

## Regulatory Story

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**Stafford Capital Partners Limited** - Response to Phaunos defence document  
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**FOR IMMEDIATE RELEASE**

16 August 2018

**LETTER FROM STAFFORD BIDCO**

(Registered under the laws of England and Wales with registered company number 11438559)

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16 August 2018

*To: Phaunos Shareholders and, for information only, to persons with information rights*

Dear Phaunos Shareholder,

**All-Cash Offer**

**for**

**Phaunos Timber Fund Limited ("Phaunos" or the "Company")**

**by**

**Mahogany Bidco Limited ("Stafford Bidco")  
a company ultimately controlled by  
Stafford Capital Partners Limited ("Stafford")**

**Response to Phaunos defence document****1. Introduction**

Stafford notes the publication earlier this week of Phaunos' defence document (the "**Defence Document**") in response to the offer document that was published on 31 July 2018 in relation to the all-cash Offer for Phaunos by Stafford Bidco (the "**Offer Document**"). Unless otherwise

stated, defined terms used but not defined in this announcement have the meanings set out in the Offer Document.

**Nothing in the Defence Document changes Stafford's view that its all-cash Offer represents an excellent opportunity for Shareholders to realise their investment in Phaunos.**

**The asset realisation values presented by the Phaunos Board in the Defence Document are based on non-binding indicative bids for part of the portfolio. They are subject to due diligence, foreign exchange movements, confirmation of financing and regulatory approval. They cannot be directly compared with Stafford's all-cash offer for 100 per cent. of the portfolio in a single transaction. Stafford's all-cash offer of US\$0.49 per Phaunos Share provides Phaunos Shareholders with certainty of value and payment within an expected timeframe of less than 3 months from today.**

## 2. Phaunos Board's Updated Valuation Expectations

Stafford notes the changes to the Phaunos Board's views on value since the release of the Company's 2017 Final Results on 30 April 2018:

	30 April 2018	14 August 2018
"Breakup NAV"	US\$0.51	US\$0.51
"Updated Asset Realisation Range" <sup>1</sup>	US\$0.45 - US\$0.57	US\$0.54 - US\$0.60

The Break-Up NAV of US\$0.51 per Phaunos Share represents the Net Asset Value calculated on a "break-up" basis, as presented by the Phaunos Board. It takes into account discounts applied to asset values where assets will be sold before their commercial or biological maturity, alongside provisions for matters such as tax on repatriation of asset disposals, and certain costs for completion of the liquidation process<sup>2</sup>. The unaudited pro-forma Break-Up NAV, as presented by the Phaunos Board on 14 August 2018, is comparable to the audited Break-Up NAV of US\$0.51 per Phaunos Share as at 31 December 2017.

**The Break-Up NAV of US\$0.51 per Phaunos Share does not take into account the time value of money, nor the fees and expenses of approximately £2,985,000 - £3,590,000 associated with advisory and legal costs in responding to Stafford's Offer.**

The Updated Asset Realisation Range is based on non-binding, conditional bids which remain subject to due diligence. For these reasons Stafford does not consider that these ranges can be compared with Stafford's Offer.

***As stated in the Defence Document on Page 19, "... the assumptions applied by Phaunos in developing this range of possible realisation values may change and, as such, it is possible that the ultimate realisation value of the portfolio could fall outside of the range set out above."***

**Accordingly, there can be no certainty for Phaunos Shareholders that the Phaunos Board will over time achieve a return within, or even close to, its Updated Asset Realisation Range.**

## 3. Phaunos Board's Updated Timing Expectations

Stafford also notes the changes to the Phaunos Board's views on timing since the release of the Company's 2017 Final Results on 30 April 2018:

	30 April 2018	14 August 2018

Timing for completion of the Asset Realisation Process	14 to 20 months from end April 2018 <sup>3</sup>  June 2019 to December 2019	6 to 9 months <sup>4</sup>  February 2019 to May 2019
Wind-down of Company	Q1 2020 and perhaps beyond	Q2 2020 with a proviso that this may not be completed

The Phaunos Board have provided no supporting information for the reduction in the timeframe of Asset Realisation Process. They state that they expect OIO approval to be provided within 3 to 6 months despite the OIO providing information that the average timeframe for decisions on applications associated with sensitive land is 132 working days (i.e. approximately 6 months). This is consistent with Stafford's experience that OIO applications on complex transactions typically take at least nine months to process, noting that the OIO does not give priority to individual applications except in exceptional circumstances, for example, to accommodate other statutory timeframes<sup>5</sup>. As noted in the Offer Document, the OIO has informed Stafford that it intends to process its application in relation to the Offer on an urgent basis.

The Company estimates that the due diligence process, which is stated to focus on legal, accounting, tax, forestry and other commercial matters, will take between 60 - 120 days, although no starting date for due diligence is given. Stafford believes that interested parties may only be prepared to incur the substantial costs of due diligence if the Offer from Stafford lapses or is withdrawn. This could mean that due diligence may only commence in early October 2018.

Given the above, Stafford considers that the Phaunos Board's updated timing for the Asset Realisation Process, and by implication the distribution of sale proceeds, is highly optimistic and possibly misleading, and would encourage all Phaunos Shareholders to compare the certainty of the Offer against the limited assurances presented by the Phaunos Board in relation to the Asset Realisation Process.

**In light of the above, Stafford firmly believes that the Offer represents an excellent opportunity for Phaunos Shareholders to realise in cash, their full investment within an expected timeframe of less than 3 months from today, and accordingly encourages all Phaunos Shareholders to accept the Offer by taking the action set out below.**

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

*Action to be taken*

If you hold your Phaunos Shares, or any of them, in certificated form (that is, not in CREST), to accept the Offer, you should complete, sign and return the Form of Acceptance along with your share certificate(s) and/or any other appropriate documents of title by post to Computershare **as soon as possible but, in any event, by no later than 1.00 p.m. (London time) on 21 August 2018.**

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

Further details on the procedures for acceptance of the Offer are set out in the Offer Document.

If you have any questions about the Offer Document or are in any doubt as to how to complete the Form of Acceptance (if you hold Phaunos Shares in certificated form), or if you want to request a hard copy of the Offer Document (and/or any information incorporated into it by reference from another source), please contact the Receiving Agent, Computershare, on 0370 707 1011 (from within the UK) or on

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

Yours faithfully

**Stephen Addicott**

*Director*

Mahogany Bidco Limited

#### **Enquiries:**

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Peter Thickett

#### **Important notice**

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

This announcement is for information purposes only and is not intended to and does not constitute, or form part of, an offer, invitation or the solicitation of an offer to purchase, otherwise acquire, subscribe for, sell or otherwise dispose of any securities, or the solicitation of any vote or approval in any jurisdiction, pursuant to the Offer or otherwise, nor shall there be any sale, issuance or transfer of securities of Phaunos in any jurisdiction in contravention of applicable law. The Offer is being made solely by means of the Offer Document and, in respect of Phaunos Shares held in certificated form, the Form of Acceptance, which contains the full terms and conditions of the Offer, including details of how to accept the Offer. Any approval, decision or other response to the Offer should be made only on the basis of the information in the Offer Document and, in respect of Phaunos Shares held in certificated form, the Form of Acceptance. Phaunos Shareholders are strongly advised to read the formal documentation in relation to the Offer and to consult their independent professional adviser immediately regarding any applicable tax consequences of the Offer.

#### **Cautionary notes regarding forward-looking statements**

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

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

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

cautionary notes contained or referred to in this section, and you are cautioned not to place undue reliance on these forward-looking statements.

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

Other than in accordance with their legal or regulatory obligations, Stafford is under no obligation, and Stafford expressly disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

No statement in this announcement is intended as a profit forecast or profit estimate.

### **Disclosure requirements of the Code**

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

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

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

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

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

### **Rule 26 disclosure**

In accordance with Rule 26 of the Code, a copy of this announcement will be available at [www.staffordcp.com](http://www.staffordcp.com) by no later than 12 noon (London time) on 17 August 2018.

The content of the website referred to in this announcement is not incorporated into and does not form part of this announcement.

### **Availability of hard copies**

You may request a hard copy of this announcement by contacting the Receiving Agent, Computershare, on 0370 707 1011 (from within the UK) or on +44 370 707 1011 (if calling from outside the UK). You may also request that all future documents, announcements and information to be sent to you in relation to the Offer should be in hard copy form. A hard copy of this announcement will not be sent to you unless so requested.

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

### Information relating to Phaunos Shareholders

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

<sup>1</sup> On a going-concern basis

<sup>2</sup> 2017 Final Results

<sup>3</sup> Page 25, 2017 Final Results

<sup>4</sup> Assumed to commence from the date of Phaunos Board Defence document (14 August 2018)

<sup>5</sup> <https://www.linz.govt.nz/overseas-investment/applying-for-consent-purchase-new-zealand-assets/how-oio-assesses-your-application/assessment-timeframes>

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