole discretion, but shall not be obliged to, treat an Application Form as valid and binding on the person by whom or on whose behalf it is lodged, even if not completed in accordance with the relevant instructions or not accompanied by a valid power of attorney where required, or if it otherwise does not strictly comply with the terms and conditions of the Open Offer. The Company further reserves the right (but shall not be obliged) to accept either:

- (i) Application Forms and remittances received after 11.00 a.m. on 4 December 2017; or

- (ii) applications in respect of which remittances are received before 11.00 a.m. on 4 December 2017 from authorised persons (as defined in FSMA) specifying the Open Offer Shares applied for and undertaking to lodge the Application Form(s) in due course but, in any event, within two Business Days.

Multiple applications will not be accepted. All documents and remittances sent by post by or to an applicant (or as the applicant may direct) will be sent at the applicant's own risk.

If Open Offer Shares have already been allotted to a Qualifying Non-Crest Shareholder and such Qualifying Non-Crest Shareholder's cheque or banker's draft is not honoured upon first presentation or such Qualifying Non-Crest Shareholder's application is subsequently otherwise deemed to be invalid, the Registrar shall be authorised (in its absolute discretion as to manner, timing and terms) to make arrangements, on behalf of the Company, for the sale of such Qualifying Non-Crest Shareholder's Open Offer Shares and for the proceeds of sale (which for these purposes shall be deemed to be payments in respect of successful applications) to be paid to and retained by the Company. None of the Registrar, Liberum Capital, or the Company nor any other person shall be responsible for, or have any liability for, any loss, expense or damage suffered by such Qualifying Non-Crest Shareholders.

#### **4.1.4 The Excess Application Facility**

Provided they choose to take up their Open Offer Entitlement in full, the Excess Application Facility enables a Qualifying Non-CREST Shareholder to apply for Open Offer Shares in excess of their Open Offer Entitlement.

If applications under the Excess Application Facility are received for more than the total number of Open Offer Shares available following take up of Open Offer Entitlements, such applications may be allocated in such manner as the Directors may determine, in their absolute discretion, and no assurance can be given that any applications under the Excess Application Facility by Qualifying Shareholders will be met in full or in part or at all.

Qualifying Non-CREST Shareholders who wish to apply for Open Offer Shares in excess of their Open Offer Entitlement must complete the Application Form in accordance with the instructions set out on the Application Form. There is no limit on the amount of New Ordinary Shares that can be applied for by Qualifying Shareholders under the Excess Application Facility, save that the maximum amount of New Ordinary Shares to be allotted under the Excess Application Facility will be limited by the maximum size of the Open Offer being 6,779,662 New Ordinary Shares. The total number of Open Offer Shares is fixed and will not be increased in response to any excess applications. Applications pursuant to the Excess Application Facility will therefore only be satisfied to the extent that other Qualifying Shareholders do not apply for their Open Offer Entitlements in full. Applications under the Excess Application Facility shall be allocated in such manner as the Directors may determine, in their absolute discretion, and no assurance can be given that applications by Qualifying Non-CREST Shareholders under the Excess Application Facility will be met in full or in part or at all. Excess monies in respect of applications which are not met in full will be returned to the applicant (at the applicant's risk) without interest as soon as practicable thereafter, but within 14 days, by way of cheque.

Should the Placing, the Open Offer and the Acquisition all become unconditional and applications for Open Offer Shares exceed the total number of Open Offer Shares available following take up of Open Offer Entitlements, resulting in a scale back of applications, each Qualifying Non-CREST Shareholder who has made a valid application for excess Open Offer Shares under the Excess Application Facility and from whom payment in full for excess Open Offer Shares has been received will receive a pounds sterling amount equal to the number of Open Offer Shares applied and paid for but not allocated to the relevant Qualifying Non-CREST Shareholder multiplied by the Issue Price. Monies will be returned as soon as reasonably practicable thereafter, but within 14 days, without payment of interest and at the applicant's sole risk.

#### **4.1.5 Effect of application**

All documents and remittances sent by post by or to an applicant (or as the applicant may direct) will be sent at the applicant's own risk. By completing and delivering an Application Form, the applicant:

- (i) represents and warrants to the Company and Liberum Capital that he/she has the right, power and authority, and has taken all action necessary, to make the application under the Open Offer and to execute, deliver and exercise his/her rights, and perform his/her obligations under any contracts resulting therefrom and that he/she is not a person otherwise prevented by legal or regulatory restrictions from applying for Open Offer Shares or acting on behalf of any such person on a non-discretionary basis;
- (ii) agrees with the Company and Liberum Capital that all applications under the Open Offer, and contracts resulting therefrom, and any non-contractual obligations related thereto, shall be governed by, and construed in accordance with, the laws of England;
- (iii) confirms to the Company and Liberum Capital that, in making the application, he/she is not relying on any information or representation other than that contained in this document, and the applicant accordingly agrees that no person responsible solely or jointly for this document or any part thereof, or involved in the preparation thereof, shall have any liability for any such information or representation not so contained and further agrees that, having had the opportunity to read this document, he/she will be deemed to have had notice of all information in relation to Company contained in this document (including information incorporated by reference);
- (iv) acknowledges that no person has been authorised to give any information or make any representation concerning the Company or the Group or the New Ordinary Shares (other than as contained in this document) and, if given or made, any such information or representation should not be and is not being relied upon as having been authorised by the Company and/or Liberum Capital;
- (v) represents and warrants to the Company and Liberum Capital that he/she is the Qualifying Shareholder originally entitled to the Open Offer Entitlements or, if he/she has received some or all of his/her Open Offer Entitlements from a person other than the Company, he/she is entitled to apply under the Open Offer in relation to such Open Offer Entitlements by virtue of a *bona fide* market claim;
- (vi) requests that the Open Offer Shares, to which he/she will become entitled be issued to him/her on the terms set out in this document and in the Application Form and subject to the articles of association of the Company;
- (vii) represents and warrants to the Company and Liberum Capital that he/she is not, nor is he/she applying on behalf of any person who is, in the United States or is a citizen or resident, or which is a corporation, partnership or other entity created or organised in or under any laws, of any Restricted Jurisdiction or any jurisdiction in which the application for Open Offer Shares is prevented by law and he/she is not applying with a view to re-offering, re-selling, transferring or delivering any of the Open Offer Shares which are the subject of his/her application in the United States or to, or for the benefit of, a person who is a citizen or resident or which is a corporation, partnership or other entity created or organised in or under any laws of any Restricted Jurisdiction or any jurisdiction in which the application for Open Offer Shares is prevented by law (except where proof satisfactory to the Company and Liberum Capital has been provided to the Company that he/she is able to accept the invitation by the Company free of any requirement which the Company and Liberum Capital (in their absolute discretion, regard as unduly burdensome), nor acting on behalf of any such person on a nondiscretionary basis nor (a) person(s) otherwise prevented by legal or regulatory restrictions from applying for Open Offer Shares under the Open Offer;
- (viii) acknowledges that the offer and sale of the Open Offer Shares to applicants has been made outside of the United States in an “offshore transaction” as defined in, and pursuant to, Regulation S under the US Securities Act;
- (ix) represents and warrants to the Company and Liberum Capital that he/she is not, and nor is he/she applying as, nominee or agent for, a person who is or may be liable to notify and account for tax under the Stamp Duty Reserve Tax Regulations 1986 at any of the increased rates referred to in sections 67, 70, 93 or 96 (depository receipts and clearance services) of the Finance Act 1986; and

- (x) confirms that, in making the application, he/she is not relying and has not relied on either the Company or Liberum Capital or any person affiliated with either of them in connection with any investigation of the accuracy of any information contained in this document or his/her investment decision.

**All enquiries in connection with the procedure for application and completion of the Application Form should be addressed to the Receiving Agent at Link Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU or you can contact the Receiving Agent, Link Asset Services, on the Shareholder helpline 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. – 5.30 p.m., Monday to Friday excluding public holidays in England and Wales. Please note that the Receiving Agent, Link Asset Services, cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.**

**Please note that Link Asset Services cannot provide any financial, legal or tax advice.**

Qualifying Non-CREST Shareholders who do not want to take up or apply for the Open Offer Shares under the Open Offer should take no action and should not complete or return the Application Form.

A Qualifying Non-CREST Shareholder who is also a CREST Member may elect to receive the Open Offer Shares to which he/she is entitled in uncertificated form in CREST.

Please see paragraph 4.2.5 below for more information.

#### **4.2 If you have Open Offer Entitlements and Excess CREST Open Offer Entitlements credited to your stock account in CREST in respect of your entitlement under the Open Offer:**

##### **4.2.1 General**

Subject as provided in paragraph 6 of this Part 3 in relation to certain Overseas Shareholders, each Qualifying CREST Shareholder will receive a credit to his/her stock account in CREST of his/her Open Offer Entitlements plus Excess CREST Open Offer Entitlements. This is not a cap on the amount of Excess CREST Open Offer Entitlements that a Qualifying CREST Shareholder can take up. If a Qualifying Shareholder wishes to apply for additional Open Offer Shares pursuant to the Excess Application Facility, such Qualifying CREST Shareholders should contact the Receiving Agent on the Link 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. – 5.30 p.m., Monday to Friday excluding public holidays in England and Wales. Please note that Link Asset Services cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes. should they wish to apply for additional Excess CREST Open Offer Entitlements so as to arrange for a further credit up to the maximum amount of New Ordinary Shares to be issued under the Excess Application Facility. Entitlements to Open Offer Shares will be rounded down to the nearest whole number and any Excess Open Offer Entitlements have therefore also been rounded down. Any fractional entitlements to New Ordinary Shares arising will be aggregated and made available under the excess Application Facility and/or to Conditional Places under the Conditional Placing.

The CREST stock account to be credited will be an account under the Participant ID and Member Account ID that apply to the Existing Ordinary Shares held on the Open Offer Record Date by the Qualifying CREST Shareholder in respect of which the Open Offer Entitlements and Excess CREST Open Offer Entitlements have been allocated.

If for any reason the Open Offer Entitlements and/or the Excess CREST Open Offer Entitlements cannot be admitted to CREST by, or the stock accounts of Qualifying CREST Shareholders cannot be credited by, 5.00 p.m. on 21 November 2017, or such later time and/or date as the Company may decide, an Application Form will be sent to each Qualifying CREST Shareholder in substitution for the Open Offer Entitlements and Excess CREST Open Offer Entitlements which should have been credited to his/her stock account in CREST. In these circumstances, the expected timetable as set out in this document will



be adjusted as appropriate and the provisions of this document applicable to Qualifying Non-CREST Shareholders with Application Forms will apply to Qualifying CREST Shareholders who receive such Application Forms.

CREST Members who wish to take-up some or all of their entitlements to Open Offer Shares and apply for Excess CREST Open Offer Entitlements should refer to the CREST Manual for further information on the CREST procedures referred to below. Should you need advice with regard to these procedures, please contact the Receiving Agent on the Shareholder helpline on Link 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. – 5.30 p.m., Monday to Friday excluding public holidays in England and Wales. Please note that Link Asset Services cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

Please note that, for legal reasons, the Shareholder helpline is only able to provide information contained in this document and information relating to the Company's register of members and is unable to give advice on the merits of the Open Offer, as to whether applicants should take up their Open Offer Entitlements or apply for Excess CREST Open Offer Entitlements or to provide legal, business, financial, tax or investment advice. If you are a CREST Sponsored Member you should consult your CREST Sponsor if you wish to apply for Open Offer Shares as only your CREST Sponsor will be able to take the necessary action to make this application in CREST.

#### 4.2.2 **Market claims**

Each of the Open Offer Entitlements and the Excess CREST Open Offer Entitlements will constitute a separate security for the purposes of CREST. Although Open Offer Entitlements and Excess CREST Open Offer Entitlements will be admitted to CREST and be enabled for settlement, applications in respect of Open Offer Entitlements and Excess CREST Open Offer Entitlements may only be made by the Qualifying Shareholder originally entitled or, in the case of Open Offer Entitlements only, by a person entitled by virtue of a *bona fide* market claim transaction. Qualifying CREST Shareholders claiming Excess Open Offer Entitlements by virtue of a *bona fide* market claim are advised to contact the Receiving Agent to request a credit of the appropriate number of entitlements to their CREST account.

#### 4.2.3 **Unmatched Stock Event (“USE”) instructions**

Qualifying CREST Shareholders who are CREST Members and who want to apply for Open Offer Shares in respect of all or some of their Open Offer Entitlements and their Excess CREST Open Offer Entitlements in CREST must send (or, if they are CREST Sponsored Members, procure that their CREST Sponsor sends) a USE instruction to Euroclear which, on its settlement, will have the following effect:

- (i) the crediting of a stock account of the Receiving Agent under the Participant ID and Member Account ID specified below, with a number of Open Offer Entitlements or Excess CREST Open Offer Entitlements corresponding to the number of Open Offer Shares applied for; and
- (ii) the creation of a CREST payment, in accordance with the CREST payment arrangements in favour of the payment bank of the Receiving Agent in respect of the amount specified in the USE instruction which must be the full amount payable on application for the number of Open Offer Shares referred to in paragraph 4.3.3(i) above.

#### 4.2.4 **Content of USE instructions in respect of Open Offer Entitlements**

The USE instruction must be properly authenticated in accordance with Euroclear's specifications and must contain, in addition to the other information that is required for settlement in CREST, the following details:

- (i) the number of Open Offer Shares for which application is being made (and hence the number of the Open Offer Entitlement(s) being delivered to the Receiving Agent);
- (ii) the ISIN of the Open Offer Entitlements. This is GB00BD4F6363;
- (iii) the CREST Participant ID of the accepting CREST Member;

- (iv) the CREST Member Account ID of the accepting CREST Member from which the Open Offer Entitlements are to be debited;
- (v) the Participant ID of the Receiving Agent, in its capacity as a CREST receiving agent. This is 7RA33;
- (vi) the Member Account ID of the Receiving Agent, in its capacity as a CREST receiving agent. This is 29427HOR;
- (vii) the amount payable by means of a CREST payment on settlement of the USE instruction. This must be the full amount payable on application for the number of Open Offer Shares referred to in paragraph 4.2.4(i) above;
- (viii) the intended settlement date. This must be on or before 11.00 a.m. on 4 December 2017; and
- (ix) the Corporate Action Number for the Open Offer. This will be available by viewing the relevant corporate action details in CREST.

In order for an application under the Open Offer to be valid, the USE instruction must comply with the requirements as to authentication and contents set out above and must settle on or before 11.00 a.m. on 4 December 2017.

In order to assist prompt settlement of the USE instruction, CREST Members (or their sponsors, where applicable) may consider adding the following non-mandatory fields to the USE instruction:

- (x) a contact name and telephone number (in the free format shared note field); and
- (xi) a priority of at least 80.

CREST Members and, in the case of CREST Sponsored Members, their CREST Sponsors, should note that the last time at which a USE instruction may settle on 4 December 2017 in order to be valid is 11.00 a.m. on that day.

In the event that the Placing, the Open Offer and the Acquisition do not all become unconditional by 8.00 a.m. on 7 December 2017 (or such later time and date as the Company and Liberum Capital agree and determine (being no later than 8.00 a.m. on 15 December 2017)), the Placing and Open Offer will lapse, the Open Offer Entitlements admitted to CREST will be disabled and the Receiving Agent will refund the amount paid by a Qualifying CREST Shareholder by way of a CREST payment, without interest, as soon as practicable but within 14 days thereafter.

#### **4.2.5 Content of USE instruction in respect of Excess CREST Open Offer Entitlements**

The USE instruction must be properly authenticated in accordance with Euroclear's specifications and must contain, in addition to the other information that is required for settlement in CREST, the following details:

- (i) the number of Open Offer Shares for which application is being made (and hence the number of Excess CREST Open Offer Entitlements being delivered to the Receiving Agent);
- (ii) the ISIN of the Excess CREST Open Offer Entitlement. This is GB00BD4F6470;
- (iii) the CREST Participant ID of the accepting CREST Member;
- (iv) the CREST Member Account ID of the accepting CREST Member from which the Excess CREST Open Offer Entitlements are to be debited;
- (v) the Participant ID of the Receiving Agent, in its capacity as a CREST Receiving Agent. This is 7RA33;
- (vi) the Member Account ID of the Receiving Agent, in its capacity as a CREST Receiving Agent. This is 29427HOR;
- (vii) the amount payable by means of a CREST payment on settlement of the USE instruction. This must be the full amount payable on application for the number of Open Offer Shares referred to in paragraph 4.2.5(i) above;
- (viii) the intended settlement date. This must be on or before 11.00 a.m. on 4 December 2017; and

- (ix) the Corporate Action Number for the Open Offer. This will be available by viewing the relevant corporate action details in CREST.

In order for an application in respect of an Excess CREST Open Offer Entitlements under the Open Offer to be valid, the USE instruction must comply with the requirements as to authentication and contents set out above and must settle on or before 11.00 a.m. on 4 December 2017.

In order to assist prompt settlement of the USE instruction, CREST Members (or their sponsors, where applicable) may consider adding the following non-mandatory fields to the USE instruction:

- (i) a contact name and telephone number (in the free format shared note field); and
- (ii) a priority of at least 80.

CREST Members and, in the case of CREST Sponsored Members, their CREST Sponsors, should note that the last time at which a USE instruction may settle on 4 December 2017 in order to be valid is 11.00 a.m. on that day. Please note that automated CREST generated claims and buyer protection will not be offered on the Excess CREST Open Offer Entitlements security.

In the event that the Placing and Open Offer and Acquisition do not all become unconditional by 8.00 a.m. on 7 December 2017 or such later time and date as the Company and Liberum Capital shall agree and determine (being no later than 8.00 a.m. on 15 December 2017), the Open Offer will lapse, the Open Offer Entitlements and Excess CREST Open Offer Entitlements admitted to CREST will be disabled and the Receiving Agent will refund the amount paid by a Qualifying CREST Shareholder by way of a CREST payment, without interest, as soon as practicable thereafter.

#### **4.2.6 Deposit of Open Offer Entitlements into, and withdrawal from, CREST**

A Qualifying Non-CREST Shareholder's entitlement under the Open Offer as shown by the number of Open Offer Entitlements set out in his/her Application Form may be deposited into CREST (either into the account of the Qualifying Shareholder named in the Application Form or into the name of a person entitled by virtue of a *bona fide* market claim), provided that such Qualifying Non-CREST Shareholder is also a CREST Member. Similarly, Open Offer Entitlements and Excess CREST Open Offer Entitlements held in CREST may be withdrawn from CREST so that the entitlement under the Open Offer and entitlement to apply under the Excess Application Facility is reflected in an Application Form. Normal CREST procedures (including timings) apply in relation to any such deposit or withdrawal, subject (in the case of a deposit into CREST) as set out in the Application Form.

A holder of an Application Form who is proposing to deposit the entitlement set out in such form into CREST is recommended to ensure that the deposit procedures are implemented in sufficient time to enable the person holding or acquiring the Open Offer Entitlements and the entitlement to apply under the Excess Application Facility following their deposit into CREST to take all necessary steps in connection with taking up such entitlements prior to 3.00 p.m. on 29 November 2017. After depositing their Open Offer Entitlement into their CREST account, CREST holders will, shortly thereafter, receive a credit for their Excess CREST Open Offer Entitlement, which will be managed by the Registrar.

In particular, having regard to normal processing times in CREST and on the part of the Receiving Agent, the recommended latest time for depositing an Application Form with the CREST Courier and Sorting Service, where the person entitled wishes to hold the entitlement under the Open Offer set out in such Application Form as Open Offer Entitlements and Excess CREST Open Offer Entitlements in CREST, is 3.00 p.m. on 29 November 2017, and the recommended latest time for receipt by Euroclear of a dematerialised instruction requesting withdrawal of Open Offer Entitlements and Excess CREST Open Offer Entitlements from CREST is 4.30 p.m. on 28 November 2017, in either case so as to enable the person acquiring or (as appropriate) holding the Open Offer Entitlements and the entitlement to apply under the Excess Application Facility following the deposit or withdrawal (whether as shown in an Application Form or held in CREST) to take all necessary steps in connection with applying in respect of the Open Offer Entitlements and the entitlement to apply under the Excess Application Facility, as the case may be, prior to 11.00 a.m. on 4 December 2017.

Delivery of an Application Form with the CREST deposit form duly completed, whether in respect of a deposit into the account of the Qualifying Shareholder named in the Application Form or into the name of another person, shall constitute a representation and warranty to the Company, Liberum Capital and the Receiving Agent by the relevant CREST Member(s) that it/they is/are not in breach of the provisions of the notes under the paragraph headed “**Instructions for depositing Open Offer Entitlements into CREST**” on page 3 of the Application Form, and a declaration to the Company, Liberum Capital and the Receiving Agent from the relevant CREST Member(s) that it/they is/are not in the United States or citizen(s) or resident(s) of any Restricted Jurisdiction or any jurisdiction in which the application for Open Offer Shares is prevented by law and, where such deposit is made by a beneficiary of a market claim, a representation and warranty that the relevant CREST Member(s) is/are entitled to apply under the Open Offer by virtue of a *bona fide* market claim.

#### 4.2.7 **Validity of application**

A USE instruction complying with the requirements as to authentication and contents set out above which settles by no later than 11.00 a.m. on 4 December 2017 will constitute a valid application under the Open Offer.

#### 4.2.8 **CREST procedures and timings**

**CREST Members and (where applicable) their CREST Sponsors 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 relation to the input of a USE instruction and its settlement in connection with the Open Offer. It is the responsibility of the CREST Member concerned to take (or, if the CREST Member is a CREST Sponsored Member, to procure that his CREST Sponsor takes) such action as shall be necessary to ensure that a valid application is made as stated above by 11.00 a.m. on 4 December 2017. In this connection CREST Members and (where applicable) their CREST Sponsors are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.**

#### 4.2.9 **Incorrect or incomplete applications**

If a USE instruction includes a CREST payment for an incorrect sum, the Company and the Receiving Agent, reserves the right:

- (i) to reject the application in full and refund the payment to the CREST Member in question (without interest);
- (ii) in the case that an insufficient sum is paid, to treat the application as a valid application for such lesser whole number of Open Offer Shares as would be able to be applied for with that payment at the Issue Price, refunding any unutilised sum to the CREST Member in question (without interest); and
- (iii) in the case that an excess sum is paid, to treat the application as a valid application for all the Open Offer Shares referred to in the USE instruction, refunding any unutilised sum to the CREST Member in question (without interest).

#### 4.2.10 **The Excess Application Facility**

Provided they choose to take up their Open Offer Entitlement in full, the Excess Application Facility enables Qualifying CREST Shareholders to apply for Open Offer Shares in excess of their Open Offer Entitlements.

If applications under the Excess Application Facility are received for more than the total number of Open Offer Shares available following take up of Open Offer Entitlements, such applications may be allocated in such manner as the Directors may determine, in their absolute discretion, and no assurance can be given that any applications under the Excess Application Facility by Qualifying Shareholders will be met in full or in part or at all.

Qualifying CREST Shareholders will receive a credit to his/her stock account in CREST of Excess CREST Open Offer Entitlements. This is not a cap on the amount of Excess CREST Open Offer Entitlements that a Qualifying CREST Shareholder can take up. Qualifying CREST Shareholders should contact the Receiving Agent Link 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. – 5.30 p.m., Monday to Friday excluding public holidays in England and Wales. Please note that Link Asset Services cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes should they wish to apply for additional Excess CREST Open Offer Entitlements.

To apply for excess Open Offer Shares pursuant to the Open Offer, Qualifying CREST Shareholders should follow the instructions above and must not return a paper form and cheque.

Should a transaction be identified by the CREST Claims Processing Unit as “cum” the Open Offer Entitlement and the relevant Open Offer Entitlement(s) be transferred, the Excess CREST Open Offer Entitlements will not transfer with the Open Offer Entitlement(s) claim, but will be transferred as a separate claim. Should a Qualifying CREST Shareholder cease to hold all of his/her Existing Ordinary Shares as a result of one or more *bona fide* market claims, the Excess CREST Open Offer Entitlement credited to CREST and allocated to the relevant Qualifying Shareholder will be transferred to the purchaser. Please note that an additional USE instruction must be sent in respect of any application under the Excess CREST Open Offer Entitlement.

Qualifying CREST Shareholders claiming Excess Open Offer Entitlements by virtue of a *bona fide* market claim are advised to contact the Receiving Agent to request a credit of the appropriate number of entitlements to their CREST account.

Should the Placing, the Open Offer and the Acquisition all become unconditional and applications for Open Offer Shares by Qualifying Shareholders under the Open Offer exceed the total number of Open Offer Shares available following take up of Open Offer Entitlements, resulting in a scale back of applications under the Excess Application Facility, each Qualifying CREST Shareholder who has made a valid application pursuant to his/her Excess CREST Open Offer Entitlements and from whom payment in full for the excess Open Offer Shares has been received, will receive a pounds sterling amount equal to the number of Open Offer Shares validly applied and paid for but which are not allocated to the relevant Qualifying CREST Shareholder multiplied by the Issue Price. Monies will be returned as soon as reasonably practicable, but within 14 days, following the completion of the scale back, without payment of interest and at the applicant’s sole risk. Fractions of Open Offer Shares will be made available under Excess Application Facility and fractions of Open Offer Shares will be rounded down to the nearest whole number.

#### **4.2.11 Effect of a valid application**

A CREST Member who makes or is treated as making a valid application in accordance with the above procedures will thereby:

- (i) represent and warrant to the Company and to Liberum Capital that he/she has the right, power and authority, and has taken all action necessary, to make the application under the Open Offer and to execute, deliver and exercise his/her rights, and perform his/her obligations, under any contracts resulting therefrom and that he/she is not a person otherwise prevented by legal or regulatory restrictions from applying for Open Offer Shares or acting on behalf of any such person on a non-discretionary basis;
- (ii) agree to pay the amount payable on application in accordance with the above procedures by means of a CREST payment in accordance with the CREST payment arrangements (it being acknowledged that the payment to the Receiving Agent’s payment bank in accordance with the CREST payment arrangements shall, to the extent of the payment, discharge in full the obligation of the CREST Member to pay to the Company the amount payable on application);
- (iii) agree with the Company and Liberum Capital that all applications under the Open Offer and contracts resulting therefrom and any non-contractual obligations related thereto shall be governed by, and construed in accordance with, the laws of England;
- (iv) confirm to the Company and Liberum Capital that, in making the application, he/she is not relying on any information or representation in relation to the Company other than that contained in this document, and the applicant accordingly agrees that no person responsible solely or jointly for this document or any part thereof, or involved in the

preparation thereof, shall have any liability for any such information or representation not so contained and further agrees that, having had the opportunity to read this document, he/she will be deemed to have had notice of all the information in relation to the Company contained in this document (including information incorporated by reference);

- (v) confirm to the Company and Liberum Capital that no person has been authorised to give any information or make any representation concerning the Company or the Group or the New Ordinary Shares (other than that contained in this document) and if given or made any such information or representation should not be relied upon as having been authorised by the Company and Liberum Capital;
- (vi) represent and warrant to the Company and to Liberum Capital that he/she is the Qualifying Shareholder originally entitled to the Open Offer Entitlements and Excess Open Offer Entitlements or, if he/she has received some or all of his/her Open Offer Entitlements and Excess Open Offer Entitlements from a person other than the Company, that he/she is entitled to apply under the Open Offer in relation to such Open Offer Entitlements and Excess Open Offer Entitlements by virtue of a *bona fide* market claim;
- (vii) request that the Open Offer Shares to which he/she will become entitled, be issued to him/her on the terms set out in this document and, in the case of Qualifying Non-CREST Shareholders, also the Application Form, subject to the memorandum of association and articles of association of the Company;
- (viii) represent and warrant to the Company and Liberum Capital that he/she is not, nor is he/she applying on behalf of any Shareholder who is, in the United States or is a citizen or resident, or which is a corporation, partnership or other entity created or organised in or under any laws, of any Restricted Jurisdiction or any jurisdiction in which the application for Open Offer Shares is prevented by law and he/she is not applying with a view to re-offering, re-selling, transferring or delivering any of the Open Offer Shares which are the subject of his/her application in the United States or to, or for the benefit of, a Shareholder who is a citizen or resident or which is a corporation, partnership or other entity created or organised in or under any laws of any Restricted Jurisdiction or any jurisdiction in which the application for Open Offer Shares is prevented by law (except where proof satisfactory to the Company and Liberum Capital has been provided to the Company and Liberum Capital that he/she is able to accept the invitation by the Company free of any requirement which the Company or Liberum Capital (in their absolute discretion) regard as unduly burdensome), nor acting on behalf of any such person on a non-discretionary basis nor (a) person(s) otherwise prevented by legal or regulatory restrictions from applying for Open Offer Shares under the Open Offer;
- (ix) represent and warrant to the Company and Liberum Capital that he/she is not, and nor is he/she applying as nominee or agent for, a person who is or may be liable to notify and account for tax under the Stamp Duty Reserve Tax Regulations 1986 at any of the increased rates referred to in sections 67, 70, 93 or 96 (depository receipts and clearance services) of the Finance Act 1986; and
- (x) confirm to the Company and Liberum Capital that in making the application he/she is not relying and has not relied on the Company, Liberum Capital or any person affiliated with the Company and/or Liberum Capital in connection with any investigation of the accuracy of any information contained in this document or his/her investment decision.

#### **4.2.12 Company's discretion as to the rejection and validity of applications**

The Company may in its sole discretion:

- (i) treat as valid (and binding on the CREST Member concerned) an application which does not comply in all respects with the requirements as to validity set out or referred to in this Part 3;

- (ii) accept an alternative properly authenticated dematerialised instruction from a CREST Member or (where applicable) a CREST Sponsor as constituting a valid application in substitution for or in addition to a USE instruction and subject to such further terms and conditions as the Company may determine;
- (iii) treat a properly authenticated dematerialised instruction (in this sub-paragraph the “**first instruction**”) as not constituting a valid application if, at the time at which the Registrar receives a properly authenticated dematerialised instruction giving details of the first instruction or thereafter, either the Company or the Receiving Agent has received actual notice from Euroclear of any of the matters specified in Regulation 35(5)(a) of the CREST Regulations in relation to the first instruction. These matters include notice that any information contained in the first instruction was incorrect or notice of lack of authority to send the first instruction; and
- (iv) accept an alternative instruction or notification from a CREST Member or CREST Sponsored Member or (where applicable) a CREST Sponsor, or extend the time for settlement of a USE instruction or any alternative instruction or notification, in the event that, for reasons or due to circumstances outside the control of any CREST Member or CREST Sponsored Member or (where applicable) CREST Sponsor, the CREST Member or CREST Sponsored Member is unable validly to apply for Open Offer Shares by means of the above procedures. In normal circumstances, this discretion is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or any part of CREST) or on the part of the facilities and/or systems operated by the Receiving Agent in connection with CREST.

#### 4.2.13 *Withdrawal rights*

Persons wishing to exercise statutory withdrawal rights pursuant to section 87Q(4) of FSMA after the publication by the Company of a prospectus supplementing this document must do so by lodging a written notice of withdrawal (which shall include a notice sent by any form of electronic communication) or by emailing [withdraw@linkgroup.co.uk](mailto:withdraw@linkgroup.co.uk) with the Receiving Agent, by post to the Receiving Agent at Link Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU so as to be sent, not later than two Business Days after the date on which the supplementary prospectus is published. Notice of withdrawal given by any other means or which is deposited with or received by the Receiving Agent after expiry of such period will not constitute a valid withdrawal

#### 4.2.14 *Lapse of the Open Offer*

In the event that the Open Offer does not become unconditional by 8.00 a.m. on 7 December 2017 or such later time and date as the Company and Liberum Capital may determine (being no later than 8.00 a.m. on 15 December 2017), the Open Offer will lapse, the Open Offer Entitlements admitted to CREST will be disabled and the Receiving Agent will refund the amount paid by a Qualifying CREST Shareholder by way of a CREST payment, without interest, as soon as practicable, but within 14 days, thereafter.

## 5 MONEY LAUNDERING REGULATIONS

### 5.1 Holders of Application Forms

To ensure compliance with the Money Laundering Regulations, the Receiving Agent may require, at its absolute discretion, verification of the identity of the person by whom or on whose behalf the Application Form is lodged with payment (which requirements are referred to below as the “**verification of identity requirements**”). If the Application Form is submitted by a UK regulated broker or intermediary acting as agent and which is itself subject to the Money Laundering Regulations, any verification of identity requirements are the responsibility of such broker or intermediary and not of the Receiving Agent. In such case, the lodging agent’s stamp should be inserted on the Application Form.

The person lodging the Application Form with payment and in accordance with the other terms as described above (the “**acceptor**”), including any person who appears to the Receiving Agent to be acting on behalf of some other person, accepts the Open Offer in respect of such number of Open Offer Shares as is referred to therein (for the purposes of this paragraph 5 the “**relevant Open Offer Shares**”) shall thereby be deemed to agree to provide the Receiving Agent with such information and other evidence as the Receiving Agent may require to satisfy the verification of identity requirements.

If the Receiving Agent determines that the verification of identity requirements apply to any acceptor or application, the relevant Open Offer Shares (notwithstanding any other term of the Open Offer) will not be issued to the relevant acceptor unless and until the verification of identity requirements have been satisfied in respect of that acceptor or application. The Receiving Agent is entitled, in its absolute discretion, to determine whether the verification of identity requirements apply to any acceptor or application and whether such requirements have been satisfied, and neither the Receiving Agent nor the Company will be liable to any person for any loss or damage suffered or incurred (or alleged), directly or indirectly, as a result of the exercise of such discretion. If the verification of identity requirements apply, failure to provide the necessary evidence of identity within a reasonable time may result in delays in the despatch of share certificates or in crediting CREST accounts. If, within a reasonable time following a request for verification of identity, the Receiving Agent has not received evidence satisfactory to it as aforesaid, the Company may, in its absolute discretion, treat the relevant application as invalid, in which event the monies payable on acceptance of the Open Offer will be returned (at the acceptor's risk) without interest to the account of the bank or building society on which the relevant cheque or banker's draft was drawn.

Submission of an Application Form with the appropriate remittance will constitute a warranty to each of the Company and the Receiving Agent from the applicant that the Money Laundering Regulations will not be breached by application of such remittance.

The verification of identity requirements will not usually apply:

- (i) if the applicant is an organisation required to comply with the Money Laundering Directive (the Council Directive on prevention of the use of the financial system for the purpose of money laundering (no. 91/308/EEC));
- (ii) if the acceptor is a regulated United Kingdom broker or intermediary acting as agent and is itself subject to the Money Laundering Regulations;
- (iii) if the applicant (not being an applicant who delivers his application in person) makes payment by way of a cheque drawn on an account in the applicant's name; or
- (iv) if the aggregate subscription price for the Open Offer Shares is less than €15,000 (approximately £13,391.40 as at 16 November 2017 (being the latest practicable date prior to publication of this document)).

In the case of (iv) above, if the value at the Issue Price of the Open Offer Shares for which you are applying does not exceed fifteen thousand euros (€15,000) (or the sterling equivalent) (and is not one of a series of linked applications, the aggregate value of which exceeds that amount), you will not be required to satisfy the verification of identity requirements described below. However, if such a value exceeds that amount, then failure to provide the necessary evidence of identity may result in your application being treated as invalid or in delaying acceptance of your application. In order to avoid this, all payments should be made by means of a cheque drawn by the person named in the Application Form (or one of such persons). If this is not practicable and you use a cheque drawn by a third party (for example, a building society cheque or banker's draft), you should:

- (i) write the name, address and date of birth of the person named on the Application Form (or one of such persons) on the back of the cheque, building society cheque or banker's draft;
- (ii) if a building society cheque or banker's draft is used, ask the building society or bank to: (i) insert on the cheque or banker's draft the full name and account number of the account holder whose building society or bank account is being debited on the cheque or banker's draft; and (ii) add the building society or bank branch stamp;
- (iii) if you are making the application as agent for one or more persons, indicate on the Application Form whether you are a UK or EC regulated person or institution (e.g. a bank or broker) and specify your status. If you are not a UK or EC regulated person or institution, you should contact the Receiving Agent, Link Asset Services, at Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.



In other cases the verification of identity requirements may apply. Satisfaction of these requirements may be facilitated in the following ways:

- if payment is made by cheque or banker's draft in sterling drawn on a branch in the United Kingdom of a bank or building society which bears a UK bank sort code number in the top right hand corner the following applies. Cheques, should be made payable to "**Link Market Services Limited re Hornby PLC Open Offer A/C**" in respect of an application by a Qualifying Shareholder and crossed "**A/C Payee Only**". Third party cheques may not be accepted with the exception of building society cheques or banker's drafts where the building society or bank has confirmed the name of the account holder by stamping or endorsing the cheque/banker's draft to such effect. The account name should be the same as that shown on the Application Form; or
- if the Application Form is lodged with payment by an agent which is an organisation of the kind referred to in (i) above or which is subject to anti-money laundering regulation in a country which is a member of the Financial Action Task Force (the non-European Union members of which are Argentina, Australia, Brazil, Canada, China, Gibraltar, Hong Kong, Iceland, Japan, Mexico, New Zealand, Norway, the Russian Federation, Singapore, South Africa, Switzerland, Turkey, UK Crown Dependencies and the US and, by virtue of their membership of the Gulf Cooperation Council, Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates), the agent should provide with the Application Form written confirmation that it has that status and a written assurance that it has obtained and recorded evidence of the identity of the person for whom it acts and that it will on demand make such evidence available to the Registrar. If the agent is not such an organisation, it should contact the Registrar.

To confirm the acceptability of any written assurance referred to above, or in any other case, the acceptor should contact the Receiving Agent, Link 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. – 5.30 p.m., Monday to Friday excluding public holidays in England and Wales. Please note that Link Asset Services cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes

If the Application Form(s) is/are in respect of Open Offer Shares with an aggregate subscription price of €15,000 (approximately £13,391.40 as at 16 November 2017 (being the latest practicable date prior to publication of this document)) or more and is/are lodged by hand by the acceptor in person, or if the Application Form(s) in respect of Open Offer Shares is/are lodged by hand by the acceptor and the accompanying payment is not the acceptor's own cheque, he or she should ensure that he or she has with him or her evidence of identity bearing his or her photograph (for example, his or her passport) and separate evidence of his or her address. If, within a reasonable period of time following a request for verification of identity, and in any case by no later than 11.00 a.m. on 4 December 2017, the Receiving Agent has not received evidence satisfactory to it as aforesaid, the Registrar may, at its discretion, as agent of the Company, reject the relevant application, in which event the monies submitted in respect of that application will be returned without interest to the account at the drawee bank from which such monies were originally debited (without prejudice to the rights of the Company to undertake proceedings to recover monies in respect of the loss suffered by it as a result of the failure to produce satisfactory evidence as aforesaid).

## 5.2 **Open Offer Entitlements and Excess CREST Open Offer Entitlements in CREST**

If you hold your Open Offer Entitlements and Excess CREST Open Offer Entitlements in CREST and apply for Open Offer Shares in respect of some or all of your Open Offer Entitlements and Excess CREST Open Offer Entitlements as agent for one or more persons and you are not a UK or EU regulated person or institution (e.g. a UK financial institution), then, irrespective of the value of the application, the Receiving Agent is obliged to take reasonable measures to establish the identity of the person or persons on whose behalf you are making the application. You must therefore contact the Receiving Agent before sending any USE or other instruction so that appropriate measures may be taken. Submission of a USE instruction which on its settlement constitutes a valid application as described above

constitutes a warranty and undertaking by the applicant to provide promptly to the Registrar such information as may be specified by the Receiving Agent as being required for the purposes of the Money Laundering Regulations. Pending the provision of evidence satisfactory to the Receiving Agent as to identity, the Receiving Agent may in its absolute discretion take, or omit to take, such action as it may determine to prevent or delay issue of the Open Offer Shares concerned. If satisfactory evidence of identity has not been provided within a reasonable time, then the application for the Open Offer Shares represented by the USE instruction will not be valid. This is without prejudice to the right of the Company to take proceedings to recover any loss suffered by it as a result of failure to provide satisfactory evidence.

## **6 OVERSEAS SHAREHOLDERS**

**The comments set out in this paragraph 6 are intended as a general guide only and any Overseas Shareholders who are in any doubt as to their position should consult their professional advisers without delay.**

### **6.1 General**

**The distribution of this document and the making of the Open Offer to persons who have registered addresses in, or who are resident or ordinarily resident in, or citizens of, or which are corporations, partnerships or other entities created or organised under the laws of countries other than the United Kingdom or to persons who are nominees of or custodians, trustees or guardians for citizens, residents in or nationals of, countries other than the United Kingdom may be affected by the laws or regulatory requirements of the relevant jurisdictions. Those persons should consult their professional advisers as to whether they require any governmental or other consents or need to observe any applicable legal requirement or other formalities to enable them to apply for Open Offer Shares under the Open Offer.**

It is also the responsibility of all persons (including, without limitation, custodians, nominees, agents and trustees) outside the United Kingdom wishing to take up their entitlements under the Open Offer to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental or other consents which may be required, the compliance with other necessary formalities and the payment of any issue, transfer or other taxes due in such jurisdiction.

No public offer of New Ordinary Shares is being made by virtue of this document or the Application Form on or into any jurisdiction outside the United Kingdom in which such offer would be unlawful. No action has been or will be taken by the Company, Liberum Capital or any other person, to permit a public offering or distribution of this document (or any other offering or publicity materials or application form(s) relating to the Open Offer Shares) in any jurisdiction where action for that purpose may be required, other than in the United Kingdom.

Receipt of this document and/or an Application Form and/or a credit of Open Offer Entitlements or Excess CREST Open Offer Entitlements to a stock account in CREST will not constitute an invitation or offer of securities for subscription, sale or purchase in those jurisdictions in which it would be illegal to make such an invitation or offer and, in those circumstances, this document and/or the Application Form must be treated as sent for information purposes only and should not be copied or redistributed.

Application Forms will not be sent to, and Open Offer Entitlements and Excess CREST Open Offer Entitlements will not be credited to stock accounts in CREST of, persons with registered addresses in the United States or a Restricted Jurisdiction or their agent or intermediary, except where the Company and Liberum Capital are satisfied that such action would not result in the contravention of any registration or other legal requirement in any jurisdiction. No person receiving a copy of this document and/or an Application Form and/or a credit of Open Offer Entitlements or Excess CREST Open Offer Entitlements to a stock account in CREST in any territory other than the United Kingdom may treat the same as constituting an invitation or offer to him or her, nor should he or she in any event use any such Application Form and/or credit of Open Offer Entitlements or Excess CREST Open Offer Entitlements to a stock account in CREST unless, in the relevant territory, such an invitation or offer could lawfully be made to him or her and such Application Form and/or

credit of Open Offer Entitlements or Excess CREST Open Offer Entitlements to a stock account in CREST could lawfully be used, and any transaction resulting from such use could be effected, without contravention of any registration or other legal or regulatory requirements. In circumstances where an invitation or offer would contravene any registration or other legal or regulatory requirements, this document and/or the Application Form must be treated as sent for information purposes only and should not be copied or redistributed. It is the responsibility of any person (including, without limitation, custodians, agents, nominees and trustees) outside the United Kingdom wishing to apply for Open Offer Shares under the Open Offer to satisfy himself or herself as to the full observance of the laws of any relevant territory in connection therewith, including obtaining any governmental or other consents that may be required, observing any other formalities required to be observed in such territory and paying any issue, transfer or other taxes due in such territory. Neither the Company nor any of its representatives, is making any representation to any offeree or purchaser of the Open Offer Shares regarding the legality of an investment in the Open Offer Shares by such offeree or purchaser under the laws applicable to such offeree or purchaser. Persons (including, without limitation, custodians, agents, nominees and trustees) receiving a copy of this document and/or an Application Form and/or a credit of Open Offer Entitlements or Excess CREST Open Offer Entitlements to a stock account in CREST, in connection with the Open Offer or otherwise, should not distribute or send either of those documents nor transfer Open Offer Entitlements or Excess CREST Open Offer Entitlements in or into any jurisdiction where to do so would or might contravene local securities laws or regulations. If a copy of this document and/or an Application Form and/or a credit of Open Offer Entitlements or Excess CREST Open Offer Entitlements to a stock account in CREST is received by any person in any such territory, or by his or her custodian, agent, nominee or trustee, he or she must not seek to apply for Open Offer Shares in respect of the Open Offer unless the Company and/or Liberum Capital determine that such action would not violate applicable legal or regulatory requirements. Any person (including, without limitation, custodians, agents, nominees and trustees) who does forward a copy of this document and/or an Application Form and/or transfers Open Offer Entitlements or Excess CREST Open Offer Entitlements into any such territory, whether pursuant to a contractual or legal obligation or otherwise, should draw the attention of the recipient to the contents of this Part 3 and specifically the contents of this paragraph 6. The Company reserves the right to treat as invalid any application or purported application for Open Offer Shares that appears to the Company or its agents to have been executed, effected or dispatched from the United States or a Restricted Jurisdiction or in a manner that may involve a breach of the laws or regulations of any jurisdiction or if the Company or its agents believe that the same may violate applicable legal or regulatory requirements or if it provides an address for delivery of the share certificates for the Open Offer Shares or in the case of a credit of Open Offer Entitlements or Excess CREST Open Offer Entitlements to a stock account in CREST, to a CREST Member whose registered address would be, in the United States or a Restricted Jurisdiction or any other jurisdiction outside the United Kingdom in which it would be unlawful to deliver such share certificates or make such a credit.

The attention of Overseas Shareholders is drawn to this paragraph 6. Notwithstanding any other provision of this document or the relevant Application Form, the Company reserves the right to permit any person to apply for Open Offer Shares in respect of the Open Offer if the Company, in its sole and absolute discretion, is satisfied that the transaction in question is exempt from, or not subject to, the legislation or regulations giving rise to the restrictions in question. Overseas Shareholders who wish, and are permitted, to apply for Open Offer Shares should note that payment must be made in sterling denominated cheques or banker's drafts or where such Overseas Shareholder is a Qualifying CREST Shareholder, through CREST. Due to restrictions under the securities laws of the United States and the Restricted Jurisdictions, and subject to certain exceptions, Qualifying Shareholders in the United States or who have registered addresses in, or who are resident or ordinarily resident in, or citizens of, any Restricted Jurisdiction will not qualify to participate in the Open Offer and will not be sent an Application Form nor will their stock accounts in CREST be credited with Open Offer Entitlements. No public offer of Open Offer Shares is being made by virtue of this document or the Application Forms into the United States or any Restricted Jurisdiction. Receipt of this document and/or an Application Form and/or a credit of an Open Offer Entitlement to a stock account in CREST will not constitute an invitation or offer of

securities for subscription, sale or purchase in those jurisdictions in which it would be illegal to make such an invitation or offer and, in those circumstances, this document and/or the Application Form must be treated as sent for information purposes only and should not be copied or redistributed.

## 6.2 **United States**

The Open Offer Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and, accordingly, may not be offered or sold, re-sold, taken up, transferred, delivered or distributed, directly or indirectly, within the United States except in reliance on an exemption from the registration requirements of the Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States.

Accordingly, the Company is not extending the Open Offer into the United States unless an exemption from the registration requirements of the Securities Act is available and, subject to certain exceptions, neither this document nor the Application Form constitutes or will constitute an offer or an invitation to apply for or an offer or an invitation to acquire any Open Offer Shares in the United States. Subject to certain exceptions, neither this document nor an Application Form will be sent to, and no Open Offer Shares will be credited to a stock account in CREST of, any Qualifying Shareholder with a registered address in the United States. Subject to certain exceptions, Application Forms sent from or postmarked in the United States will be deemed to be invalid and all persons acquiring Open Offer Shares and wishing to hold such Open Offer Shares in registered form must provide an address for registration of the Open Offer Shares issued upon exercise thereof outside the United States. Subject to certain exceptions, any person who acquires Open Offer Shares will be deemed to have declared, warranted and agreed, by accepting delivery of this document or the Application Form and delivery of the Open Offer Shares, that they are not, and that at the time of acquiring the Open Offer Shares they will not be, in the United States or acting on behalf of, or for the account or benefit of a person on a nondiscretionary basis in the United States or any state of the United States. The Company reserves the right to treat as invalid any Application Form that appears to the Company or its agents to have been executed in, or despatched from, the United States, or that provides an address in the United States for the receipt of Open Offer Shares, or which does not make the warranty set out in the Application Form to the effect that the person completing the Application Form does not have a registered address and is not otherwise located in the United States and is not acquiring the Open Offer Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such Open Offer Shares in the United States or where the Company believes acceptance of such Application Form may infringe applicable legal or regulatory requirements. The Company will not be bound to allot or issue any Open Offer Shares to any person with an address in, or who is otherwise located in, the United States in whose favour an Application Form or any Open Offer Shares may be transferred. In addition, the Company reserves the right to reject any USE instruction sent by or on behalf of any CREST Member with a registered address in the United States in respect of the Open Offer Shares. In addition, until 45 days after the commencement of the Open Offer, an offer, sale or transfer of the Open Offer Shares within the United States by a dealer (whether or not participating in the Placing and Open Offer) may violate the registration requirements of the Securities Act.

## 6.3 **Restricted Jurisdictions**

Due to restrictions under the securities laws of the Restricted Jurisdictions and subject to certain exemptions, Shareholders who have registered addresses in, or who are resident or ordinarily resident in, or citizens of, any Restricted Jurisdiction will not qualify to participate in the Open Offer and will not be sent an Application Form nor will their stock accounts in CREST be credited with Open Offer Entitlements or Excess CREST Open Offer Entitlements. The Open Offer Shares have not been and will not be registered under the relevant laws of any Restricted Jurisdiction or any state, province or territory thereof and may not be offered, sold, resold, delivered or distributed, directly or indirectly, in or into any Restricted Jurisdiction or to, or for the account or benefit of, any person with a registered address in, or who is resident or ordinarily resident in, or a citizen of, any Restricted

Jurisdiction except pursuant to an applicable exemption. No offer of Open Offer Shares is being made by virtue of this document or the Application Form into any Restricted Jurisdiction.

#### 6.4 **Other overseas territories**

Application Forms will be sent to Qualifying Non-CREST Shareholders and Open Offer Entitlements and Excess CREST Open Offer Entitlements will be credited to the stock account in CREST of Qualifying CREST Shareholders. Qualifying Shareholders in jurisdictions other than the United States or the Restricted Jurisdictions may, subject to the laws of their relevant jurisdiction, take up Open Offer Shares under the Open Offer in accordance with the instructions set out in this document and the Application Form.

Qualifying Shareholders who have registered addresses in, or who are resident or ordinarily resident in, or citizens of, countries other than the United Kingdom should, however, consult appropriate professional advisers as to whether they require any governmental or other consents or need to observe any further formalities to enable them to apply for any Open Offer Shares in respect of the Open Offer.

#### 6.5 **Representations and warranties relating to Overseas Shareholders**

##### 6.5.1 ***Qualifying Non-CREST Shareholders***

Any person completing and returning an Application Form or requesting registration of the Open Offer Shares comprised therein represents and warrants to the Company and the Registrar that, except where proof has been provided to the Company's satisfaction that such person's use of the Application Form will not result in the contravention of any applicable legal requirements in any jurisdiction: (i) such person is not requesting registration of the relevant Open Offer Shares from within the United States or any Restricted Jurisdiction; (ii) such person is not in any territory in which it is unlawful to make or accept an offer to acquire Open Offer Shares in respect of the Open Offer or to use the Application Form in any manner in which such person has used or will use it; (iii) such person is not acting on a non-discretionary basis for a person located within any Restricted Jurisdiction (except as agreed with the Company) or any territory referred to in (ii) above at the time the instruction to accept was given; and (iv) such person is not acquiring Open Offer Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such Open Offer Shares into any of the above territories. The Company and/or the Registrar may treat as invalid any acceptance or purported acceptance of the allotment of Open Offer Shares comprised in an Application Form if it: (i) appears to the Company or its agents to have been executed, effected or dispatched from the United States or a Restricted Jurisdiction or in a manner that may involve a breach of the laws or regulations of any jurisdiction or if the Company or its agents believe that the same may violate applicable legal or regulatory requirements; or (ii) provides an address in the United States or a Restricted Jurisdiction for delivery of the share certificates for the Open Offer Shares (or any other jurisdiction outside the United Kingdom in which it would be unlawful to deliver such share certificates); or (iii) purports to exclude the warranty required by this sub-paragraph 6.5.1.

##### 6.5.2 ***Qualifying CREST Shareholders***

A CREST Member or CREST Sponsored Member who makes a valid acceptance in accordance with the procedures set out in this Part 3 represents and warrants to the Company and Liberum Capital that, except where proof has been provided to the Company's satisfaction that such person's acceptance will not result in the contravention of any applicable legal requirement in any jurisdiction:

- (i) he or she is not within the United States or any Restricted Jurisdiction;
- (ii) he or she is not in any territory in which it is unlawful to make or accept an offer to acquire Open Offer Shares;
- (iii) he or she is not accepting on a non-discretionary basis for a person located within any Restricted Jurisdiction (except as otherwise agreed with the Company) or any territory referred to in (ii) above at the time the instruction to accept was given; and
- (iv) he or she is not acquiring any Open Offer Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such Open Offer Shares into any of the above territories.

## 6.6 Waiver

The provisions of this paragraph 6 and of any other terms of the Open Offer relating to Overseas Shareholders may be waived, varied or modified as regards specific Shareholders or on a general basis by the Company in its absolute discretion. Subject to this, the provisions of this paragraph 6 supersede any terms of the Open Offer inconsistent herewith. References in this paragraph 6 to Shareholders shall include references to the person or persons executing an Application Form and, in the event of more than one person executing an Application Form, the provisions of this paragraph 6 shall apply to them jointly and to each of them.

## 7 ADMISSION, SETTLEMENT AND DEALINGS

The result of the Open Offer is expected to be announced on 5 December 2017. Application will be made to the London Stock Exchange for the Open Offer Shares to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings in the Open Offer Shares, fully paid, will commence at 8.00 a.m. on 7 December 2017. The Existing Ordinary Shares are already admitted to CREST. No further application for admission to CREST is accordingly required for the Open Offer Shares. All such shares, when issued and fully paid, may be held and transferred by means of CREST. Open Offer Entitlements and Excess CREST Open Offer Entitlements held in CREST are expected to be disabled in all respects after 11.00 a.m. on 4 December 2017 (the latest date for applications under the Open Offer).

If the condition(s) to the Open Offer described above are satisfied, Open Offer Shares will be issued in uncertificated form to those persons who submitted a valid application for Open Offer Shares by utilising the CREST application procedures and whose applications have been accepted by the Company (expected to be 11.00 a.m. on 4 December 2017). On this day, the Registrar will instruct Euroclear to credit the appropriate stock accounts of such persons with such persons' entitlements to Open Offer Shares with effect from Admission (expected to be 8.00 a.m. on 7 December 2017). The stock accounts to be credited will be accounts under the same CREST Participant IDs and CREST Member Account IDs in respect of which the USE instruction was given.

Notwithstanding any other provision of this document, the Company reserves the right to send Qualifying CREST Shareholders an Application Form instead of crediting the relevant stock account with Open Offer Entitlements and Excess CREST Open Offer Entitlements, and to allot and/or issue any Open Offer Shares in certificated form. In normal circumstances, this right is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or of any part of CREST) or on the part of the facilities and/or systems operated by the Registrar in connection with CREST.

For Qualifying Non-CREST Shareholders who have applied by using an Application Form, share certificates in respect of the Open Offer Shares validly applied for (including excess Open Offer Shares successfully applied for under the Excess Application Facility) are expected to be despatched by post by 15 December 2017. No temporary documents of title will be issued and, pending the issue of definitive certificates, transfers will be certified against the share register of the Company. All documents or remittances sent by or to applicants, or as they may direct, will be sent through the post at their own risk. For more information as to the procedure for application, Qualifying Non CREST Shareholders are referred to paragraph 4.1 above and their respective Application Form.

## 8 TIMES AND DATES

The Company shall, in agreement with Liberum Capital and after consultation with its financial and legal advisers, be entitled to amend the date that Application Forms are despatched or amend or extend the latest date for acceptance under the Open Offer and all related dates set out in this document and in such circumstances shall notify AIM (as appropriate), and make an announcement on a Regulatory Information Service approved by the Board but Qualifying Shareholders may not receive any further written communication.

If a supplementary circular is issued by the Company two or fewer Business Days prior to the latest time and date for acceptance and payment in full under the Open Offer specified in this document, the latest date for acceptance under the Open Offer shall be extended to

the date that is three Business Days after the date of issue of the supplementary circular (and the dates and times of principal events due to take place following such date shall be extended accordingly).

## **9 UK TAXATION**

The following statements are intended only as a general guide to certain UK tax considerations and do not purport to be a complete analysis of all potential UK tax consequences of acquiring, holding or disposing of Ordinary Shares. The following statements are based on current UK legislation and what is understood to be the current practice of HM Revenue & Customs (“**HMRC**”) as at the date of this document, both of which may change, possibly with retroactive effect. The statements below apply only to Shareholders who are resident (and in the case of individual Shareholders domiciled) for tax purposes in (and only in) the UK (except insofar as express reference is made to the treatment of non-UK residents), who hold their Ordinary Shares as an investment (other than under an individual savings account), and who are the absolute beneficial owners of both their Ordinary Shares and any dividends paid on them. The tax position of certain categories of Shareholders who are subject to special rules (such as persons acquiring Ordinary Shares in connection with employment, dealers in securities, insurance companies and collective investment schemes) or trustees and beneficiaries as regards shares held in trust is not considered.

**Any person who is in any doubt about their taxation position or who may be subject to tax in a jurisdiction other than the UK are strongly recommended to consult their own professional advisers.**

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

#### **9.1.1 UK tax resident Shareholders**

##### *Disposals*

If a Shareholder sells or otherwise disposes of all or some of the Ordinary Shares, he may, depending on his circumstances and subject to any available exemption or relief, incur a liability to capital gains tax (“**CGT**”) or UK corporation tax on chargeable gains.

For individual Shareholders, CGT at the rate of 10 per cent. for basic rate taxpayers or 20 per cent. for higher or additional rate taxpayers will be payable on any gain on a disposal of Ordinary Shares. Individuals may benefit from certain reliefs and allowances (including a personal annual exemption allowance, which for the tax year 2017-18 exempts the first £11,300 of gains from tax) depending on their circumstances.

For Shareholders that are bodies corporate resident in the United Kingdom any gain will be within the charge to corporation tax (chargeable at the applicable corporation tax rate for each Shareholder). The current rate of corporation tax is 19 per cent. and HM Government has announced plans to reduce this rate to 17 per cent. from April 2020. Shareholders that are bodies corporate resident in the United Kingdom for taxation purposes will benefit from indexation allowance which, in general terms, increases the chargeable gains tax base cost of an asset in accordance with the rise in the retail prices index.

##### *Acquisitions*

The acquisition of the Ordinary Shares under the Open Offer is likely to be treated as a reorganisation of the Company’s share capital and Ordinary Shares acquired in excess of the Open Offer entitlement may be treated as a separate acquisition of shares, but for both CGT and corporation tax purposes this is unlikely to be material on a future disposal of Ordinary Shares as comprising a single holding for CGT purposes.

HMRC have confirmed that securities dealt with on AIM will not be treated as listed or quoted securities for tax purposes. There are a number of tax reliefs available for unquoted securities (subject to a number of different requirements in each case) and anyone who requires further information on their availability should consult an appropriate professional adviser.

For completeness, where a Shareholder which is a company has held 10 per cent. or more of the Ordinary Shares in the Company for a period of at least 12 months in the period prior to the date of disposal of the Ordinary Shares, the substantial shareholding exemption may

be available, which will exempt such Shareholder from corporation tax on a gain made on the disposal of the Company's shares. Companies to whom the substantial shareholding exemption is or could be relevant should consult their own professional advisers.

#### 9.1.2 **Non-UK tax resident Shareholders**

A Shareholder who is not resident for tax purposes in the UK will not generally be subject to CGT on a disposal of Ordinary Shares unless the Shareholder is carrying on a trade, profession or vocation in the UK through a branch or agency (or, in the case of a corporate Shareholder, liable to corporation tax on chargeable gains, a trade in the UK through a permanent establishment) in connection with which the Ordinary Shares are used, held or acquired.

Such Shareholders may be subject to foreign taxation on any gain under local law.

An individual Shareholder who has ceased to be resident for tax purposes in the UK for a period of less than five tax years and who disposes of all or part of his Ordinary Shares during that period may be liable to CGT on his return to the UK, subject to available exemptions or reliefs.

#### 9.2 **Taxation of Dividends**

The Company is not required to withhold tax when paying a dividend. Liability to tax on dividends will depend upon the individual circumstances of a Shareholder.

##### 9.2.1 **Individuals**

An individual Shareholder who is resident for tax purposes in the UK and who receives a dividend from the Company will generally benefit from an annual dividend allowance in the form of an exemption from tax for the first £5,000 of dividend income from all shareholdings. Dividend income in excess of £5,000 will be taxable at the rate of 7.5 per cent. for basic rate taxpayers, 32.5 per cent. for dividends received by higher rate taxpayers and 38.1 per cent. for dividends received by additional rate taxpayers. The dividend allowance is set to be reduced to £2,000 from 6 April 2018.

Depending on the circumstances of the individual and to the extent it has not been used against other income of the taxpayer, the income tax personal allowance (£11,500 for the 2017-18 tax year) may also be available to set against the dividend income arising from Ordinary Shares.

##### 9.2.2 **Companies**

Corporate Shareholders who are UK resident are potentially liable to corporation tax on dividends paid by a UK resident company: most dividends paid on the Ordinary Shares to UK resident corporate Shareholders are likely to fall within one or more of the classes of dividend qualifying for exemption from corporation tax (although the exemptions are not comprehensive and are also subject to anti-avoidance rules). Shareholders within the charge to corporation tax should consult their own professional advisers.

#### 9.3 **UK Stamp Duty and Stamp Duty Reserve Tax (SDRT)**

9.3.1 The statements in this paragraph 9.3 apply to any holders of Ordinary Shares irrespective of their residence, summarise the current position and are intended as a general guide only. Special rules apply to agreements made by, amongst others, intermediaries and persons connected with depositary arrangements, electronic transfer systems and clearance services and to transfers to any such persons.

9.3.2 No stamp duty or SDRT will arise on the issue or allotment of new Ordinary Shares by the Company pursuant to the Placing. For as long as Ordinary Shares are admitted to trading on AIM (and are not listed on a stock exchange), no stamp duty or SDRT will arise on transfers or agreements to transfer Ordinary Shares by virtue of the exemption from 28 April 2014 from stamp duty and SDRT on shares traded on AIM (and not listed on a stock exchange).

## 10 **FURTHER INFORMATION**

Your attention is drawn to the further information set out in this document and also, in the case of Qualifying Non-CREST Shareholders and other Qualifying Shareholders to whom the Company has sent Application Forms, to the terms, conditions and other information printed on the accompanying Application Form.



## **11 GOVERNING LAW AND JURISDICTION**

The terms and conditions of the Open Offer as set out in this document, the Application Form and any non-contractual obligation related thereto shall be governed by, and construed in accordance with, English law. The courts of England and Wales are to have exclusive jurisdiction to settle any dispute which may arise out of or in connection with the Open Offer, this document or the Application Form.

By taking up Open Offer Shares, whether by way of their Open Offer Entitlement or through the Excess Application Facility (as applicable), in accordance with the instructions set out in this document and, where applicable, the Application Form, Qualifying Shareholders irrevocably submit to the jurisdiction of the courts of England and Wales and waive any objection to proceedings in any such court on the ground of venue or on the ground that proceedings have been brought in an inconvenient forum.

## **PART 4 – QUESTIONS AND ANSWERS ABOUT THE OPEN OFFER**

The questions and answers set out in this Part 4 are intended to be in general terms only and, as such, you should read Part 3 of this document for full details of what action to take. If you are in any doubt as to the action you should take, you are recommended to seek your own personal financial advice immediately from your stockbroker, bank manager, fund manager, solicitor, accountant or other appropriate independent financial adviser, who is duly authorised under the FSMA if you are in the United Kingdom, or, if not, from another appropriately authorised independent financial adviser.

This Part 4 deals with general questions relating to the Open Offer and more specific questions relating principally to persons resident in the United Kingdom who hold their Existing Ordinary Shares in certificated form only. If you are an Overseas Shareholder, you should read paragraph 6 of Part 3 of this document and you should take professional advice as to whether you are eligible and/or you need to observe any formalities to enable you to take up your Open Offer Entitlements. If you hold your Existing Ordinary Shares in uncertificated form (that is, through CREST) you should read Part 3 of this document for full details of what action you should take. If you are a CREST sponsored member, you should also consult your CREST sponsor. If you do not know whether your Existing Ordinary Shares are in certificated or uncertificated form, please call the Shareholder helpline on +44 371 664 0321 (for calls from within the UK and from outside the UK) between 9.00 a.m. and 5.00 p.m. (London time) Monday to Friday. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the UK will be charged at the applicable international rate. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. Please note the Shareholder helpline will be open between 9.00 a.m. to 5.00 p.m. on any Business Day. Please note that, for legal reasons, the Shareholder helpline is only able to provide information contained in this document and information relating to the Company's register of members and is unable to give advice on the merits of the Open Offer or to provide legal, business, financial, tax or investment advice.

The contents of this document should not be construed as legal, business, accounting, tax, investment or other professional advice. Each prospective investor should consult his/her or its own appropriate professional advisers for advice.

### **1 WHAT IS AN OPEN OFFER?**

An open offer is a way for companies to raise money. Companies usually do this by giving their existing shareholders a right to acquire further shares at a fixed price in proportion to their existing shareholdings. In this particular instance, shareholders will also be offered the opportunity to apply for additional shares in excess of their entitlement to the extent that other Qualifying Shareholders do not take up their entitlements in full.

This Open Offer is an invitation by the Company to Qualifying Shareholders to apply to acquire up to an aggregate of 6,779,662 Open Offer Shares at a price of 29.5 pence per share. If you hold Existing Ordinary Shares on the Open Offer Record Date or have a *bona fide* market claim, other than, subject to certain exceptions, where you are a Shareholder with a registered address or located in the United States, or a Restricted Jurisdiction, you will be entitled to buy Open Offer Shares under the Open Offer.

The Open Offer is being made on the basis of 1 Open Offer Share for every 12.476020780977 Existing Ordinary Shares held by Qualifying Shareholders on the Open Offer Record Date. If your entitlement to Open Offer Shares is not a whole number, you will not be entitled to buy a fraction of an Open Offer Share and your entitlement will be rounded down to the nearest whole number. Open Offer Shares are being offered to Qualifying Shareholders at a share price which is equal to the closing middle market price of 29.5 pence per Existing Ordinary Share as derived from the AIM Appendix to the Daily Official List on 16 November 2017.

The Excess Application Facility allows Qualifying Shareholders to apply for Open Offer Shares in excess of their Open Offer Entitlements. If applications under the Excess Application Facility are received for more than the total number of Open Offer Shares available following take up of Open Offer Entitlements, such applications may be allocated in

such manner as the Directors may determine, in their absolute discretion, and no assurance can be given that any applications under the Excess Application Facility by Qualifying Shareholders will be met in full or in part or at all.

Unlike in a rights issue, Application Forms are not negotiable documents and neither they nor the Open Offer Entitlements can themselves be traded. Shareholders will not be able to apply for any New Ordinary Shares which are the subject of the Placing.

## **2 I HOLD MY EXISTING ORDINARY SHARES IN CERTIFICATED FORM. HOW DO I KNOW I AM ELIGIBLE TO PARTICIPATE IN THE OPEN OFFER?**

If you receive an Application Form and, subject to certain exceptions, are not a holder with a registered address or located in the United States or any Restricted Jurisdiction, then you should be eligible to participate in the Open Offer as long as you have not sold all of your Existing Ordinary Shares before 8.00 a.m. on 20 November 2017 (the time when the Existing Ordinary Shares are expected to be marked “ex-entitlement” by the London Stock Exchange).

## **3 I HOLD MY EXISTING ORDINARY SHARES IN CERTIFICATED FORM. HOW DO I KNOW HOW MANY OPEN OFFER SHARES I AM ENTITLED TO TAKE UP?**

If you hold your Existing Ordinary Shares in certificated form and, subject to certain exceptions, do not have a registered address and are not located in the United States or any Restricted Jurisdiction, you will be sent an Application Form that shows:

- how many Existing Ordinary Shares you held at the close of business on the Open Offer Record Date;
- how many Open Offer Shares are comprised in your Open Offer Entitlement; and
- how much you need to pay if you want to take up your right to buy all your entitlement to Open Offer Shares.

Subject to certain exceptions, if you have a registered address in the United States or any of the Restricted Jurisdictions, you will not receive an Application Form.

If you would like to apply for any of or all of the Open Offer Shares comprised in your Open Offer Entitlement you should complete the Application Form in accordance with the instructions printed on it and the information provided in this document. Completed Application Forms should be posted, along with a cheque or banker’s draft drawn in the appropriate form, in the accompanying pre-paid envelope or returned by post to the Receiving Agent, Link Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU or by hand (during normal business hours only) to the Receiving Agent, Link Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU so as to be received by the Receiving Agent by no later than 11.00 a.m. on 4 December 2017, after which time Application Forms will not be valid.

## **4 I HOLD MY EXISTING ORDINARY SHARES IN CERTIFICATED FORM AND AM ELIGIBLE TO RECEIVE AN APPLICATION FORM. WHAT ARE MY CHOICES IN RELATION TO THE OPEN OFFER?**

### **4.1 If you do not want to take up your Open Offer Entitlement**

If you do not want to take up the Open Offer Shares to which you are entitled, you do not need to do anything. In these circumstances, you will not receive any Open Offer Shares. You will also not receive any money when the Open Offer Shares you could have taken up are sold, as would happen under a rights issue. You cannot sell your Application Form or your Open Offer Entitlement to anyone else. If you do not return your Application Form subscribing for the Open Offer Shares to which you are entitled by 11.00 a.m. on 4 December 2017, the Company has made arrangements under which the Company has agreed to issue the Open Offer Shares to other Qualifying Shareholders under the Excess Application Facility. If you do not take up your Open Offer Entitlement then following the issue of the Open Offer Shares pursuant to the Open Offer, your interest in the Company will be significantly diluted. Even if a Qualifying Shareholder subscribes for the basic entitlement under the Open Offer, their economic interest would be proportionately diluted by the issue of New Ordinary Shares pursuant to the Placing.

#### 4.2 **If you want to take up some but not all of your Open Offer Entitlement**

If you want to take up some but not all of the Open Offer Shares to which you are entitled, you should write the number of Open Offer Shares you want to take up in Boxes 6, 7 and 8 of your Application Form; for example, if you are entitled to take up 50 shares but you only want to take up 25 shares, then you should write '25' in Box 6, '0' in Box 8 and '25' in Box 9. To work out how much you need to pay for the Open Offer Shares, you need to multiply the number of Open Offer Shares you want (in this example, '25') by 29.5 pence, which is the price of each Open Offer Share (giving you an amount of £7.375 in this example). You should write this amount in Box 9, rounding down to the nearest whole pence and this should be the amount your cheque or banker's draft is made out for. You should then return the completed Application Form (ensuring that all joint holders sign (if applicable), together with a cheque or banker's draft for that amount, in the accompanying pre-paid envelope or return by post to the Receiving Agent, Link Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU or by hand (during normal business hours only) to the Receiving Agent, Link Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU so as to be received by the Receiving Agent by no later than 11.00 a.m. on 4 December 2017, after which time Application Forms will not be valid. All payments must be in pounds sterling and made by cheque or banker's draft made payable to **Link Market Services Limited re Hornby PLC Open Offer A/C** and crossed "**A/C Payee Only**". Cheques or banker's drafts must be drawn on a bank or building society or branch of a bank or building society in the United Kingdom or Channel Islands which is either a settlement member of the Cheque and Credit Clearing Company Limited or the CHAP Clearing Company Limited or which has arranged for its cheques and banker's drafts to be cleared through the facilities provided by any of those companies or committees and must bear the appropriate sort code in the top right hand corner and must be for the full amount payable on application. Third party cheques will not be accepted with the exception of building society cheques or banker's drafts where the building society or bank has confirmed the name of the account holder and the number of an account held in the applicant's name at the building society or bank by stamping or endorsing the cheque or draft to such effect. The account name should be the same as that shown on the Application Form. Post-dated cheques will not be accepted. Third party cheques (other than building society cheques or banker's drafts where the building society or bank has confirmed that the relevant Qualifying Shareholder has title to the underlying funds) will not be accepted (see paragraph 4.1.3 of Part 3 of this document). Cheques or banker's drafts will be presented for payment upon receipt. The Company reserves the right to instruct the Receiving Agent to seek special clearance of cheques and banker's drafts to allow the Company to obtain value for remittances at the earliest opportunity. No interest will be paid on payments made before they are due. It is a term of the Open Offer that cheques shall be honoured on first presentation and the Company may elect to treat as invalid acceptances in respect of which cheques are not so honoured. All documents, cheques and banker's drafts sent through the post will be sent at the risk of the sender. Payments via CHAPS, BACS or electronic transfer will not be accepted. A definitive share certificate will then be sent to you for the Open Offer Shares that you take up. Your definitive share certificate for Open Offer Shares is expected to be despatched to you at your own risk by no later than 15 December 2017.

#### 4.3 **If you want to take up all of your Open Offer Entitlement**

If you want to take up all of the Open Offer Shares to which you are entitled, all you need to do is send the completed Application Form (ensuring that all joint holders sign (if applicable)), together with your cheque or banker's draft for the amount (as indicated in Box 5 of your Application Form), payable to **Link Market Services Limited re Hornby PLC Open Offer A/C** and crossed "**A/C payee only**", in the accompanying pre-paid envelope or return by post to the Receiving Agent, Link Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU or by hand (during normal business hours only) to the Receiving Agent, Link Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU so as to be received by the Receiving Agent by no later than 11.00 a.m. on 4 December 2017, after which time Application Forms will not be valid. If you post your Application Form by first-class post, you should allow at least four Business Days for delivery.

All payments must be made in pounds sterling and by cheque or banker's draft made payable to "**Link Market Services Limited re Hornby PLC Open Offer A/C**" and crossed "**A/C Payee Only**". Cheques or banker's drafts must be drawn on a bank or building society or branch of a bank or building society in the United Kingdom or Channel Islands which is either a settlement member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques and banker's drafts to be cleared through the facilities provided by any of those companies or committees and must bear the appropriate sort code in the top right hand corner and must be for the full amount payable on application. Third party cheques will not be accepted with the exception of building society cheques or banker's drafts where the building society or bank has confirmed the name of the account holder and the number of an account held in the applicant's name at the building society or bank by stamping or endorsing the cheque or draft to such effect. The account name should be the same as that shown on the Application Form. Post-dated cheques will not be accepted. Third party cheques (other than building society cheques or banker's drafts where the building society or bank has confirmed that the relevant Qualifying Shareholder has title to the underlying funds) will not be accepted (see paragraph 4.1.3 of Part 3). Cheques or banker's drafts will be presented for payment upon receipt. The Company reserves the right to instruct the Receiving Agent to seek special clearance of cheques and banker's drafts to allow the Company to obtain value for remittances at the earliest opportunity. No interest will be paid on payments made before they are due. It is a term of the Open Offer that cheques shall be honoured on first presentation and the Company may elect to treat as invalid acceptances in respect of which cheques are not so honoured. All documents, cheques and banker's drafts sent through the post will be sent at the risk of the sender. Payments via CHAPS, BACS or electronic transfer will not be accepted. A definitive share certificate will then be sent to you for the Open Offer Shares that you take up. Your definitive share certificate for Open Offer Shares is expected to be despatched to you at your own risk by no later than 15 December 2017.

#### 4.4 **If you want to apply for more than your Open Offer Entitlement**

Provided you have agreed to take up your Open Offer Entitlement in full, you can apply for further Open Offer Shares under the Excess Application Facility. You should write the number of Open Offer Shares comprised in your Open Offer Entitlement (as indicated in Box 4 of the Application Form) in Box 6 and write the number of additional Open Offer Shares for which you would like to apply in Box 7. You should then add the totals in Boxes 6 and 7 and insert the total number of Open Offer Shares for which you would like to apply in Box 8. For example, if you have an Open Offer Entitlement for 50 Open Offer Shares but you want to apply for 75 Open Offer Shares in total, then you should write '50' in Box 6, '25' in Box 7 and '75' in Box 8. To work out how much you need to pay for the Open Offer Shares, you need to multiply the number of Open Offer Shares you want (in this example, '75') by 29.5 pence, which is the price of each Open Offer Share (giving you an amount of £22.125 in this example). You should write this amount in Box 9, rounding down to the nearest whole pence. You should then return your Application Form (ensuring that all joint holders sign (if applicable) by post to the Receiving Agent, Link Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU or by hand (during normal business hours only) to the Receiving Agent, Link Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU so as to be received by the Receiving Agent by no later than 11.00 a.m. on 4 December 2017. Within the United Kingdom only, you can use the reply-paid envelope which is enclosed with the Application Form. If applications under the Excess Application Facility are received for more than the total number of Open Offer Shares available following take up of Open Offer Entitlements, such applications may be allocated in such manner as the Directors may determine, in their absolute discretion, and no assurance can be given that any applications under the Excess Application Facility by Qualifying Shareholders will be met in full or in part or at all.

All payments must be in pounds sterling and made by cheque or banker's draft made payable to "**Link Market Services Limited re Hornby PLC Open Offer A/C**" and crossed "**A/C Payee Only**". Cheques or banker's drafts must be drawn on a bank or building society or branch of a bank or building society in the United Kingdom or Channel Islands which is either a settlement member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques and banker's drafts to be cleared through the facilities provided by any of those companies or committees

and must bear the appropriate sort code in the top right hand corner and must be for the full amount payable on application. Third party cheques will not be accepted with the exception of building society cheques or banker's drafts where the building society or bank has confirmed the name of the account holder and the number of an account held in the applicant name at the building society or bank by stamping or endorsing the cheque or draft to such effect. The account name should be the same as that shown on the Application Form. Post-dated cheques will not be accepted. Third party cheques (other than building society cheques or banker's drafts where the building society or bank has confirmed that the relevant Qualifying Shareholder has title to the underlying funds) will not be accepted (see paragraph 4.1.3 of Part 3). Cheques or banker's drafts will be presented for payment upon receipt. The Company reserves the right to instruct the Receiving Agent to seek special clearance of cheques and banker's drafts to allow the Company to obtain value for remittances at the earliest opportunity. No interest will be paid on payments made before they are due. It is a term of the Open Offer that cheques shall be honoured on first presentation and the Company may elect to treat as invalid acceptances in respect of which cheques are not so honoured. All documents, cheques and banker's drafts sent through the post will be sent at the risk of the sender. Payments via CHAPS, BACS or electronic transfer will not be accepted. A definitive share certificate will then be sent to you for the Open Offer Shares that you take up. Your definitive share certificate for Open Offer Shares is expected to be despatched to you at your own risk by no later than 15 December 2017.

**5 I HOLD MY EXISTING ORDINARY SHARES IN UNCERTIFICATED FORM IN CREST. WHAT DO I NEED TO DO IN RELATION TO THE OPEN OFFER?**

CREST members should follow the instructions set out in Part 3 of this document. Persons who hold Existing Ordinary Shares through a CREST member should be informed by the CREST member through which they hold their Existing Ordinary Shares of (i) the number of Open Offer Shares which they are entitled to acquire under their Open Offer Entitlement and (ii) how to apply for Open Offer Shares in excess of their Open Offer Entitlements under the Excess Application Facility provided they choose to take up their Open Offer Entitlement in full and should contact them should they not receive this information.

**6 I ACQUIRED MY EXISTING ORDINARY SHARES PRIOR TO THE RECORD DATE AND HOLD MY EXISTING ORDINARY SHARES IN CERTIFICATED FORM. WHAT IF I DO NOT RECEIVE AN APPLICATION FORM OR I HAVE LOST MY APPLICATION FORM?**

If you do not receive an Application Form, this probably means that you are not eligible to participate in the Open Offer. Some Qualifying Non-CREST Shareholders, however, will not receive an Application Form but may still be eligible to participate in the Open Offer, namely:

- Qualifying CREST Shareholders who held their Existing Ordinary Shares in uncertificated form on 15 November 2017 and who have converted them to certificated form;
- Qualifying Non-CREST Shareholders who bought Existing Ordinary Shares before 15 November 2017 but were not registered as the holders of those shares at 5.00 p.m. on 15 November 2017; and
- certain Overseas Shareholders.

If you do not receive an Application Form but think that you should have received one or you have lost your Application Form, please contact the Receiving Agent, Link Asset Services, on the Shareholder helpline 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 a.m. – 5.30 p.m., Monday to Friday excluding public holidays in England and Wales. Please note that Link Asset Services cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

**7 CAN I TRADE MY OPEN OFFER ENTITLEMENT?**

Qualifying Shareholders should be aware that the Open Offer is not a rights issue. As such, Qualifying Non-CREST Shareholders should also note that their Application Forms are not negotiable documents and cannot be traded. Qualifying CREST Shareholders should note that, although the Open Offer Entitlements will be admitted to CREST they will have limited

settlement capabilities (for the purposes of market claims only), the Open Offer Entitlements will not be tradable or listed and applications in respect of the Open Offer may only be made by the Qualifying Shareholders originally entitled or by a person entitled by virtue of a *bona fide* market claim. Open Offer Shares for which application has not been made under the Open Offer will not be sold in the market for the benefit of those who do not apply under the Open Offer and Qualifying Shareholders who do not apply to take up their Open Offer Entitlement will have no rights under the Open Offer or receive any proceeds from it. The Open Offer Shares have not been placed subject to clawback nor have they been underwritten.

**8 WHAT IF I CHANGE MY MIND?**

If you are a Qualifying Non-CREST Shareholder, once you have sent your Application Form and payment to the Receiving Agent, you cannot withdraw your application or change the number of Open Offer Shares for which you have applied.

**9 WHAT IF THE NUMBER OF OPEN OFFER SHARES TO WHICH I AM ENTITLED IS NOT A WHOLE NUMBER; AM I ENTITLED TO FRACTIONS OF OPEN OFFER SHARES?**

If the number is not a whole number, you will not receive a fraction of an Open Offer Share and your entitlement will be rounded down to the nearest whole number.

**10 I HOLD MY EXISTING ORDINARY SHARES IN CERTIFICATED FORM. WHAT SHOULD I DO IF I HAVE SOLD SOME OR ALL OF MY EXISTING ORDINARY SHARES?**

If you hold shares in the Company directly and you sell some or all of your Existing Ordinary Shares before 15 November 2017, you should contact the buyer or the person/company through whom you sell your shares. The buyer may be entitled to apply for Open Offer Shares under the Open Offer. If you sell any of your Existing Ordinary Shares on or after 15 November 2017, you may still take up and apply for the Open Offer Shares as set out on your Application Form.

**11 I HOLD MY EXISTING ORDINARY SHARES IN CERTIFICATED FORM. HOW DO I PAY?**

Completed Application Forms should be returned with a cheque or banker's draft drawn in the appropriate form. All payments must be in pounds sterling and made by cheque or banker's draft made payable to **Link Market Services Limited re Hornby PLC Open Offer A/C** and crossed "**A/C Payee Only**". Cheques or banker's drafts must be drawn on a bank or building society or branch of a bank or building society in the United Kingdom or Channel Islands which is either a settlement member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques and banker's drafts to be cleared through the facilities provided by any of those companies or committees and must bear the appropriate sort code in the top right-hand corner. Third party cheques may not be accepted with the exception of building society cheques or banker's drafts where the building society or bank has confirmed the name of the account holder and the number of an account held in the applicant's name at the building society or bank by stamping or endorsing the cheque or draft to such effect. The account name should be the same as that shown on the Application Form. Post-dated cheques will not be accepted. Third party cheques (other than building society cheques or banker's drafts where the building society or bank has confirmed that the relevant Qualifying Shareholder has title to the underlying funds) will not be accepted.

**12 WILL THE EXISTING ORDINARY SHARES THAT I HOLD NOW BE AFFECTED BY THE OPEN OFFER?**

If you decide not to apply for any of the Open Offer Shares to which you are entitled under the Open Offer, or only apply for some of your entitlement, your proportionate ownership and voting interest in the Company will be reduced.

**13 I HOLD MY EXISTING ORDINARY SHARES IN CERTIFICATED FORM. WHERE DO I SEND MY APPLICATION FORM?**

You should send your completed Application Form in the accompanying pre-paid envelope or return by post or by hand (during normal business hours only), together with the monies in the appropriate form, to the Receiving Agent, Link Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU or by hand (during normal business hours only) to the Receiving Agent, Link Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU. If you post your Application Form by first class post, you should allow at least four Business Days for delivery. If you do not want to take up or apply for Open Offer Shares then you need take no further action.

**14 I HOLD MY EXISTING ORDINARY SHARES IN CERTIFICATED FORM. WHEN DO I HAVE TO DECIDE IF I WANT TO APPLY FOR OPEN OFFER SHARES?**

The Receiving Agent must receive the Application Form by no later than 11.00 a.m. on 4 December 2017, after which time Application Forms will not be valid. If an Application Form is being sent by first class post in the UK, Qualifying Shareholders are recommended to allow at least four Business Days for delivery.

**15 HOW DO I TRANSFER MY ENTITLEMENTS INTO THE CREST SYSTEM?**

If you are a Qualifying Non-CREST Shareholder, but are a CREST member and want your Open Offer Shares to be in uncertificated form, you should complete the CREST deposit form (contained in the Application Form), and ensure it is delivered to the CREST Courier and Sorting Service in accordance with the instructions in the Application Form. CREST sponsored members should arrange for their CREST sponsors to do this.

**16 I HOLD MY EXISTING ORDINARY SHARES IN CERTIFICATED FORM. WHEN WILL I RECEIVE MY NEW SHARE CERTIFICATE?**

It is expected that the Registrar will post all new share certificates by 15 December 2017.

**17 IF I BUY ORDINARY SHARES AFTER THE OPEN OFFER RECORD DATE, WILL I BE ELIGIBLE TO PARTICIPATE IN THE OPEN OFFER?**

If you bought your Ordinary Shares after the Open Offer Record Date, you are unlikely to be able to participate in the Open Offer in respect of such Ordinary Shares.

**18 WHAT SHOULD I DO IF I LIVE OUTSIDE THE UNITED KINGDOM?**

Your ability to apply to acquire Open Offer Shares may be affected by the laws of the country in which you live and you should take professional advice as to whether you require any governmental or other consents or need to observe any other formalities to enable you to take up your Open Offer Entitlement. Shareholders with registered addresses or who are located in the United States or any Restricted Jurisdiction are, subject to certain exceptions, not eligible to participate in the Open Offer. Your attention is drawn to the information in paragraph 6 of Part 3 of this document.

**19 FURTHER ASSISTANCE**

Should you require further assistance please call the Receiving Agent, Link 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. – 5.30 p.m., Monday to Friday excluding public holidays in England and Wales. Please note that Link Asset Services cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.



## PART 5 – NOTICE OF GENERAL MEETING

# Hornby PLC

*(incorporated in England and Wales under the Companies Act 1985 with registered number 01547390)*

NOTICE IS HEREBY GIVEN that a General Meeting of Hornby PLC (the “**Company**”) will be held at the offices of the Company’s solicitors, Taylor Wessing LLP, at 5 New Street Square, London EC4A 3TW on 5 December 2017 at 9.00 a.m. for the purpose of considering and, if thought fit, passing the resolutions below, of which resolutions 1 and 2 will be proposed as ordinary resolutions and resolution 3 will be proposed as a special resolution (each a “**Resolution**”).

### ORDINARY RESOLUTIONS

#### 1 ACQUISITION

That the following arrangements, collectively and individually being substantial property transactions, be approved for the purposes of and in accordance with section 190 of the Companies Act 2006:

- 1.1 the acquisition by the Company of 49 ordinary shares of £1.00 each in the capital of LCD Enterprises Limited from Lyndon Davies, a director of the Company, for a purchase price of £1.6 million;
- 1.2 the acquisition by Mr Davies of 49 ordinary shares of £1.00 each in the capital of LCD Enterprises Limited from the Company, for a purchase price of £1.6 million, in the event that Mr Davies ceases to hold the position of Chief Executive Officer of the Company for any reason other than his death or incapacity; and
- 1.3 the acquisition by the Company of 11 ordinary shares of £1.00 each in the capital of LCD Enterprises Limited from Mr Davies and 40 ordinary shares of £1.00 each in the capital of LCD Enterprises Limited from Catherine Davies for an aggregate purchase price of up to £7.0 million, in the event of either (i) Mr Davies continuing to hold the position of Chief Executive Officer of the Company at the expiry of a 3 year period commencing on completion of the share acquisition contemplated by resolution 1.1, or (ii) the death or incapacity of Mr Davies,

each such acquisition being on the terms as summarised in the Interim Chairman’s letter of the circular sent by the Company to its shareholders on 16 November 2017 (the “**Circular**”) and more particularly described in the Acquisition Agreement (as such term is defined in the Circular).

#### 2 AUTHORITY TO ALLOT SHARES

That, subject to the passing of Resolution 1 above and in addition to all existing authorities granted to the directors of the Company (the “**Directors**”), the Directors be and are hereby generally and unconditionally authorised, in accordance with section 551 of the Companies Act 2006 (the “**Act**”), to allot shares in the Company or grant rights to subscribe for or to convert any security into shares in the Company up to a maximum aggregate nominal amount of £406,779.68 in connection with the Placing and Open Offer (each as defined in the Circular) such authority to be in addition to all existing authorities granted to the Directors and provided that this authority shall expire on the earlier of the anniversary of the date on which it is passed and the Company’s next Annual General Meeting to be held in 2018, but so that the Company may, before such expiry, make an offer or agreement which would or might require shares to be allotted or rights to subscribe for or convert securities into shares to be granted after such expiry and the Directors may allot shares or grant rights to subscribe for or convert securities into shares pursuant to such an offer or agreement as if this authority had not expired.

## SPECIAL RESOLUTION

### 3 DISAPPLICATION OF PRE-EMPTION RIGHTS

That, in addition to all existing authorities granted to the Directors and subject to and conditional on the passing of Resolution 1 and Resolution 2 above, the Directors be empowered, pursuant to section 570 of the Act, to allot equity securities (within the meaning of section 560 of the Act) for cash pursuant to the authority conferred by Resolution 2 above as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities up to the maximum aggregate nominal amount of £406,779.68 in connection with the Placing and Open Offer (each as defined in the Circular) and shall expire on the earlier of the anniversary of the date on which it is passed and the Company's next Annual General Meeting to be held in 2018, save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement as if this power had not expired.

By order of the board

**David Mulligan**  
Company Secretary

Dated: 17 November 2017

*Registered office:*  
3rd Floor, The Gateway  
Innovation Way  
Discovery Park  
Sandwich  
Kent  
CT13 9FF

*Registered in England and Wales with registered number 01547390*

## NOTES TO THE NOTICE OF GENERAL MEETING

- 1 Only holders of ordinary shares are entitled to attend and vote at this general meeting. A shareholder entitled to attend and vote is entitled to appoint a proxy or proxies to attend, speak and vote instead of him/her. A shareholder may appoint more than one proxy provided that each proxy is appointed to exercise the rights attached to a different share or shares held by him/her. A proxy need not be a member of the Company. A form of proxy is enclosed with this notice and instructions for its completion are shown on the form. Forms of proxy and any power of attorney or other authority, if any, under which it is signed or a duly certified copy of such power or authority should reach the office of the Company's registrars, not less than 48 hours (excluding any part of a day which is not a working day) before the time fixed for the general meeting or any adjournment thereof. Therefore the form of proxy must be received by the Company's registrars, Link Asset Services, PXS 1, 34 Beckenham Road, Beckenham, Kent BR3 4TU, by 9.00 a.m. on 1 December 2017. Completing a form of proxy does not prevent a shareholder from attending the general meeting and voting in person. A vote withheld option is provided on the form of proxy to enable you to instruct your proxy to abstain on any particular resolution. However, it should be noted that a "vote withheld" is not a vote in law and will not be counted in the calculation of the proportion of the votes "For" and "Against" a resolution.

A shareholder must inform the Company's registrars in writing of any termination of the authority of a proxy.

A person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "**Nominated Person**") may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the general meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.

The statements of the rights of shareholders in relation to the appointment of proxies in this notice do not apply to a Nominated Person. The rights of shareholders in relation to the appointment of proxies can only be exercised by registered shareholders of the Company. Nominated Persons are reminded that they should contact the registered holder of their shares (and not the Company) on matters relating to their investments in the Company.

- 2 The Company specifies that only those shareholders registered in the register of members of the Company as at close of business on 1 December 2017 (or, if the general meeting is adjourned, shareholders on the register of members not later than 48 hours (excluding any part of a day which is not a working day) before the time fixed for the adjourned general meeting) shall be entitled to attend and/or vote at the aforesaid general meeting (and any adjournment thereof) in respect of the number of shares registered in their name at that time. Subsequent changes to entries on the relevant register of securities shall be disregarded in determining the rights of any person to attend or vote at the general meeting (and any adjournment thereof).
- 3 Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.
- 4 In order to facilitate voting by corporate representatives at the general meeting, arrangements will be put in place at the general meeting so that (i) if a corporate member has appointed the Chairman of the meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all of the other corporate representatives for that member at the meeting, then on a poll those corporate representatives will give voting directions to the Chairman and the Chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate member attends the meeting but the corporate member has not appointed the Chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate members are referred to the guidance issued by the Institute of Chartered

Secretaries and Administrators on proxies and corporate representatives – <http://www.icsa.org.uk/> – for further details of this procedure. The guidance includes a sample form of representation letter if the Chairman is being appointed as described in (i) above.



