

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

If you have sold or otherwise transferred all of your Avidity Shares, please forward this document and any accompanying reply paid envelope, but not the accompanying Form of Acceptance, at once to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee. **However, such documents should not be forwarded, transmitted or distributed in or into any Restricted Jurisdiction.** If you have sold or otherwise transferred only part of your holding of Avidity Shares you should retain these documents and consult the bank, stockbroker or other agent through whom the sale or transfer was effected.

This document should be read in conjunction with the accompanying Form of Acceptance.

RECOMMENDED CASH OFFER

by

AVIDITY EMPLOYEE OWNERSHIP TRUSTEE LIMITED

(on behalf of the Avidity Employee Ownership Trust)

for

the entire issued and to be issued ordinary share capital of

AVIDITY IP GROUP PLC

(other than those shares already owned by Avidity Employee Ownership Trustee Limited or Idea Catalyst Limited)

Your attention is drawn to the letter of recommendation from the Independent Chairman of Avidity set out in Part 1 of this document, which explains why the Independent Chairman is recommending that you accept the Offer.

The procedure for acceptance of the Offer is set out in the letter from AEOTL contained in Part 2 of this document, Parts B and C of Appendix I and the accompanying Form of Acceptance.

To accept the Offer, you must return your completed Form of Acceptance (together with your original share certificate(s) and other documents of title as soon as possible by post (or, between 9.00 am and 5.00 pm (London time) Monday to Friday only, by hand) to Neville Registrars, Neville House, 18 Laurel Lane, Halesowen, West Midlands, B63 3DA.

Cattaneo LLP is acting exclusively for AEOTL and no one else in connection with the Offer and will not be responsible to anyone other than AEOTL for providing the protections afforded to clients of Cattaneo LLP nor for providing advice in relation to the Offer, the contents of this document, or any transaction or arrangement referenced herein.

EGR Broking Limited, which is authorised and regulated in the United Kingdom by the Financial Conduct Authority, is acting exclusively for Avidity and no one else in connection with the Offer and will not be responsible to anyone other than Avidity for providing the protections afforded to clients of EGR Broking Limited nor for providing advice in relation to the Offer, the contents of this document, or any transaction or arrangement referenced herein.

Words and phrases used in this document shall have the meanings given to them in Appendix VI.

IMPORTANT NOTICE

Unless otherwise determined by AEOTL or required by the City Code and permitted by applicable law and regulation, the Offer is not being made, and will not be made, directly or indirectly, in or into, or by use of the mails of, or by any means or instrumentality (including, without limitation, telephonically or electronically) of interstate or foreign commerce of, or any facilities of a national state or other securities exchange of any Restricted Jurisdiction and the Offer will not be capable of acceptance by any such use, means, instrumentality or facility or from within any Restricted Jurisdiction.

Accordingly, unless otherwise determined by AEOTL or required by the City Code and permitted by applicable law and regulation, neither this document, nor the accompanying Form of Acceptance, is being, or may be, directly or indirectly, mailed, transmitted or otherwise forwarded, distributed, or sent in, into or from any Restricted Jurisdiction and persons receiving this document and/or any Form of Acceptance (including without limitation, custodians, nominees or trustees) must not mail or otherwise forward, distribute or send it in, into or from such jurisdiction. Any person (including, without limitation, nominees, trustees or custodians) who would, or otherwise intends to, or who may have a contractual or legal obligation to, forward this document together with the accompanying Form of Acceptance to any jurisdiction outside the UK should read the further details in this regard which are contained in paragraph 5 of Part B of Appendix I to this document before taking any action. This document is not intended to and does not constitute an offer to sell or issue, or a solicitation of an offer to buy or subscribe for, shares or other securities or a solicitation of any vote or approval in any jurisdiction in which such offer or solicitation is unlawful. This document together with the accompanying Form of Acceptance has been prepared for the purposes of complying with English law and the City Code and the information disclosed may not be the same as that which would have been disclosed if this document had been prepared in accordance with the laws of jurisdictions outside of the United Kingdom.

OPENING POSITION AND DEALING DISCLOSURE REQUIREMENTS

Under Rule 8.3(a) of the Code, any person who is interested in 1% or more of any class of relevant securities of Avidity must make an Opening Position Disclosure following the commencement of the Offer Period. 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 Avidity. 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. Relevant persons who deal in the relevant securities of Avidity 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 Avidity must make a Dealing Disclosure if the person deals in any relevant securities of Avidity. 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 Avidity, 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 Avidity, they will be deemed to be a single person for the purpose of Rule 8.3.

Opening Position Disclosures must also be made by Avidity and by any offeror and Dealing Disclosures must also be made by Avidity, 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, including details of the number of relevant securities in issue, when the offer period commenced and when any offeror was first identified. If you are in any doubt as to whether you are required to make an Opening Position Disclosure or a Dealing Disclosure, you should contact the Panel's Market Surveillance Unit on +44 (0)20 7638 0129.

The defined terms used in this section "Opening Position and Dealing Disclosure Requirements" are defined in the Code which can be found on the Panel's website.

Publication on website

The Executive has granted Avidity and AEOTL a dispensation from the requirements under the City Code that announcements must be published via a Regulatory Information Service (“RIS”). Avidity and AEOTL are instead required to publish all announcements on their combined website: www.AEOTL.co.uk. No announcements will be sent in hard copy form to Shareholders. The Executive has also granted a dispensation from the requirement in Note 3 on Rule 8 of the Code that disclosures made under Rule 8 of the Code must be made to a RIS. Therefore, any Opening Position Disclosures and Dealing Disclosures required under Rule 8 of the Code may be made to Avidity by email to the Company Secretary David Johnston at david.johnston@avidity-ip.com and will be published on the Avidity website: www.AEOTL.co.uk. A copy must also be sent to the Panel’s Market Surveillance Unit by fax (+44 (0) 20 7236 7013) or by email (monitoring@disclosure.org.uk).

RULE 26.1 DISCLOSURE

In accordance with Rule 26.1 of the Code, a copy of this document will be published on the combined website for Avidity and AEOTL at www.AEOTL.co.uk.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This document, including information included or incorporated by reference in this document, may contain 'forward looking statements' concerning AEOTL, ICL and Avidity. Generally, the words 'will', 'may', 'should', 'continue', 'believes', 'expects', 'intends', 'anticipates' or similar expressions identify forward looking statements. The forward looking statements involve risks and uncertainties that could cause actual results to differ materially from those suggested by them. Many of these risks and uncertainties relate to factors that are beyond the companies' abilities to control or estimate precisely, such as future market conditions and the behaviours of other market participants, and therefore they are not guarantees of future performance and undue reliance should not be placed on such statements that speak only as of the date of this document.

No forward-looking statements have been reviewed by auditors of AEOTL, ICL or Avidity. AEOTL, ICL and Avidity assume no obligation and do not intend to update these forward looking statements, except as required pursuant to applicable law. However, all subsequent oral or written forward looking statements attributable to AEOTL, ICL or Avidity or any of their respective members, directors, officers or employees or any persons acting on their behalf are expressly qualified in their entirety by the cautionary statement above.

PROFIT FORECASTS

Nothing in this document is intended, or is to be construed, as a profit forecast or to be interpreted to mean that earnings per share for the current or future financial years, or those of the combined group, will necessarily match or exceed the historical published earnings per share.

SHAREHOLDER HELPLINE

If you require assistance on the completion of your Form of Acceptance or how to accept the Offer, please telephone Neville Registrars on 0121 585 1131. Calls to the shareholder helpline may be monitored or recorded and you should be aware that such shareholder helpline cannot provide any financial, legal or tax advice in connection with the Offer.

THE CLOSING DATE OF THE OFFER IS 1.00 PM (LONDON TIME) ON 19 NOVEMBER 2015

This document is published on 29 October 2015.

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ACTION TO BE TAKEN TO ACCEPT THE OFFER

To accept the Offer:

You should complete the accompanying Form of Acceptance in accordance with the instructions printed thereon. The completed Form of Acceptance, together with your original share certificate(s) and/or other document(s) of title should be returned as soon as possible by post (or, between 9.00 am and 5.00 pm (London time) Monday to Friday only, by hand) to Neville Registrars, Neville House, 18 Laurel Lane, Halesowen, West Midlands, B63 3DA and in any event so as to arrive no later than 1.00 pm on 19 November 2015. A reply paid envelope is enclosed for this purpose.

This page should be read in conjunction with the rest of this document and the Form of Acceptance. If Shareholders are in any doubt about the Offer, the contents of this document or the action they should take, they are encouraged to seek financial advice from their stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 if they are resident in the United Kingdom or, if not, from another appropriately authorised independent financial adviser in the relevant jurisdiction.

THE CLOSING DATE OF THE OFFER IS 1.00 PM ON 19 NOVEMBER 2015

If you are in any doubt as to the action you should take in order to accept the Offer, please telephone the Receiving Agents, Neville Registrars, on 0121 585 1131. Calls to the shareholder helpline may be monitored or recorded and you should be aware that such shareholder helpline cannot provide any financial, legal or tax advice in connection with the Offer.

PART 1

Letter of recommendation from the Independent Chairman of Avidity

Avidity IP Group PLC

(Incorporated in England and Wales under number 05697512)

Directors:

Samuel Wauchope (*Chairman*)*
Richard Bizley (*Head of Legal Practice*)
Rupert Symons (*Managing Director*)

Registered office:
25 Meer Street
Stratford Upon Avon
Warwickshire
CV37 6QB

Company secretary:

David Johnston

**Denotes independent director*

29 October 2015

To Avidity Shareholders, Avidity Optionholders and persons with information rights

Dear Shareholder,

Recommended Offer by Avidity Employee Ownership Trustee Limited

1. Introduction

Avidity Employee Ownership Trustee Limited, acting in its capacity as trustee for the Avidity Employee Ownership Trust (the "Offeror") announced today that it had reached agreement with the Board of Avidity on the terms of a Recommended Offer to be made by it for all of the Ordinary Shares not already owned by AEOTL or ICL. ICL, which is acting in concert with AEOTL for the purposes of the City Code and is an associate of AEOTL for the purposes of the Companies Act, has agreed to assist AEOTL in funding the Offer via a loan of the initial Cash Consideration and by guaranteeing the Earn-out Consideration and the Deferred Consideration.

At the date of this document, AEOTL owns 18.1 percent of the issued ordinary share capital in the Company and ICL owns 27.2 percent. Under the terms of the Facility Agreement, AEOTL will have the ability to repay the ICL Loan in part by transferring some of its existing holding of Avidity Shares to ICL after the Offer closes. However if the Offer is successful, AEOTL has undertaken to maintain a controlling economic interest in Avidity of at least 50.1 percent and ICL's increased shareholding shall not exceed 40 percent of the issued capital Ordinary Shares.

I am writing to you as Independent Non-Executive Chairman of Avidity. The other two executive directors of Avidity, Rupert Symons and Richard Bizley, are not deemed to be independent for the purposes of Rule 3 of the City Code and have taken no part in consideration of the Offer. Rupert Symons is a director of and interested in ICL, a member of the Concert Party and Richard Bizley, although not a beneficiary of the Avidity Employee Ownership Trust, is not deemed to be independent under the City Code as he will continue as an executive director and employee of Avidity following the Offer. I hold no shares in Avidity and am not currently, nor will I be after completion of the Offer, a beneficiary of the Avidity Employee Ownership Trust.

AEOTL has received irrevocable undertakings to accept or procure the acceptance of the Offer in respect of 4,606,873 Avidity Shares, representing 54.4 percent of Avidity's issued ordinary share capital and 99.5 percent of the Shares to which the Offer relates.

This letter sets out the background to the Offer and the reasons why, having been so advised by EGR Broking Limited, I consider the financial terms of the Offer to be fair and reasonable so far as Avidity Shareholders are concerned.

The terms of the Offer and procedures for acceptance of the Offer are set out in the letter from AEOTL in Part 2 and Appendix I of this document.

The closing date for the Offer, unless otherwise extended, will be 19 November 2015.

2. Summary of the Offer

The Offer will be made on the following basis:

- For each Offer Share:**
- **8.50 pence in cash (“Cash Consideration”); plus**
 - **Additional cash consideration which is dependent on the financial performance of Avidity for the financial years ending 30 April 2016, 30 April 2017 and 30 April 2018 (“Earn-out Consideration”); plus**
 - **Deferred Consideration of 5 pence per Share (“Deferred Consideration”) payable on 1 September 2018 but reduced by any amounts paid or payable in respect of the First, Second and Third Earn-out Sums.**

The Offer will extend to any Avidity Shares not owned by AEOTL or ICL unconditionally allotted or issued after the date of this document but before the date the Offer closes including any issued following the exercise of outstanding share options. The maximum number of Offer Shares, assuming the exercise of all outstanding share options, is 5,062,664 Avidity Shares.

There are two classes of Ordinary Share in issue being Ordinary Shares and Ordinary B Shares. AEOTL already owns all of the Ordinary B Shares and therefore no offer is being made for this class of share. AEOTL has stated that it intends to procure the cancellation or repurchase of the Ordinary B Shares (which are currently not entitled to receive dividends or other distributions but otherwise rank pari passu with the Ordinary Shares) should the Offer become wholly unconditional.

No offer is being made for the Company’s Deferred Shares. These shares have no rights to vote or to receive dividends, are not transferable and the Company can purchase or cancel these shares without making any payment. The Deferred Shares are not classified as equity shares.

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

The fully diluted ordinary share capital of the Company, assuming exercise of all outstanding options, is 8,896,225 Avidity Shares. The Cash Consideration pursuant to the Offer values Avidity on a fully diluted basis at approximately £756,200 excluding any value attributable to the Earn-out Consideration or the Deferred Consideration. Cattaneo LLP as advisers to AEOTL have confirmed that cash is available to satisfy the Cash Consideration in full.

3. The Earn-out Consideration and the Deferred Consideration

The Earn-out Consideration and the Deferred Consideration are guaranteed by ICL as set out in set out in paragraph 6.1.3 of Appendix V.

On a fully diluted basis, no Earn-out Consideration will be payable unless or until Adjusted EBITDA in one of the financial years ending from April 2016 to April 2018 (in each case an “Earn-out Period”) exceeds approximately £216,000. The structure of the Offer is such that, subject to AEOTL’s ability to satisfy the Earn-out Consideration in full, the maximum consideration will be equivalent in aggregate to three and a half times the highest Adjusted EBITDA achieved by the Company in one of the Earn-out Periods, divided by the number of Ordinary Shares in issue immediately following the close of the Offer.

The EBITDA calculation is subject to adjustments as set out in Appendix II of the Offer Document to remove exceptional and related party items and will be certified by the Company’s auditors. The timing of any Earn-out Consideration, in up to three instalments, will depend on the Earn-out Period, if any, in which the highest adjusted EBITDA in excess of £216,000 is achieved. The Deferred Consideration of 5 pence payable on 1 September 2018 will be reduced by any payments made under the Earn-out Consideration.

AEOTL's ability to satisfy the Earn-out Consideration and the Deferred Consideration over the next three years is dependent on cash provided: pursuant to a facility agreement between AEOTL and ICL, details of which are set out in paragraph 6.1.1 of Appendix V of this document; from the Company itself in the form of dividends or loans; or pursuant to a guarantee provided by ICL and set out in paragraph 6.1.3 of Appendix V of this document. None of these funding sources are subject to the cash confirmation set out in paragraph 7 of Appendix V of this document and therefore there is no certainty that AEOTL or ICL will have the funds available to meet their obligations.

4. Information on Avidity and background to the Offer

Avidity is an unlisted public limited company, which specialises in the provision of patent and trade mark agency services. It currently has offices and specialist teams located in the East of England (Cambridge), the Midlands and the Thames Valley. On 29 September 2015 Avidity published audited results for the year ended 30 April 2015 showing profit before taxation of £187,053 (2014: loss of £1.002 million) on revenues of approximately £6.66 million (2014: £7.99 million). As at 30 April 2015, Avidity's audited consolidated net assets were £292,498. Further Information on Avidity, including information on how to obtain a copy of its accounts, is set out in Appendix III of this document.

Avidity was incorporated from predecessor professional partnerships in 2006 as HLBBshaw Group PLC with a view to floating on the London Stock Exchange on the back of strong growth plans that did not come to fruition. The Company changed its name to Avidity in November 2011. Between October 2011 and April 2013, companies connected with Rupert Symons, including ICL, acquired shares in Avidity amounting to, in aggregate, 2,302,132 Avidity Shares representing 27.2 percent of its issued ordinary share capital. These shares are now all owned by ICL. In early 2013, Malcolm Lawrence, who owns 27.2 percent of the issued ordinary share capital of Avidity, stood down as Managing Director (and subsequently left the Company) and following this there were discussions with a number of parties, including both management and Rupert Symons, about the possibility of a general offer for the Company which would have enabled Mr Lawrence and Mr Bizley, who also owns a 27.2 percent shareholding, to sell a controlling interest in Avidity. However it soon became clear that the financial position of Avidity at that time meant it was not possible for an offer to proceed on a basis acceptable to shareholders and funders.

I was appointed Non-Executive Chairman of Avidity in August 2013 and became a statutory director of the Company in September 2013. Rupert Symons joined the Board in October 2013. It was clear to us as new members of the Board that a substantial restructuring exercise was necessary to ensure the survival of the business. The Company was losing money and had significant borrowings. It was also clear that without such restructuring it would not be possible to provide any form of attractive exit for the existing shareholders. Rupert Symons was therefore appointed Managing Director of Avidity in January 2014 with the remit of restructuring Avidity's business and reducing costs and borrowings. The subsequent reorganisation, which was costly and painful, is now largely completed. The improved financial position of the Company has enabled the Offer to be made by AEOTL, financially supported by ICL.

5. Current trading and prospects

The following is the section entitled "Current trading and prospects" extracted from the Company's annual report for the year ended 30 April 2015 which was approved by the Board on 29 September 2015:

The current financial year has started well. We have been successful in winning new client business and in recruiting new professional personnel to address client needs, and the restructured support and management structures are operating effectively and efficiently. The Directors are optimistic about the prospects for the Group.

6. Board's Commercial Assessment of the Business

The Board believes that there are cautious grounds for optimism for the Company going forward. There has been significant reduction in the cost base and the audited results for the year ended 30 April 2015 showed a return to profitability after several years of losses and the elimination of bank borrowings. Avidity is now, in the opinion of the Board, a leaner and more proactive business focused on ambitious technology operations, with a reputation for solving complex cases as a market differentiator.

7. Reasons for recommending the Offer

In recommending the Offer and having been so advised by EGR, I have taken into account the following principal factors:

- a) The Board's commercial assessment that a Company which is controlled by its employees will find it easier to recruit, motivate and retain staff and will benefit from improved commitment of its workforce;
- b) Avidity is unlisted and its shares are not readily realisable. The sale of the entire issued share capital in Avidity to a third party would require the support of ICL and the Avidity EOT, with an aggregate shareholding of 45.3 percent of Avidity, which I have been informed would not be forthcoming. The offer from AEOTL is therefore the only potential exit for other shareholders at the current juncture;
- c) While Avidity's financial performance is improving, there is no guarantee that the Company will be successful in materially increasing its profitability. The Earn-Out Consideration which forms part of the Offer will permit selling shareholders to benefit from an uplift in Avidity's financial performance if Avidity's adjusted EBITDA exceeds approximately £216,000 in any of the next three financial years.

I would also draw Shareholders' attention to the following:

- a) The two major shareholders in Avidity other than AEOTL and ICL have irrevocably undertaken to accept the Offer and this means that AEOTL and its associate will own in excess of 90 percent of Avidity enabling them to pass both ordinary and special shareholder resolutions and to determine whether to pay dividends in the future on your Avidity Shares.
- b) Even if other shareholders do not accept the Offer, AEOTL will be able to exercise the provisions of section 979 of the Companies Act to compulsorily acquire their Avidity Shares and has confirmed to the Board that it is its intention to do so. Accepting the Offer will result in Shareholders receiving the initial part of their consideration much more quickly than via the compulsory acquisition process.
- c) The Finance Act 2014 introduced a new capital gains tax relief for owners of businesses of which control is acquired by an Employee Ownership Trust which meets the all-employee benefit requirements set out in section 236 of the Tax & Capital Gains Act 1992. As a result the Company's original employee benefit trust, which did not meet this requirement, was replaced in June 2015 with the Avidity Employee Ownership Trust, which does. Details of the capital gains tax relief are set out in paragraph 9 of the letter from AEOTL in Part 2 of this document, but this may result in no capital gains tax being payable on the initial Cash Consideration and the Deferred Consideration and as set out in paragraph 9 of Part 2 of this document potentially on an element of the Earn-out Consideration, by UK shareholders who accept the Offer.

If you are in any doubt about the action you should take you should contact your own independent financial adviser.

8. Directors, management and employees and AEOTL's intentions for Avidity

AEOTL has announced that over the twelve months following completion of the Offer it will invite further directors nominated by AEOTL to join the Board. After a short period of time to ensure that there is an orderly transition I will resign as Chairman.

AEOTL has confirmed to the Board that its current plans do not include any changes to Avidity's management or employees and that the employment rights of Avidity employees will be fully safeguarded in accordance with applicable law following completion of the Offer. In addition, the Avidity EOT plans to increase the level of employer pension contributions from two per cent to three per cent over the next two years.

There are no plans to change the number of staff members nor change the four locations the Company operates from being Birmingham, Cambridge, Thames Valley and Stratford-upon-Avon. There are no plans to dispose of any of the Company's assets.

In accordance with Rule 2.12 of the Code, Avidity has made available to its employees a copy of the Announcement and has informed its employees of the right of employee representatives under Rule 25.9 of the Code to require that a separate opinion, at Avidity's expense, of the employee representatives on the effects of the Offer on employment be appended to this document. At the date of publication of this document, no such opinion has been provided. If, and to the extent that, Avidity is provided with such an opinion after the date of publication of this document, Avidity will publish that opinion in accordance with the requirements of Rule 25.9 of the Code at www.AEOTL.co.uk. The Company does not have any pension schemes for the purposes of Rule 25.9.

9. Information on the Concert Party

Additional information on AEOTL, ICL and ICP is set out in Appendix III of this document.

10. Irrevocable undertakings to accept the Offer

AEOTL has received irrevocable undertakings from Malcolm Lawrence and Richard Bizley to accept or (where applicable) to procure the acceptance of the Offer in respect of all of their respective beneficial holdings amounting to, in aggregate, 4,606,873 Avidity Shares, representing approximately 54.4 percent of the existing Avidity Shares in issue. Mr Lawrence has also undertaken to accept the Offer in respect of any Ordinary Shares resulting from the exercise of any rights, warrants or Options. These undertakings will continue to be binding even in the event of a higher competing offer for Avidity, unless the Offer lapses or is withdrawn.

Further details of all of the irrevocable undertakings given in relation to the Offer are set out in paragraph 3 of Appendix V to this document.

11. Optionholders

The Offer extends to any Avidity Shares issued or unconditionally allotted prior to the date the Offer closes (or such earlier date as AEOTL may, subject to the City Code, decide), including those Avidity Shares allotted or issued as a result of the exercise of options under the Option Scheme.

There are currently outstanding 330,000 unapproved share options to subscribe for Avidity Shares at 6p per share (“Unapproved Options”) and 102,500 approved share options to subscribe at 20p per share (“Approved Options”). All holders may exercise their Options and accept the Offer during the Offer Period.

The attention of Optionholders is drawn to paragraph 8 of the letter from AEOTL set out in Part 2 of this document entitled “Avidity Option Scheme”.

Optionholders have also been sent a separate letter in respect of their options setting out the implications of the Offer and the action Optionholders should take.

Having taken account of the uncertainty over the eventual value of the Earn-out, the fact that there has been no independent cash confirmation of AEOTL’s ability to pay Deferred Consideration and the need for Optionholders to take account of their personal tax circumstances, I am making no recommendation to Optionholders on whether to exercise their share options. Optionholders should only exercise their Options following extremely careful consideration and after taking independent financial and tax advice.

12. Compulsory acquisition

The Board has been informed that if sufficient acceptances have been received, AEOTL intends to use the provisions of section 979 of the Companies Act to compulsorily acquire any Offer Shares not already acquired pursuant to the Offer. As AEOTL has received irrevocable undertakings to accept the Offer in respect of 4,606,873 Shares representing 99.5 percent of the Offer Shares, AEOTL will be in a position to implement the compulsory acquisition procedure. Whether or not you accept the Offer, therefore, your Avidity Shares will be acquired. However by accepting the Offer you will receive the initial Cash Consideration earlier than if you wait for compulsory acquisition to take effect.

Further details are set out in paragraph 11 of Part 2 of this document.

13. United Kingdom Taxation

Your attention is drawn to paragraph 9 in Part 2 of this document. If you are in any doubt as to your own tax position, if you are neither resident nor ordinarily resident in the UK for UK tax purposes or if you are subject to taxation in any jurisdiction outside the UK, you should consult an appropriate independent professional adviser.

14. Overseas Shareholders

If you are an Overseas Shareholder your attention is drawn to paragraph 10 of Part 2 of this document.

15. Action to be taken to accept the Offer

The procedure for acceptance of the Offer is set out in paragraph 12 of Part 2 of this document and in Parts B and C of Appendix I to this document and the Form of Acceptance.

16. Further Information

Your attention is drawn to the letter from AEOTL contained in Part 2 of this document and to the further information contained in Appendices I to V of this document.

17. Directors actions in respect of their personal beneficial shareholdings

Rupert Symons is beneficially interested in 2,302,132 Shares in Avidity which are held by ICL. These shares do not form part of the offer.

Richard Bizley has irrevocably undertaken to accept the Offer in respect of his personal beneficial shareholding in Avidity amounting to 2,303,226 Shares of which represent 27.2 percent of the issued share capital in the Company.

I hold no shares in Avidity.

18. Recommendation

As Independent Chairman of Avidity, having been so advised by EGR, I consider the financial terms of the Offer to be fair and reasonable. In providing advice, EGR has taken into account the commercial assessment of the entire Board. I therefore recommend that Shareholders accept the Offer.

Yours sincerely

Samuel Wauchope
Chairman

PART 2

Letter from AEOTL

Trustees of Avidity Employee Ownership Trustee Limited:
David Johnston
Anthony Williams

25 Meer Street
Stratford Upon Avon
Warwickshire
CV37 6QB

29 October 2015

To Avidity Shareholders, Optionholders and persons with information rights

Dear Shareholder,

Recommended cash offer by AEOTL acting on behalf of Avidity Employee Ownership Trust, for the entire issued and to be issued share capital of Avidity, not already owned by AEOTL or ICL

1. Introduction

The boards of AEOTL and Avidity announced today that they had agreed terms of an Offer for all of the Avidity Shares that AEOTL or ICL does not already own. AEOTL has entered into a Facility Agreement with ICL, with whom it is acting in concert for the purposes of the City Code and is an associate for the purposes of the Companies Act, to assist AEOTL in funding the Offer via a loan of the initial Cash Consideration and by guaranteeing the Earn-out Consideration and the Deferred Consideration.

This document and the Form of Acceptance contain the formal terms of the Offer. The closing date of the Offer will be 19 November 2015.

Your attention is drawn to the letter of recommendation from the Independent Chairman of Avidity contained in Part 1 of this document, which sets out the reasons why the Independent Chairman, who has been so advised by EGR Broking, considers the financial terms of the Offer to be fair and reasonable and, accordingly, recommends that Shareholders accept the Offer.

The procedure for acceptance of the Offer is set out in paragraph 12 of this Part 2 of this document and in Parts B and C of Appendix I to this document and the Forms of Acceptance.

2. Terms of the Offer

AEOTL hereby offers to acquire, on the terms and subject to the conditions set out in this document and in the Form of Acceptance, all of the issued and to be issued Avidity Shares (other than those already owned by AEOTL or ICL) on the following basis:

- For each Offer Share:**
- **8.50 pence in cash (“Cash Consideration”); plus**
 - **Additional cash consideration which is dependent on the financial performance of Avidity for the financial years ending 30 April 2016, 30 April 2017 and 30 April 2018 (“Earn-out Consideration”); plus**
 - **Deferred Consideration of 5 pence per Share (“Deferred Consideration”) payable on 1 September 2018 but reduced by any amounts paid or payable in respect of the First, Second and Third Earn-out Sums.**

The Offer extends to any Shares unconditionally allotted or issued after the date of this document but before the date the Offer closes, including any issued following the exercise of outstanding share options.

The Offer values the current issued share capital of Avidity basis at approximately £719,400 excluding any value attributable to the Earn-out Consideration or the Deferred Consideration. If all options were exercised, the Offer would value the fully diluted ordinary share capital of the Company at approximately £756,200.

Further details of the Earn-out Consideration and the Deferred Consideration are shown in Appendix II of the document. The Earn-out Consideration and the Deferred Consideration are guaranteed by ICL. **Neither the Earn-out Consideration nor the Deferred Consideration payments have been included in the cash confirmation set out in paragraph 7 of Appendix V of this document and therefore there is no certainty that AEOTL would have the funds available to meet the obligation if the guarantee by ICL set out in paragraph 6.1.3 of Appendix V of this document for any reason was not forthcoming.**

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

No offer is being made for the Deferred Shares, which have no dividend rights or voting rights, and are not transferable, save that the Company has the irrevocable authority to purchase and / or cancel the Deferred Shares without making any payment to or obtaining the sanction of the holders thereof or any other Shareholders of the Company. The Deferred Shares are not classified as equity capital. In a winding up the Deferred Shares are only entitled to a maximum of 0.001p per share after the Ordinary Shares have been paid their nominal value of 1p per Share and a further amount of 1p per Share in cash or in specie. AEOTL intends to take steps to cancel the Deferred Shares if the Offer is declared unconditional.

3. Background to and reasons for the Offer

Avidity is an unlisted public limited company which specialises in the provision of patent and trade mark agency services. Avidity planned to become listed on the London Stock Exchange to, amongst other reasons, encourage employee share ownership on the back of strong growth plans that did not come to fruition. Avidity's turnover has declined from £9.36 million for the year ended 30 April 2011 to £6.66 million for the year ended 30 April 2015. Over the same period profits before tax fell from £750,000 in 2011 to a loss of £1.0m in 2014, after exceptional items of £1.17 million which included £300,000 of goodwill amortisation and £827,000 of redundancy costs, to a profit before tax of £0.19 million, but after exception items of £0.13 million, for the year ended 30 April 2015.

Avidity has been examining ways to further grow its business and to provide an exit route for its two major shareholders, other than AEOTL and ICL, being Richard Bizley, the current Head of Legal Practice and a director of the company, and Malcolm Lawrence, a former senior executive of the company. Richard Bizley and Malcolm Lawrence have given irrevocable undertakings to accept the Offer in respect of their current aggregate holdings of 4,606,873 Ordinary Shares. Mr Lawrence has additionally undertaken that if he exercises his 330,000 options over Ordinary Shares, he will accept the Offer in respect of such options.

Avidity is reliant on its people and as such we consider that an employee owned business model is the appropriate structure going forward. The staff are keen to progress this strategy and communications have already been improved by the setting up of a staff forum through which managers consult, share information about the Company and give staff responsibility. We believe that the Company would be the first in its sector to adopt an employee owned business model. Within the sector demand for suitably qualified staff is high and we consider that an employee owned business would be better at recruiting and retaining talented, committed staff.

Therefore in order to achieve this strategy, the Offer is being made by AEOTL with the support of ICL.

The Facility Agreement between AEOTL and ICL sets out the intention that post completion of the Offer AEOTL will hold circa 60 percent of the issued share capital of Avidity and ICL will hold circa 40 percent of the issued share capital. AEOTL will hold the shares as trustee of the Avidity Employee Ownership Trust and employees of Avidity. The trust deed of the Avidity Employee Ownership Trust prevents AEOTL's holding of Avidity Shares falling from below 50.1 percent. Further details of the Facility Agreement are set out in paragraph 6 of Appendix V of this document.

4. Irrevocable undertakings to accept the Offer

Richard Bizley and Malcolm Lawrence have given AEOTL irrevocable undertakings to accept, or (where applicable) to procure the acceptance of, the Offer in respect of all of their respective beneficial and connected

holdings of Shares amounting, in aggregate, to 4,606,873 Shares, representing approximately 54.43 percent of the existing Shares in issue and 99.5 percent of the Offer Shares.

Further details of all of the irrevocable undertakings given in relation to the Offer are set out in paragraph 3 of Appendix V to this document.

5. Information on AEOTL, ICL and ICP

AEOTL was incorporated on 15 February 2015. On 18 June 2015 the 631,429 A Ordinary Shares in Avidity and the 900,000 B Ordinary Shares in Avidity held by Avidity IP Trustee Limited were transferred to AEOTL. The Avidity Employee Ownership Trust (“Trust”) was established on 3 June 2015 as an Employee Ownership Trust as defined by the Finance Act 2014. It was established for the benefit of the employees of Avidity only and will hold Avidity Shares as one block for the benefit of all employees. The Trust is not permitted to offer shares or share options to individuals other than on a ‘same terms’ basis to beneficiaries in order to maintain the Trust for the benefit of all employees equally.

ICL was incorporated on 17 May 2012 and commenced trading as an investment holding company. Rupert Symons is the sole director of this company. Companies connected with Rupert Symons, including ICL, acquired three tranches of Shares in Avidity between October 2011 and April 2013 amounting to, in aggregate, 2,302,132 Avidity Shares representing 27.20 percent of the total issued share capital. These shares are now owned by ICL.

ICP was registered as a limited liability partnership on 6 September 2011. It was registered with the name Clifton Cowley Support LLP but changed its name to ICP on 8 May 2014. It is an investment partnership with interests in patent attorneys and technology consultancy services. ICP acquired the whole of the issued ordinary share capital of ICL on 3 February 2014.

AEOTL entered into a Facility Agreement with ICL on 28 October 2015 whereby ICL has agreed to provide the necessary funding to enable AEOTL to make the Offer for the Avidity Shares that it, or ICL, does not already own. Under section 988 of the Companies Act ICL is deemed to be an associate of AEOTL.

Additional information on AEOTL, ICL and ICP is set out in Appendix IV to this document.

6. Financing of the Offer

The initial Cash Consideration of 8.50p per Share payable for the issued and to be issued Avidity Shares, being approximately £430,330, will be satisfied through cash resources available to ICL and advanced to AEOTL as a loan. Payment of the Earn-out Consideration is contingent on the financial performance of Avidity for the financial years ending 30 April 2016, 30 April 2017 and 30 April 2018.

Further details of the Earn-out Consideration and the Deferred Consideration are set out in Appendix II to this document.

Cattaneo, financial adviser to AEOTL and ICL, is satisfied that sufficient resources are available to AEOTL to satisfy the full Cash Consideration of £432,500, including stamp duty, (based on 4,630,164 Offer Shares and the 432,500 outstanding share options) payable to Avidity Shareholders under the terms of the Offer.

7. Directors, Management and Employees and AEOTL’s intentions for Avidity

AEOTL recognises the skills and experience of the existing management and employees and intend to work closely with them to build on the strengths of the business. AEOTL has confirmed to the Independent Chairman of Avidity that its current plans do not include any changes to Avidity’s management or employees and that the employment rights of Avidity employees will be fully safeguarded in accordance with applicable law following completion of the Offer. In addition, AEOTL plans to increase the level of employer pension contributions from 2 percent to 3 percent over the next two years. There are no other planned changes to the conditions of employment of the management or employees of Avidity.

There are no plans to change the number of staff members. The Company operates from four locations being Birmingham, Cambridge, Reading and Stratford-upon-Avon. The Company has already established plans to move its Reading office to Oxford from October 2015. There are no plans to dispose of any of the Company’s assets.

In the short term there are no plans to change the constitution of the Board. However, over the next twelve months it is planned to re-organise the Board to include additional Board members nominated by AEOTL. The Chairman, Sam Wauchope, has stated that he intends to step down from the Board once additional Board members have been

appointed but after a sufficient period of time to allow for an orderly transition. This is expected to be within a period of twelve months from the completion of the Offer.

AEOTL intends to procure the cancellation or buy back of the Ordinary B Shares should the Offer become wholly unconditional.

8. Avidity Option Scheme

The Offer extends to any Avidity Shares issued or unconditionally allotted prior to the date the Offer closes (or such earlier date as AEOTL may, subject to the City Code, decide), including those Avidity Shares allotted or issued as a result of the exercise of options under the Option Scheme.

There are currently outstanding 330,000 unapproved share options to subscribe for Avidity Shares at 6p per share ("Unapproved Options" or "Malcolm Lawrence Options") and 102,500 approved share options to subscribe at 20p per share ("Approved Options"). All holders may exercise their Options and accept the Offer during the Offer Period.

Holders of Approved Options who exercise their options and accept the Offer, and on the assumption that as approved share options no PAYE or National Insurance is payable on exercise, will lose money unless the amount of the Earn-out Consideration exceeds 11.5p per share, being the difference between the exercise price of the Approved Options and the Cash Consideration of 8.5p. In order for the Earn-out Consideration to exceed 11.5p, the Adjusted EBITDA of the Company would need to exceed £508,400 in one of the Earn-out Periods. However even if the Earn-out Consideration were to exceed 11.5p, the earliest date at which payment of Earn-out Consideration (if any) could occur is 1 September 2016 and the latest date is 1 September 2018, a significant timing difference.

The First, Second and Third Earn-out Sums are dependent upon the financial performance of Avidity for the three financial years 2015/16, 2016/17 and 2107/18 respectively and there is no certainty that any Earn-out Consideration would become payable.

The attention of Optionholders is drawn to paragraph 10 of the Letter from the Independent Chairman of Avidity in Part 1 of this Document. Optionholders have been sent a separate letter in respect of their share options setting out the implications of the Offer and the action they should take. If Optionholders are in any doubt as to the action, they should take independent financial advice. The Malcolm Lawrence Options will lapse on 31 October 2015 if they are not exercised on or prior to that date. Any other options that are not exercised within six months after the Offer is declared unconditional in all respects will lapse.

9. United Kingdom Taxation

Set out below is a summary of certain aspects of the UK tax treatment of Shareholders in connection with the Offer.

This summary is based on UK law and published HM Revenue & Customs practice current as at the date of this document. It is intended as a general guide and applies only to Shareholders who are resident and (if individuals) domiciled for tax purposes in the UK, who hold interests in Shares as an investment (otherwise than under any scheme which benefits from special tax exemptions) and who are the beneficial owners of those Shares. Further this section is not intended to be, and should not be construed to be, legal or taxation advice to any Ordinary Shareholder. **Shareholders who are in any doubt about their taxation position, or who are resident or otherwise subject to taxation in a jurisdiction outside the UK, should consult their own professional advisers immediately.**

The Offer has three elements to it, each of which, give rise to certain tax consequences for the Shareholders which are set out below. The Offer comprises cash, Earn-Out Consideration and Deferred Consideration:-

UK taxation of chargeable gains ("CGT")

A Shareholder who is an individual who accepts the Offer will (in broad terms) make a disposal of Shares for the purposes of UK CGT.

Shareholders who are not resident in the UK for UK tax purposes are not subject to UK CGT unless, at the time of disposal, they carry on a trade, profession or vocation in the UK through a branch or agency or for the purposes of the trade, profession or vocation at or before the time when the chargeable gain accrued.

Individual Shareholders have an annual exemption from CGT which is currently £11,100 which can be set against gains.

Cash Consideration

The Finance Act 2014 introduced a new CGT relief for owners of businesses of which control is acquired by an employee ownership trust which meets the all-employee benefit requirements set out in section 236 of the Taxation of Chargeable Gains Act 1992 (the “EOT Relief”).

It is expected that AEOTL will meet the conditions for the EOT Relief and in particular that it will acquire a controlling interest as a result of the acceptance of the Offer. On that basis the disposal of Shares under the Offer should benefit from EOT Relief and no CGT will be payable on the cash element of the Offer. This assumes that the conditions of the EOT Relief are satisfied and continue to be satisfied and in particular that AEOTL retains its controlling interest for 12 months. This is new legislation and there is little guidance in terms of how HMRC will treat this in practice so Individual Shareholders need to be aware that there is a possibility that the availability of the relief could be challenged.

In order to benefit from the EOT Relief on the disposal of the Shares, each Shareholder must make a specific claim for this relief in his tax return for the tax year ending 2015/2016.

If the EOT Relief was denied Individual Shareholders would pay CGT on any gain at the CGT rate applicable to the individual shareholder and their personal circumstances subject to a maximum rate of 28%.

Earn-out Consideration and Deferred Consideration

When there is an element of deferred consideration the CGT treatment depends on whether the deferred consideration is a fixed sum (even if that fixed sum is contingent) or is a variable sum dependent on future events such as an earn-out. In this case there are two elements to the deferred consideration – a fixed element of 5p per Share and a variable element which is the amount of Earn-Out Consideration in excess of 5p per Share.

Any element of fixed deferred consideration (such as the Deferred Consideration) is treated for CGT purposes in the same way as the initial Cash Consideration. Any such element of consideration should benefit from EOT Relief and no CGT will be payable on that element of the consideration.

Technically where disposal proceeds include any variable deferred consideration (such as the Earn-out Consideration) the Shareholder has two separate CGT transactions:-

- The first transaction is the disposal of the Shares under the Offer.

The consideration for the disposal of the Shares under the Offer will be the Cash Consideration (detailed above) plus the Deferred Consideration and the present day value of the right to receive the Earn-Out Consideration in excess of the Deferred Consideration. A reasonable estimate of the present day value of the Earn-Out Consideration payable in excess of the Deferred Consideration will need to be made at the point of the disposal of the Shares under the Offer. As it is expected that the disposal of Shares under the Offer will benefit from EOT Relief, no CGT will be payable on that value (in the same way as there should be no CGT on the cash) and no CGT will be payable on the Deferred Consideration. This assumes that the AEOTL retains its controlling interest in the Company for 12 months or more. If the EOT Relief was denied Shareholders would pay CGT at the CGT rate applicable to the individual shareholder and their personal circumstances subject to a maximum rate of 28% in the current tax year on the Deferred Consideration and the present day value of the right to the Earn-Out Consideration in excess of the Deferred Consideration.

- The second transaction is the disposal of the right to the Earn-Out Consideration itself which will take place when the Earn-Out Consideration is paid.

The EOT Relief is no longer applicable at that point and so this disposal will incur CGT at the CGT rate applicable to the individual shareholder and their personal circumstances subject to a maximum rate of 28% (or whatever CGT rate is in force in the relevant year) if the amount received is more than the Deferred Consideration plus the present day value of the Earn-Out Consideration in excess of the Deferred Consideration which was taken into account above. The CGT will be payable in respect of the relevant year that the Earn-Out Consideration is paid out.

10. Overseas Shareholders

The attention of Shareholders who are citizens or residents of jurisdictions outside the United Kingdom or who are holding shares for such citizens or residents and any person (including, without limitation, any custodian, nominee or trustee) who may have an obligation to forward any document in connection with the Offer outside the United

Kingdom is drawn to paragraph 5 Part B of Appendix I to this document and to the relevant provisions of the Forms of Acceptance, which they should read before taking any action.

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

The Offer is not being made, directly or indirectly, in or into any Restricted Jurisdiction where to do so would violate the laws of that jurisdiction, and it is not currently intended that the Offer will be capable of acceptance by any such use, means, instrumentality or facility or from any such jurisdiction.

11. Compulsory acquisition of Shares

AEOTL has stated that it intends to apply the provisions of section 979 of the Companies Act to compulsorily acquire the Offer Shares that are not accepted under the Offer. As AEOTL holds irrevocable undertakings to accept the Offer in respect of 4,606,873 Shares representing 99.5 percent of the Offer Shares it will be in a position to implement the compulsory acquisition procedure.

12. Action to be taken – how to accept the Offer

Shareholders should read this section in conjunction with the Form of Acceptance and Parts B and C of Appendix I to this document.

The instructions on each Form of Acceptance are deemed to form part of the terms of the Offer.

If you have any questions relating to the procedure for acceptance of the Offer, please contact Neville Registrars, Neville House, 18 Laurel Lane, Halesowen, West Midlands B63 3DA telephone number 0121 585 1131 between 9.00 am and 5.00 pm (London time) Monday to Friday. Please note that for legal reasons, the helpline cannot provide advice on the merits of the proposals or give any financial advice.

Completion of the Form of Acceptance

To accept the Offer, you must complete the Form of Acceptance in accordance with the instructions set out below and on the Form of Acceptance. If you have any queries as to how to complete the Form of Acceptance, please telephone Neville Registrars on 0121 585 1131 between 9.00 am and 5.00 pm (London time) Monday to Friday. Additional Forms of Acceptance are available from Neville Registrars upon request.

To accept the Offer you must tick Box 3 of the enclosed Form of Acceptance.

You can only accept the Offer in respect of ALL of your Shares and not part of your holding. If you do not wish to accept the Offer, **do not complete or return** this Form of Acceptance.

In all cases you must sign Box 4 on the Form of Acceptance in the presence of a witness who should also sign in accordance with the instructions printed on it.

Return of the Form of Acceptance

To accept the Offer in respect of your Avidity Shares, the completed, signed and witnessed Form of Acceptance should be returned by post (or, between 9.00 am and 5.00 pm (London time) Monday to Friday only, by hand) to Neville Registrars, Neville House, 18 Laurel Lane, Halesowen, West Midlands, B63 3DA as soon as possible and in any event so as to arrive no later than 1.00 pm (London time) on 19 November 2015. A reply-paid envelope is enclosed for your convenience. No acknowledgement of receipt of documents will be given.

Any Form of Acceptance received in an envelope post-marked in a Restricted Jurisdiction or otherwise appearing to AEOTL or its agents to have been sent from any such jurisdiction may be rejected as an invalid acceptance of the Offer. For further information on Shareholders resident overseas, see paragraph 10 of this Part 2 and paragraph 5 of Part B of Appendix I.

Share certificates not readily available or lost

A completed, signed and witnessed Form of Acceptance should be accompanied by the relevant share certificate(s) and/or other document(s) of title. If for any reason the relevant share certificate(s) and/or other document(s) of title

is/are not readily available or is/are lost, you should nevertheless complete, sign and lodge the Form of Acceptance as stated above so as to be received by Neville Registrars, Neville House, 18 Laurel Lane, Halesowen, West Midlands B63 3DA by post or, during normal business hours only, by hand to Neville Registrars, Neville House, 18 Laurel Lane, Halesowen, West Midlands B63 3DA, not later than 1.00 pm on 19 November 2015. You should send with the Form of Acceptance any share certificate(s) and/or other document(s) of title which you may have available, accompanied by a letter stating that the remaining document(s) will follow as soon as possible or that you have lost one or more of your share certificate(s) and/or other document(s) of title. You should then arrange for the relevant share certificate(s) and/or other document(s) of title to be forwarded as soon as possible.

If you have lost your share certificate(s) and/or other document(s) of title, you should write as soon as possible to the Company Secretary, Avidity IP Group PLC at 25 Meer Street, Stratford-upon-Avon, Warwickshire CV37 6QB requesting a letter of indemnity for the lost share certificate(s) and/or other document(s) of title which, when completed in accordance with the instructions given, should be returned by post (or, between 9.00 am and 5.00 pm (London time) Monday to Friday only, by hand) to Neville Registrars, Neville House, 18 Laurel Lane, Halesowen, West Midlands, B63 3DA so as to arrive no later than 1.00 pm (London time) on 19 November 2015.

Validity of Acceptances

Without prejudice to Part A, Part B and Part C of Appendix I to this document, subject to the provisions of the City Code, AEOTL reserves the right to treat as valid in whole or in part any acceptance of the Offer which is not entirely in order or which is not accompanied by the relevant share certificate(s) and/or other document(s) of title. In that event, no payment of cash under the Offer will be made until after the relevant share certificate(s) and/or other document(s) of title or indemnities reasonably satisfactory to AEOTL have been received.

13. Settlement

Except as provided in paragraph 10 of this letter and in paragraph 5 of Part B of Appendix I to this document in the case of certain Overseas Shareholders, settlement of the Cash Consideration to which any Shareholder (or the first-named shareholder in the case of joint holders) is entitled under the Offer will be dispatched by first class post (or such other method as may be approved by the Panel) to accepting Avidity Shareholders (but not into any Restricted Jurisdiction) within 14 days of the later of the date on which the Offer becomes or is declared wholly unconditional or the date of receipt of a valid and complete acceptance. All such cash payments will be made in pounds sterling by cheque drawn on a branch of a United Kingdom clearing bank.

14. Further Information

If the Offer is withdrawn prior to the Closing Date, the relevant Form of Acceptance, share certificate(s) and/or other document(s) of title will be returned by post (or by such other method as may be approved by the Panel) within 14 days of the Offer being withdrawn to the person or agent whose name and address (outside a Restricted Jurisdiction) is set out in the Form of Acceptance or, if none is set out, to the first-named holder at his or her registered address (provided that no such documents will be sent to an address in a Restricted Jurisdiction).

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

Your attention is drawn to the letter from the Independent Chairman of Avidity in Part 1 of this document, the further terms of the Offer set out in Appendix I and Appendix II, the further information on Avidity, AEOTL, and ICL contained in Appendices III, IV and V respectively and the Form of Acceptance.

Yours faithfully

David Johnston
Avidity Employee Ownership Trustee Limited

APPENDIX I

Conditions to, and further terms of, the Offer

PART A

CONDITIONS TO THE OFFER

1. Conditions of the Offer

The Offer will be subject to the following Conditions:

Acceptance Condition

- (a) valid acceptances being received (and not, where permitted, withdrawn) by not later than 1.00pm on the First Closing Date of the Offer (or such later time(s) and/or date(s) as AEOTL may, with the consent of the Panel or in accordance with the City Code, decide) in respect of Avidity Shares that, together with any Avidity Shares which AEOTL may have otherwise acquired constitute not less than 90 percent (or such lesser percentage as AEOTL may decide) in nominal value of the Avidity Shares to which the Offer relates, provided that this Condition 1(a) shall not be satisfied unless AEOTL shall have acquired or agreed to acquire, in each case (whether pursuant to the Offer or otherwise), directly or indirectly, Avidity Shares carrying in aggregate more than 50 percent of the voting rights then normally exercisable at general meetings of Avidity.

For the purpose of this Condition 1(a):

- (A) “**Avidity Shares to which the Offer relates**” shall be construed in accordance with sections 974-991 of the Companies Act;
- (B) Avidity Shares which have been unconditionally allotted but not issued before the Offer becomes or is declared unconditional as to acceptances, whether pursuant to the exercise of any outstanding subscription or conversion rights or otherwise, shall be deemed to carry the voting rights which they will carry on being entered into the register of members of Avidity;
- (C) valid acceptances shall be deemed to have been received in respect of Avidity Shares which are treated for the purposes of section 179(8) of the Companies Act 2006 as having been acquired or contracted to be acquired by AEOTL by virtue of the acceptance of the Offer.

Confirmation of absence of adverse circumstances

- (b) save as Disclosed, there being no provision of any arrangement, agreement, licence or other instrument to which a member of the Avidity Group is a party or by or to which any of those members or any of their assets may be bound or be subject (“**Relevant Instrument**”) which, as a consequence of (i) the Offer or (ii) any acquisition of Avidity Shares carried out as contemplated by the Offer, would reasonably be expected to have the result that (in each case in a manner which is material in the context of the Avidity Group as a whole or in the context of the Offer):
- (i) any monies borrowed by, or other indebtedness, actual or contingent, of, or grant available to, any member of the Avidity Group becomes or is capable of being declared repayable immediately or earlier than the repayment date stated in such Relevant Instrument or the ability of any member of the Avidity Group to borrow moneys or incur indebtedness is withdrawn, inhibited or adversely affected;
- (ii) any mortgage, charge or other security interest is created over the whole or any material part of the business, property or assets of any member of the Avidity Group or any such security (whenever arising) becomes enforceable;
- (iii) any such Relevant Instrument is terminated or materially and adversely modified or affected;
- (iv) the value of any member of the Avidity Group or its financial or trading position is materially prejudiced or materially adversely affected;
- (v) any material asset or, other than in the ordinary course of business, any asset of the Avidity Group being or falling to be charged or disposed of;
- (vi) the rights, liabilities, obligations or interests or business of any member of the Avidity Group in or with any other person, firm or company (or any arrangement relating to such interest or business) is terminated, modified or adversely affected; or

- (vii) any member of the Avidity Group ceases to be able to carry on business under any name under which it currently does so;

No material transactions, claims or changes in the conduct of the business of the Avidity Group

- (c) no member of the Avidity Group having since 30 April 2015 and save as Disclosed prior to the Announcement Date:
 - (i) save in relation to share options or warrants becoming exercisable, issued or agreed to issue or authorised or proposed the issue of additional shares of any class or issued or authorised or proposed the issue of or granted securities convertible into or rights, warrants or options to subscribe for or acquire such shares or convertible securities or redeemed, purchased or reduced or announced any intention to do so;
 - (ii) made any other change to any part of its share capital;
 - (iii) recommended, declared, paid or made or proposed to recommend, declare, pay or make any dividend, bonus or other distribution;
 - (iv) other than pursuant to the implementation of the Offer, authorised or proposed or announced its intention to propose any merger or acquisition or disposal or transfer of assets or shares or any change in its share or loan capital which, in any such case, is material to the Avidity Group as a whole;
 - (v) issued or authorised or proposed the issue of any debentures or, save in the ordinary course of business, incurred or increased any indebtedness or contingent liability in each case to an extent which is material to the Avidity Group;
 - (vi) disposed of or transferred, mortgaged or encumbered any asset or any right, title or interest in any asset or entered into or varied any contract, commitment or arrangement (whether in respect of capital expenditure or otherwise) which is of a long term or unusual nature or which involves or could involve an obligation of a nature or magnitude which is material (or authorised, proposed or announced any intention to do so) which, in any such case, is material to the Avidity Group as a whole or in the context of the Offer;
 - (vii) entered into or varied or proposed to enter into or vary any contract, reconstruction, amalgamation, arrangement or other transaction which is of a long term or unusual and onerous nature or is otherwise than in the ordinary course of business, and which in each such case is material to the Avidity Group taken as a whole;
 - (viii) entered into, or materially varied the terms of, or made any offer (which remains open) to enter into or materially vary the terms of, any contract or agreement with any of the directors or senior executives of any member of the Avidity Group save for salary increases, bonuses, or variations of terms in the ordinary course of business;
 - (ix) taken or proposed any corporate action or had any legal proceedings started or threatened against it in relation to the suspension of payments, a moratorium of any indebtedness, its winding-up, dissolution or reorganisation or for the appointment of a receiver, administrator, administrative receiver, trustee or similar officer of all or any of its assets and revenues;
 - (x) waived, compromised or settled any claim other than in the ordinary course of business, which is material in the context of the Avidity Group taken as a whole, or the Offer;
 - (xi) made any amendment to its articles of association or other incorporation or constitutional documents which is material in the context of the Offer;
 - (xii) entered into any contract, commitment or agreement or made any offer (which remains open for acceptance) with respect to any of the transactions or events referred to in this Condition (c); or
 - (xiii) been unable or admitted in writing that it is unable to pay its debts generally or having stopped or suspended (or threatened to stop or suspend) payment of its debts generally or ceased or threatened to cease carrying on all or a substantial part of its business,

- which, in any such case, is material to the Avidity Group as a whole, or in the context of the Offer;
- (d) since 30 April 2015 and save as otherwise Disclosed prior to the Announcement Date:
- (i) no litigation, arbitration, prosecution or other legal proceedings which could reasonably be expected to have a material impact on the Avidity Group having been instituted, announced or threatened or become pending or remained outstanding by or against any member of the Avidity Group or to which any member of the Avidity Group is or may reasonably be expected to become a party (whether as claimant, defendant or otherwise);
 - (ii) no material adverse change having occurred in the business, assets, financial or trading position, profits or prospects of any member of the Avidity Group;
 - (iii) no investigation by or complaint or reference to any Regulatory Authority having been threatened, announced, implemented or instituted or remaining outstanding against or in respect of any member of the Avidity Group;
 - (iv) no steps having been taken and no omissions having been made which are reasonably likely to result in the withdrawal, cancellation, termination or modification of any licence held by any member of the Avidity Group which is necessary for the proper carrying on of its business and the withdrawal, cancellation, termination or modification of which might reasonably be expected to have a material adverse effect on the Avidity Group taken as a whole, which, in each such case, is material to the Avidity Group as a whole, or in the context of the Offer; and
- (e) save as Disclosed prior to the Announcement Date, AEOTL not having discovered that any member of the Avidity Group is subject to any material liability, actual or contingent, which is not Disclosed (or which is materially greater than as Disclosed) and which is material in the context of the Avidity Group taken as a whole or the Offer;

2. Certain terms of the Offer

- (a) AEOTL reserves the right to waive all or any of the Conditions, in whole or in part, except Condition 1(a).
- (b) Except with the consent of the Panel, the Offer will lapse unless Conditions 1(b) to (e) (inclusive) of the Offer are fulfilled or, if capable of waiver, waived or, where appropriate, have been determined by AEOTL in its reasonable opinion to be or to remain satisfied by midnight on the date which is 21 days after the later of the First Closing Date and the date on which Condition 1(a) is satisfied.
- (c) AEOTL shall be under no obligation to waive or treat as fulfilled any of Conditions 1(b) to (e) (inclusive) by a date earlier than the latest date specified above for the fulfilment or satisfaction thereof notwithstanding that the other Conditions of the Offer may at such earlier date have been waived, fulfilled or satisfied and that there are at such earlier date no circumstances indicating that any of such conditions may not be capable of fulfilment or satisfaction.
- (d) If AEOTL is required by the Panel to make an offer for Avidity Shares under the provisions of Rule 9 of the City Code, AEOTL may make such alterations to any of the above Conditions as are necessary to comply with the provisions of that Rule.
- (e) Avidity Shares which will be acquired under the Offer will be acquired fully paid and free from all liens, equities, charges, encumbrances, options, rights of pre-emption and any other third party rights and interests of any nature and together with all rights now or hereafter attaching or accruing to them, including voting rights and the right to receive and retain in full all dividends and other distributions (if any) declared, made or paid on or after that date.
- (f) If the Offer lapses or is withdrawn it will cease to be capable of further acceptance. Avidity Shareholders who have accepted such Offer and AEOTL shall then cease to be bound by acceptances delivered on or before the date on which such Offer lapses or is withdrawn.
- (h) The Offer will be governed by English law and be subject to the jurisdiction of the English courts, the Conditions set out above, the further terms set out below and related form of acceptance. The Offer will comply with the applicable rules and regulations of the FCA and the City Code.

PART B

FURTHER TERMS OF THE OFFER

The following further terms apply, unless the context requires otherwise, to the Offer.

Unless the context requires otherwise, any reference in this document and in the Form of Acceptance to:

- (a) “**acceptances of the Offer**” includes deemed acceptances of the Offer;
- (b) the “**Offer**” will include any revision, variation, renewal or extension of it;
- (c) the Offer “**becoming unconditional**” includes the Offer being or becoming or being declared unconditional as to acceptances whether or not any other condition of the Offer remains to be fulfilled;
- (d) the Offer “**becoming wholly unconditional**” means the Offer being or becoming or being declared wholly unconditional;
- (e) “**acting in concert with AEOTL**” will mean any such person acting or deemed to be acting in concert with AEOTL for the purposes of the City Code and/or the Offer;
- (f) an “**extension of the Offer**” shall include a reference to an extension of the date by which the Acceptance Condition has to be fulfilled;
- (g) “**Day 21 of the Offer**” shall mean 19 November 2015
- (h) “**Day 39 of the Offer**” shall mean 7 December 2015;
- (i) “**Day 42 of the Offer**” shall mean 10 December 2015;
- (j) “**Day 46 of the Offer**” shall mean 14 December 2015;
- (k) “**Day 60 of the Offer**” shall mean 28 December 2015; and

1. Acceptance Period

- 1.1 The Offer will initially be open for acceptance until 1.00 p.m. on the First Closing Date. AEOTL reserves the right (but will not be obliged, other than as may be required by the City Code) at any time or from time to time to extend the Offer after such time and, in such event, will make a public announcement of such extension in the manner described in paragraph 2.1 of this Part B of Part II and give oral or written notice of such extension to Neville Registrars. If the Offer has not become unconditional by the First Closing Date, AEOTL currently intends to extend the Offer until such time as the Offer becomes unconditional. There can be no assurance, however, that AEOTL will, in such circumstances, extend the Offer and, if no such extension is made, the Offer will lapse on the First Closing Date and no Avidity Shares will be purchased pursuant to the Offer.
- 1.2 Although no revision is contemplated, if the Offer is revised it will remain open for acceptance for a period of at least 14 calendar days (or such other period as may be permitted by the Panel) after the date on which AEOTL publishes the revised offer documentation. Except with the consent of the Panel, AEOTL may not revise the Offer or publish any revised offer documentation after Day 46 of the Offer, or, if later, the date which is 14 calendar days before the last date on which the Offer can become unconditional.
- 1.3 The Offer, whether revised or not, will not (except with the consent of the Panel) be capable of becoming unconditional as to acceptances after 12.00 midnight on Day 60 of the Offer (or any other time and/or date beyond which AEOTL has stated that the Offer will not be extended and has not, where permitted, withdrawn that statement), nor of being kept open for acceptance after that time and/or date unless the Offer has previously become unconditional.
- 1.4 Except with the consent of the Panel, for the purpose of determining at any particular time whether the Acceptance Condition is satisfied, AEOTL may only take into account acceptances received or purchases of Avidity Shares made in respect of which all relevant documents are received by Neville Registrars:
 - 1.4.1 by 1.00p.m. on Day 60 of the Offer (or any other date beyond which AEOTL have stated that the Offer will not be extended and have not withdrawn that statement); or
 - 1.4.2 if the Offer is extended, with the consent of the Panel, such later time(s) and/or date(s) as the Panel may agree.
- 1.5 If the latest time at which the Offer may become unconditional is extended beyond 12.00 midnight on Day 60 of the Offer, acceptances received and purchases made in respect of which the relevant documents are received by Neville Registrars after 1.00 p.m. on that date may (except where the City Code permits otherwise) only be taken into account with the agreement of the Panel.

- 1.6 If the Offer becomes unconditional it will remain open for acceptance for not less than 14 calendar days from the date on which it would otherwise have expired. If the Offer becomes unconditional and it is stated by or on behalf of AEOTL that the Offer will remain open until further notice then not less than 14 calendar days' written notice will be given by or on behalf of AEOTL to Avidity Shareholders who have not accepted the Offer prior to the closing of the Offer.
- 1.7 AEOTL may, if it has specifically reserved the right to do so at the time the statement was made (or otherwise with the consent of the Panel), choose not to be bound by the terms of a "no extension" or "no increase" statement and may publish an increased or improved offer (either as to the value or form of the consideration or otherwise) in any circumstance permitted by the Panel.
- 1.8 For the purposes of determining at any particular time whether the Acceptance Condition is satisfied, AEOTL are not bound (unless otherwise required by the Panel) to take into account any Avidity Shares which have been issued or unconditionally allotted or which arise as the result of the exercise of subscription or conversion rights before the determination takes place unless Avidity or its agent has given written notice containing relevant details of the allotment, issue, subscription or conversion before that time to AEOTL or Neville Registrars on behalf of AEOTL at the address specified in paragraph 3.2 of this Part B of Part II. Notification by e-mail, telex or facsimile or other electronic transmission or copies will not be sufficient to constitute written notice for this purpose.

2. Announcements

- 2.1 Without prejudice to paragraph 3.2 of this Part B, by 8.00 a.m. on the next Business Day (the "relevant day") following the day on which the Offer is due to expire or becomes or is declared unconditional, or are revised or is extended (or such later time(s) or date(s) as the Panel may agree), AEOTL will make an appropriate announcement through a Regulatory Information Service. Such announcement will state (unless otherwise permitted by the Panel) the total number of Avidity Shares and rights over Avidity Shares (as nearly as practicable):
 - 2.1.1 for which acceptances of the Offer have been received;
 - 2.1.2 acquired or agreed to be acquired by or on behalf of AEOTL or any person acting with them during the course of the Offer Period;
 - 2.1.3 held by or on behalf of AEOTL or any person acting in concert with them before the Offer Period; and
 - 2.1.4 for which acceptances of the Offer have been received from any person acting in concert with AEOTL,
 - 2.1.5 and will in each case specify the percentages of each class of Avidity relevant securities represented by these figures.
- 2.2 Any decision to extend the time and/or date by which the Acceptance Condition has to be fulfilled may be made at any time up to, and will be announced not later than, 8.00 a.m. on the relevant day (or such later time and/or date as the Panel may agree). The announcement will state the next expiry time and date unless the Offer is then unconditional, in which case it may instead state that the Offer will remain open until further notice.
- 2.3 In this Part II, references to the making of an announcement or the giving of notice by or on behalf of AEOTL include the publication of an announcement on Avidity's and AEOTL's website www.AEOTL.co.uk and the delivery by hand or telephone, telex or facsimile transmission or other electronic transmission of an announcement through a Regulatory Information Service.

3. Rights of withdrawal

- 3.1 Except as provided by this paragraph 3, acceptances of the Offer will be irrevocable.
- 3.2 If AEOTL, having announced the Offer to be unconditional, fails to comply by 3.30 p.m. on the relevant day (as defined in paragraph 2.1 of this Part B of Part II) (or such later time(s) and/or date(s) as the Panel may agree) with any of the other requirements specified in paragraph 2.1 of this Part B of Part II, an accepting Avidity Shareholder may (unless the Panel agrees otherwise) withdraw his acceptance of the Offer by written notice given by post or by hand (during normal business hours only) to Neville Registrars Limited, Neville House, 18 Laurel Lane, Halesowen, West Midlands, B63 3DA. Subject to paragraph 1.3 of this Part B of Part II, this right of withdrawal may be terminated not less than eight calendar days after the relevant day by AEOTL confirming, if such is the case, that the Offer is still unconditional and complying with the other requirements relating to the Offer specified in paragraph 2.1 of this Part B of Part II. If that confirmation is

given, the first period of 14 calendar days referred to in paragraph 1.5 of this Part B of Part II will start on the date of that confirmation.

- 3.3 If by 1.00 p.m. (London time) on Day 42 (or such later time and/or date as the Panel agree) the Offer has not become unconditional, an accepting Avidity Shareholder may withdraw his acceptance of the Offer by written notice in the manner referred to in paragraph 3.2 of this Part B of this Part II at any time before the earlier of:
- 3.3.1 the time that the Offer becomes unconditional; and
 - 3.3.2 the final time for the lodging of acceptances of the Offer which can be taken into account in accordance with paragraph 1.4 of this Part B of Part II.
- 3.4 If an accepting Avidity Shareholder withdraws his acceptance, all documents of title and other documents lodged with the Form of Acceptance will be returned as soon as practicable following the receipt of the withdrawal (and in any event within 14 days).
- 3.5 In this paragraph 3, “written notice” (including any letter of appointment, direction or authority) means notice in writing signed by the relevant accepting Avidity Shareholder. Telex, e-mail, facsimile or other electronic transmission or copies will not be sufficient to constitute written notice. A notice which is post-marked in, or otherwise appears to AEOTL or its agents to have been sent from, a Restricted Jurisdiction, may not be treated as valid.
- 3.6 Avidity Shares in respect of which acceptances have been validly withdrawn in accordance with this paragraph 3 of this Part B of Part II may subsequently be re-assented to the Offer by following one of the procedures described in paragraph 12 of the letter from AEOTL set out in Part II of this document while the Offer remains open for acceptance.
- 3.7 All questions as to the validity (including time of receipt) of any notice of withdrawal will be determined by AEOTL whose determination (except as required by the Panel) will be final and binding. None of AEOTL, Avidity, or Neville Registrars or any other person will be under any duty to give notification of any defects or irregularities in any notice of withdrawal or incur any liability for failure to give such notification or for any determination under paragraph 3 of this Part B of Part II.

4. Revised Offer

- 4.1 Although no such revision is contemplated, if the Offer is revised (in its original or previously revised form(s) and either in its terms or conditions or in the value or form of the consideration offered or otherwise), the benefit of the revised offer will, subject to paragraphs 4.3 and 4.4 of this Part B of Part II, be made available to a Avidity Shareholder who has accepted the Offer (in its original or any revised form(s)) and who has not validly withdrawn such acceptance (a “previous acceptor”) if any such revised offer(s) represents, on the date on which it is announced an improvement (or no diminution) in the value of the consideration compared with the consideration or terms previously offered or in the overall value received and/or retained by a Avidity Shareholder (under or in consequence of the Offer or otherwise). The acceptance by or on behalf of a previous acceptor will, subject to paragraphs 4.3 and 4.4 of Part B of this Part II, be deemed to be an acceptance of the revised offer and will constitute the separate appointment of each of AEOTL and any director of, or person authorised by AEOTL as his attorney and/or agent with authority:
- 4.1.1 to accept the revised offer on behalf of such Previous Acceptor;
 - 4.1.2 if the revised offer includes alternative form(s) of consideration, to make elections for and/or accept such alternative form(s) of consideration on his behalf in the proportions the attorney and/or agent in his absolute discretion thinks fit; and
 - 4.1.3 to execute on his behalf and in his name all such further documents (if any) and to do all things (if any) as may be required to give effect to such acceptances and/or elections.
- 4.2 In making any election and/or acceptance, the attorney and/or agent will take into account the nature of any previous acceptance(s) or election(s) made by or on behalf of the previous acceptor and other facts or matters he may reasonably consider relevant.
- 4.3 AEOTL reserves the right (subject to paragraphs 4.3 and 4.4 of this Part B of Part II) to treat an executed Form of Acceptance (in its original or any previously revised form(s)) which is received (or dated) after the announcement or issue of any revised offer as a valid acceptance of the revised offer (and, where applicable, a valid election for the alternative forms of consideration). The acceptance will constitute an authority in the terms of paragraph 4.1 of this Part B of Part II, mutatis mutandis, on behalf of the relevant Avidity Shareholder.

- 4.4 The deemed acceptance and/or election referred to in paragraph 4.1 of this Part B of Part II will not apply, and the power of attorney and the authorities conferred by that paragraph shall not be exercised if, as a result, the previous acceptor would receive and/or retain (as appropriate) less in aggregate in consideration under the revised offer or otherwise than he would have received and/or retained (as appropriate) in aggregate in consideration as a result of his acceptance of the Offer in the form originally accepted by such previous acceptor or on his behalf.
- 4.5 The deemed acceptance and/or election referred to in paragraph 4.1 of this Part B of Part II will not apply, and the power of attorney and the authorities conferred by that paragraph will not be exercised in the case of a previous acceptor who lodges with Neville Registrars within 14 calendar days of the publication of the document containing the revised offer to Avidity Shareholders, a Form of Acceptance (or any other form issued on behalf of AEOTL) in which he validly elects to receive consideration under the revised offer in some other manner. Any such change of election will be conditional upon Neville Registrars verifying that the request is validly made.

5. Overseas Shareholders

- 5.1 The making of the Offer in, or to persons resident in, or citizens or nationals of, jurisdictions outside the United Kingdom (“Overseas Shareholders”) or to persons who are custodians, nominees of or trustees for such persons may be prohibited or affected by the laws of the relevant jurisdiction. Such Overseas Shareholders should inform themselves about and observe any applicable legal requirements of such jurisdictions. It is the responsibility of any Overseas Shareholder wishing to accept the Offer to satisfy himself as to the full observance of the laws and regulatory requirements of the relevant jurisdiction in connection with the Offer, including obtaining any governmental, exchange control or other consents which may be required and compliance with other necessary formalities needing to be observed. Any such Overseas Shareholders will be responsible for the payment of any issue, transfer or other taxes or duties or other requisite payments due in that jurisdiction. Any such Overseas Shareholders shall be responsible for any such issue, transfer or other taxes or duties or other payments by whomsoever payable and AEOTL (and any person acting on behalf of AEOTL) shall be fully indemnified and held harmless by such Overseas Shareholders for any such issue, transfer or other taxes or duties or other payments which AEOTL (and any person acting on behalf of AEOTL) may be required to pay.
- 5.2 The Offer is not being made, directly or indirectly, in, into or from, or by use of the mails of, or by any means of instrumentality (including, but not limited to, facsimile, e-mail or other electronic transmission, telex or telephone) of interstate or foreign commerce of, or of any facility of a national, state or other securities exchange of, any jurisdiction where to do so would violate the laws of that jurisdiction and will not be capable of acceptance by any such use, means, instrumentality or facility or from within any Restricted Jurisdiction (unless otherwise determined by AEOTL) and the Offer cannot be accepted by any such use, means or instrumentality or otherwise from any Restricted Jurisdiction.
- 5.3 Copies of this document, the Form of Acceptance and any related documents are not being (unless determined otherwise by AEOTL in its sole discretion), and must not be, mailed or otherwise distributed or sent in, into or from any Restricted Jurisdiction including to Avidity Shareholders with registered addresses in a Restricted Jurisdiction or to persons whom AEOTL knows to be custodians, trustees or nominees holding Avidity Shares for persons with registered addresses in a Restricted Jurisdiction. Persons receiving those documents (including, without limitation, custodians, nominees and trustees) should not distribute, send or mail them in, into or from a Restricted Jurisdiction or use such mails or any such means, instrumentality or facility for any purpose directly or indirectly in connection with the Offer, and so doing may render any purported acceptance of the Offer invalid.
- 5.4 Subject to the provisions of this paragraph 5 of Part B of Part II and applicable laws, an Avidity Shareholder may be deemed NOT to have accepted the Offer if the Form of Acceptance received from him is received in an envelope postmarked in, which otherwise appears to AEOTL or its agents to have been sent from a Restricted Jurisdiction.
- 5.5 Overseas Shareholders should inform themselves about and observe any applicable legal or regulatory requirements. If you are in any doubt about your position, you should consult your appropriate adviser in the relevant jurisdiction.

6. General

- 6.1 Except with the consent of the Panel:
- 6.1.1 settlement of the consideration to which any Avidity Shareholder is entitled under the Offer will be implemented in full in accordance with the terms of the Offer, without regard to any lien, right of set off, counterclaim or other analogous right to which AEOTL may otherwise be, or claim to be, entitled against that Avidity Shareholder; and

6.1.2 settlement of the Cash Consideration will be effected in the manner prescribed in paragraph 13 of the letter from AEOTL contained in Part II of this document not later than 14 calendar days after the date on which the Offer becomes or is declared wholly unconditional, or within 14 calendar days of the date of receipt of a valid and complete acceptance, whichever is the later.

No consideration will be sent to any address in a Restricted Jurisdiction.

6.2 Except as otherwise agreed by the Panel:

6.2.1 an acceptance of the Offer will only be counted towards fulfilling the Acceptance Condition if the requirements of Note 4 and, if applicable, Note 6 on Rule 10 of the City Code are satisfied in respect of it;

6.2.2 a purchase of Avidity Shares by AEOTL or its nominee(s) or (if AEOTL is required by the Panel to make an offer for Avidity Shares under Rule 9 of the City Code) by a person acting in concert with AEOTL or its nominee(s), will only be counted towards fulfilling the Acceptance Condition if the requirements of Note 5 and, if applicable, Note 6 on Rule 10 of the City Code are satisfied in respect of it; and

6.2.3 before the Offer may become or be declared unconditional, Neville Registrars shall issue a certificate to AEOTL (or its agents) which states the number of Avidity Shares in respect of which acceptances have been received and not validly withdrawn, and the number of Avidity Shares otherwise acquired, whether before or during the Offer Period, which comply with the provisions of paragraph 1 of this Part B of Part II. A copy of the certificate will be sent to the Panel as soon as possible after it is issued.

6.3 The terms, provisions, instructions and authorities contained in or deemed to be incorporated in the Form of Acceptance constitute part of the terms of the Offer. Words and expressions defined in this document have the same meanings when used in the Form of Acceptance, unless the context otherwise requires. The provisions of this Part II shall be deemed to be incorporated into and form part of the Form of Acceptance.

6.4 If the expiry date of the Offer is extended, a reference in this document and in the Form of Acceptance to Day 21 of the Offer will (except in the definition of Offer Period and in paragraph 1.1 of this Part B of Part II and where the context requires otherwise) be deemed to refer to the expiry date of the Offer as so extended.

6.5 No acknowledgement of receipt of any Form of Acceptance, communication, notice, share certificate(s) or other document(s) of title will be given by or on behalf of AEOTL. All communications, notices, certificates, documents of title and remittances to be delivered by, to or on behalf of Avidity Shareholders (or their designated agents) will be delivered by or sent to or from them (or their designated agent(s)) at their own risk.

6.6 Any omission or failure to despatch this document, the Form of Acceptance or any other document relating to the Offer and/or notice required to be despatched under the terms of the Offer to, or any failure to receive the same by any person to whom the Offer is, or should be made, shall not invalidate the Offer in any way or create any implication that the Offer has not been made to any such person. Subject to the provisions of paragraph 5 of this Part B of Part II, the Offer is made to any Avidity Shareholder to whom this document and the Form of Acceptance or any related document may not be despatched or by whom such documents may not be received, and these persons may collect these documents from Neville Registrars at the address set out in paragraph 3.2 of this Part B of Part II.

6.7 Subject to paragraph 5 of this Part B of Part II, the Offer is made at 1.00 p.m. on 29 October 2015 and is capable of acceptance from and after that time. Copies of this document, the Form of Acceptance and any related documents are available from Neville Registrars at the address specified in paragraph 3.2 of this Part B of Part II.

6.8 Save in respect of the Acceptance Condition, AEOTL shall not invoke any condition so as to cause the Offer not to proceed, to lapse or to be withdrawn unless the circumstances which give rise to the right to invoke the condition are of material significance to AEOTL in the context of the Offer.

6.9 All powers of attorney, appointments of agents and authorities on the terms conferred by or referred to in this Part II or in the Form of Acceptance are given by way of security for the performance of the obligations of the Avidity Shareholder and are irrevocable (in respect of powers of attorney in accordance with section 4 of the Powers of Attorney Act 1971), except in the circumstances where the Offer lapses or the donor of the power of attorney, appointment or authority validly withdraws his acceptance in accordance with paragraph 3 of this Part B of Part II.

- 6.10 The Offer, the Form of Acceptance and all acceptances of the Offer are governed by and will be construed in accordance with English law. The courts of England have exclusive jurisdiction to settle any dispute arising from or connected with the Offer and all acceptances of the Offer.
- 6.11 Subject to the City Code, and notwithstanding any other provision of this Part B of Part II, AEOTL reserves the right to treat as valid in whole or in part any acceptance of the Offer if received by Neville Registrars or otherwise on behalf of AEOTL which is not entirely in order or in correct form or which is not accompanied by (as applicable) the relevant share certificate(s) and/or other relevant document(s) or is received by it at any place or places or in any form or manner determined by either Neville Registrars or AEOTL otherwise than as set out in this document or in the Form of Acceptance. In that event, no payment of cash will be made until after the acceptance is entirely in order or the relevant share certificate(s) and/or other document(s) of title or indemnities satisfactory to AEOTL have been received by Neville Registrars.
- 6.12 Avidity Shares are to be acquired by AEOTL under the Offer fully paid and free from all liens, charges, equities, encumbrances, rights of pre-emption and other interests of any nature whatsoever and together with all rights attaching to them on or after the date of the Announcement, including, without limitation, voting rights and the right to receive and retain in full all dividends and other distributions (if any) declared, made or paid, or any other return of capital (whether by reduction of share capital or share premium account or otherwise) made, on or after that date.
- 6.13 All references in this Part II of any statute or statutory provision shall include a statute or statutory provision which amends, consolidates or replaces the same (whether before or after the date hereof).
- 6.14 Any references in this Part II of the return or despatch of documents by post shall extend to the return or despatch by such other method as the Panel may approve.
- 6.15 If the Panel requires AEOTL to make an offer for Avidity Shares under the provisions of Rule 9 of the City Code, AEOTL may make such alterations to the Conditions of the Offer, including the Acceptance Condition, as are necessary to comply with the provisions of that Rule.
- 6.16 All mandates and other instructions to Avidity given by Avidity Shareholders or in force relating to holdings of Avidity Shares will, unless and until amended or revoked, continue in force.
- 6.17 AEOTL reserves the right to reduce the percentage required to satisfy the Acceptance Condition at any time prior to all the Conditions being satisfied, fulfilled or, where permitted, waived, subject always to the terms of Condition 1(a).

7 Procedure for acceptance of the Offer

This section should be read in conjunction with the notes on the Form of Acceptance. The instructions printed on the Form of Acceptance are deemed to form part of the terms of the Offer.

If you have any questions as to how to complete the Form of Acceptance, please telephone the Receiving Agent, Neville Registrars Limited on 0121 585 1131 between 9.00 a.m. and 5.00 p.m. Monday to Friday (except UK public holidays). Neville Registrars Limited cannot provide advice on the merits of the Offer nor give any financial, legal or tax advice.

7.1 To accept the Offer

You can only accept the Offer in respect of all of your Avidity Shares and not part of your holding. To accept the Offer in respect of all of your Avidity Shares, you should complete Box 2 and Box 3 on the Form of Acceptance and sign Box 4 in the presence of an independent witness, who should also sign in accordance with the instructions printed on it.

7.2 Return of the Form of Acceptance

The completed Form of Acceptance must be returned, signed and witnessed, by post, or by hand (during normal business hours only) to Neville Registrars Limited, Neville House, 18 Laurel Lane, Halesowen, West Midlands, B63 3DA together with the relevant share certificate(s) and/or other document(s) of title as soon as possible, but in any event so as to arrive no later than 1.00 p.m. on 19 November 2015. No acknowledgement of receipt of documents will be given. Any Form of Acceptance received in an envelope postmarked in a Restricted Jurisdiction or otherwise appearing to AEOTL or its agents to have been sent from any of these jurisdictions or any other jurisdiction where to make the Offer would constitute a violation of the laws of such jurisdiction may be rejected as an invalid acceptance of the Offer.

7.3 Share certificates not readily available or lost

If your share certificate(s) and/or other document(s) of title is/are not readily available or is/are lost, the Form of Acceptance should still be completed, and returned as stated above, so as to arrive by no later than 1.00 p.m. on 19 November 2015. You should send any share certificate(s) and/or other document(s) of title that

you have available, accompanied by a letter stating that the balance will follow as soon as possible or that you have lost one or more of your share certificate(s) and/or other document(s) of title. You should submit the relevant share certificate(s) and/or other document(s) of title as soon as possible. No acknowledgement of receipt of documents will be given. In the case of loss, you should write as soon as possible to the Company Secretary, Avidity IP Group PLC, 25 Meer Street, Stratford-upon-Avon, Warwickshire CV37 6QB, to request a letter of indemnity for lost share certificate(s) and/or other document(s) of title which, when completed in accordance with the instructions given, should be returned to Neville Registrars Limited.

7.4 Overseas Avidity Shareholders

The attention of Avidity Shareholders who are citizens or residents of jurisdictions outside the United Kingdom is drawn to paragraph 5 of Part B of Part II of this document

The Offer is not being made, directly or indirectly, in or into a Restricted Jurisdiction. Any acceptance of the Offer by an Overseas Shareholder is liable to be disregarded.

PART C
FORM OF ACCEPTANCE

Each Avidity Shareholder by whom, or on whose behalf, a Form of Acceptance is executed and delivered to the Receiving Agent irrevocably undertakes, represents, warrants and agrees to and with AEOTL and the Receiving Agent (so as to bind him, his personal or legal representatives, heirs, successors and assigns) to the following effect:

- (a) that the execution of the Form of Acceptance shall constitute an acceptance of the Offer in respect of the number of Avidity Shares inserted in Box 1 of the Form of Acceptance;
- (b) an undertaking to execute any further documents and give any further assurances which may be required to enable AEOTL to obtain the full benefit of this Part C and/or to perfect any of the authorities expressed to be given in this Part C, on and subject to the terms and conditions set out or referred to in this document and in the Form of Acceptance and that, subject only to the rights of withdrawal set out or referred to in paragraph 3 of Part B, such acceptance shall be irrevocable that the execution of the Form of Acceptance and its delivery to the Receiving Agent constitutes, subject to an accepting Avidity Shareholder not having validly withdrawn his acceptance, the irrevocable and separate appointment of each of AEOTL and any director of AEOTL, or any person authorised by AEOTL, as such Avidity Shareholder's attorney and/or agent (the "attorney") and an irrevocable instruction and authorisation to the attorney:
 - (i) to complete and execute all or any form(s) of transfer and/or other document(s) at the discretion of the attorney in relation to the Avidity Shares referred to in paragraph (a) of this Part C in favour of AEOTL or such other person or persons as AEOTL or its agents may direct in connection with acceptance of the Offer;
 - (ii) to deliver such form(s) of transfer and/or other document(s) in the attorney's discretion and/or the certificate(s) and/or other document(s) of title relating to such Avidity Shares for registration within six months of the end of the Offer Period; and
 - (iii) to execute all such other documents and do all such other acts and things as may in the attorney's reasonable opinion be necessary or expedient for the purpose of, or in connection with, the acceptance of the Offer pursuant to the Form of Acceptance and to vest the Avidity Shares referred to in paragraph (a) of this Part C in AEOTL or their nominee(s);
- (c) that the execution of the Form of Acceptance and its delivery to the Receiving Agent constitutes, subject to an accepting Avidity Shareholder not having validly withdrawn his acceptance, an irrevocable authority and request (subject to the provisions of paragraph 3 of Part B):
 - (i) to AEOTL or its agents to procure the registration of the transfer of the Avidity Shares referred to in paragraph (a) of this Part C pursuant to the Offer and the delivery of the share certificate(s) and/or other document(s) of title in respect of such Avidity Shares to AEOTL or as it may direct; and
 - (ii) to AEOTL or its agents to procure the dispatch by post of a cheque drawn on a branch of a UK clearing bank in respect of any cash consideration to which he is entitled under the Offer at the risk of such Avidity Shareholder, to the person whose name and address (outside a Restricted Jurisdiction) is set out in in Box 1 of the Form of Acceptance;
- (d) that the execution of the Form of Acceptance and its delivery to the Receiving Agent constitutes a separate authority to AEOTL and/or their directors in respect of the Avidity Shares comprised in the acceptance that, pending registration, in respect of the Avidity Shares referred to in paragraph (a) of this Part C:
 - (i) AEOTL and/or its agents shall be entitled to direct the exercise of any votes and any or all other rights and privileges (including the right to requisition the convening of a general meeting of Avidity or of any class of its shareholders) attaching to such Avidity Shares in respect of which the relevant Offer has been accepted and not validly withdrawn; and
 - (ii) the execution of a Form of Acceptance in respect of such Avidity Shares comprised in such acceptance and in respect of which such acceptance has not been validly withdrawn: (A) constitutes an authority to Avidity and its agents from such Avidity Shareholder to send any notice, circular, warrant, document or other communication which may be required to be sent to him as a member of Avidity (including any share certificate(s) or other document(s) of title) to AEOTL at its registered office addresses; (B) constitutes an authority to AEOTL or any director of AEOTL to sign any consent to short notice of a general or separate class meeting as his attorney and/or agent and on his behalf and/or to attend and/or execute a form of proxy in respect of such Avidity Shares appointing any person nominated by AEOTL to attend general and separate class meetings of Avidity (and any adjournments thereof) and to exercise the votes attaching to such shares on his behalf, where relevant, such votes to be cast so far as possible to satisfy any outstanding condition of the Offer; and (C) will also constitute the

agreement of such Avidity Shareholder not to exercise any of such rights without the consent of AEOTL and the irrevocable undertaking of such Avidity Shareholder not to appoint a proxy to attend any such general meeting or separate class meeting, save that this authority will cease to be valid if the acceptance is validly withdrawn;

- (e) that he will deliver or procure the delivery to the Receiving Agent at the address referred to in paragraph 3.2 of Part B of his share certificate(s) and/or other document(s) of title in respect of all Avidity Shares held by him in respect of which the Offer has been accepted or is deemed to have been accepted and not validly withdrawn, or an indemnity acceptable to AEOTL in lieu thereof, as soon as possible and in any event within six months of the end of the Offer Period;
- (f) that he is the sole legal and beneficial owner of the Avidity Shares in respect of which the Offer is accepted or deemed to be accepted or he is the legal owner of such Avidity Shares and he has the necessary capacity and authority to execute the Form of Acceptance;
- (g) he is irrevocably and unconditionally entitled to transfer the Avidity Shares in respect of which the Form of Acceptance is completed and that, unless he validly withdraws his acceptance, the Avidity Shares in respect of which the relevant Offer is accepted or deemed to be accepted are sold fully paid up with full title guarantee and free from all liens, equitable interests, charges, encumbrances, rights of pre-emption and other third party rights of any nature whatsoever and together with all rights attaching to them, including the right to receive and retain all dividends and distributions (if any) declared, made or payable after 29 October 2015;
- (h) that the terms and conditions of the Offer contained in this document shall be deemed to be incorporated in, and form part of, the Form of Acceptance which shall be read and construed accordingly;
- (i) that, unless he validly withdraws his acceptance, if he accepts the Offer, he will do all such acts and things as shall be necessary or expedient to vest the Avidity Shares referred to in paragraph (a) of this Part C in AEOTL or its nominee(s) or such other persons as it may decide;
- (j) that he agrees to ratify each and every thing which may be done or effected by AEOTL or the Receiving Agent or any director of AEOTL or any director of the Receiving Agent or its respective agents or Avidity or its agents, as the case may be, in the exercise of any of his powers and/or authorities under this document;
- (k) that the execution of the Form of Acceptance constitutes his agreement to the terms of paragraph 4.4 of Part B;
- (l) that, on execution, the Form of Acceptance shall take effect as a deed; and
- (m) that, if any provision of Part B or C shall be unenforceable or invalid or shall not operate so as to afford AEOTL or the Receiving Agent or any director of any of them the benefit or authority expressed to be given therein, he shall with all practicable speed do all such acts and things and execute all such documents as may be required to enable AEOTL and/or the Receiving Agent and/or any director of any of them to secure the full benefits of Section B.

References in this Part C to an Avidity Shareholder shall include references to the person or persons executing a Form of Acceptance and, if more than one person executes a Form of Acceptance, the provisions of this Part C shall apply to them jointly and severally.

APPENDIX II

Summary of the principal terms of the Offer

Assuming the Offer is declared unconditional in all respects, the Offer will entitle each Avidity Shareholder to the following consideration:

1. For each Avidity Share:
 - a) the sum of 8.50 pence in cash; plus
 - b) Earn-out Consideration comprising the “First Earn-out Sum”, the “Second Earn-out Sum” and the “Third Earn-out Sum”, as follows:
 - (i) The First Earn-out Sum will be calculated using the following formula and (in the event the First Earn-out Sum is a positive number) paid on 1 September 2016:
$$\text{First Earn-out} = ((3.5 \times A) / B) - C$$

Where:

A = the Adjusted EBITDA for FY2015/16;
B = the total number of Avidity Shares in issue on the date the Offer closes; and
C = the amount of the Cash Consideration per share.
 - (ii) The Second Earn-out Sum will be calculated using the following formula and (in the event the Second Earn-out Sum is a positive number) paid on 1 September, 2017:
$$\text{Second Earn-out} = ((3.5 \times A) / B) - C - D$$

Where:

A = the Adjusted EBITDA for FY2016/17;
B = the total number of Avidity Shares in issue on the date the Offer closes;
C = the amount of the Cash Consideration per share; and
D = the amount of the First Earn-out Sum per share.
 - (iii) The Third Earn-out Sum will be calculated using the following formula and (in the event the Second Earn-out Sum is a positive number) paid on 1 September, 2018:
$$\text{Third Earn-out} = ((3.5 \times A) / B) - C - D - E$$

Where:

A = the Adjusted EBITDA for FY2017/18;
B = the total number of Avidity Shares in issue on the date the Offer closes;
C = the amount of the Cash Consideration per share;
D = the amount of the First Earn-out Sum per share; and
E = the amount of the Second Earn-out Sum per share.
 - c) Deferred Consideration of 5 pence per Share paid on 1 September 2018 but reduced by any payments made in respect of The First Earn-out Sum, The Second Earn-out Sum or The Third Earn-out Sum as set out in paragraph b) above.
2. The Earn-out Consideration per share for each earn-out period calculation will be rounded up to two decimal places of one penny and total payments to Shareholders will be rounded down to the nearest whole penny.
3. The Earn-out Consideration and the Deferred Consideration will be guaranteed by ICL.
4. The following definitions shall apply for the purposes of this Appendix II:

Adjusted EBITDA means in relation to a relevant FY, the EBITDA of the Avidity Group for that FY as derived from the Annual Accounts for that FY but adjusted to the extent that any of the following items are taken into account in determining EBITDA to;

- a) Add back any payments made to beneficiaries of the Employee Ownership Trust at the instruction of AEOTL;
- b) Add back the costs of any share based payments;
- c) Add back any Exceptional Costs;
- d) Exclude any profits or losses, or any expensed acquisition costs, attributable to any business acquired by any member of the Avidity Group after completion of the Offer
- e) Add back the cost of any fine or other penalty imposed on any member of the Avidity Group for failure to comply with any rule of law or official regulation

The Adjusted EBITDA shall be certified by the Auditors of the Avidity Group for the time being acting as expert or, if the Auditors are unable or unwilling to act in this capacity, an independent expert appointed by the President of the Institute of Chartered Accountants in England and Wales. The cost of providing the Certificate shall be met by the Company and added back to the Adjusted EBITDA.

In this Appendix II the following words and expressions shall have the following meanings:

Annual Accounts means in relation to a Relevant FY, the audited consolidated accounts of the Avidity Group as at and to the last day of that Financial Year, including an audited balance sheet and profit and loss account

Cash Consideration means 8.5p per share

Deferred Consideration means 5.0p per share

EBITDA means earnings before distributions, interest, tax and depreciation and amortisation

Exceptional Costs means any charges to the profit and loss account which are:

- a) the amount by which the cost of paying any remuneration to any person who is or has been a director of the Company exceeds Normalised Remuneration;
- b) not in the ordinary course of business including fixed asset revaluations;
- c) in respect of contracts with shareholders entered into otherwise than on arm's length commercial terms; and
- d) in respect of capital expenditure if this (i) exceeds £10,000.00 and is not noted with approval in an approved minute of a meeting of the Board or (ii) is reasonably to be regarded as reportable in the Annual Accounts in question as an exceptional cost.

First Earn-out Sum has the meaning given to it in Paragraph 1 of this Appendix II

FY means a financial year of the Company ending with its accounting reference date and, where that expression is followed immediately by a reference to a year and an immediately following year ("2015/16", for example), means such a financial year which ends with the accounting reference date in the second of those years

Normalised Remuneration means, in relation to any Relevant FY, the following:

- a) In the case of a fee earner remuneration (whether as contractual pay or otherwise) not exceeding 50% of the fee income of the person concerned for that Relevant FY as calculated by multiplying the billed hours of that person for that Relevant FY by the charge out rates respectively applied to those hours and subtracting from the so-calculated amount any part thereof which is refunded or classified as a bad debt in or for that Relevant FY ("Irrecoverable Element") and any Irrecoverable Element with respect to a previous financial year of the Company which has not already been subtracted in a previous Relevant FY; or

- b) In the case of everyone else, remuneration (whether as contractual pay or otherwise) which represents the market rate for that role.

Relevant FY means any of the financial years mentioned in Paragraph 1 of this Appendix II.

Second Earn-out Sum has the meaning given to it in Paragraph 1 of this Appendix II

Third Earn-out Sum has the meaning given to it in Paragraph 1 of this Appendix II.

Minimum Adjusted EBITDA to receive further Offer consideration under the Earn-out

On a fully diluted basis, no Earn-out Consideration will be payable unless or until Adjusted EBITDA in one of the FYs ending from April 2016 to April 2018 (in each case an “Earn-out Period”) exceeds approximately £216,000. The calculation of the Earn-out Consideration is such that when added to the Cash Consideration, shareholders accepting the Offer will receive a minimum of the Cash Consideration and a maximum consideration, if greater, equivalent in aggregate to three and a half times the highest Adjusted EBITDA achieved by the Company in one of the Earn-out Periods, divided by the number of ordinary shares in issue immediately following the close of the Offer.

Shareholders would receive further consideration under the Earn-out if the Adjusted EBITDA for FY2015/16 (for the First Earn-out Sum) is greater than £216,000.

For the Second Earn-out Sum to receive further consideration the Adjusted EBITDA would have to exceed:

- (i) in the case where there was no payment made from the First Earn-out Sum an Adjusted EBITDA of £216,000; and
- (ii) in the case where there was a payment made under the First Earn-out Sum the Adjusted EBITDA must be greater than the Adjusted EBITDA for the First Earn-out Sum.

For the Third Earn-out Sum to receive further consideration the Adjusted EBITDA would have to exceed:

- (i) in the case where there was no payment made from the First or Second Earn-out Sum an Adjusted EBITDA of £216,000; and
- (ii) in the case where there was a payment made under either the First Earn-out Sum or the Second Earn-out Sum the Adjusted EBITDA must be greater than the Adjusted EBITDA for the higher of the First Earn-out Sum or the Second Earn-out Sum.

Under the Earn-out Sum calculations for every increase in the Adjusted EBITDA of £50,000 above the minimum thresholds set out above the earn-out consideration would increase by approximately 1.97p per Share.

Avidity’s consolidated financial statements for the year ended 30 April 2015 stated that the EBITDA for FY 2014/15 was £461,000 and for FY2013/14 was £351,000. The Earn-out consideration payable on a fully diluted basis for an Adjusted EBITDA of £461,000 would be 9.64p.

The above is for illustration purposes only and is not an estimate or forecast of the future profitability of the Company.

APPENDIX III

Financial information relating to Avidity

Set out below is the financial information in respect of Avidity. The documents referred to below are incorporated into this document by reference. All documents referred to below are available in “read-only” format for reviewing or downloading free of charge on Avidity’s website www.AEOTL.co.uk respectively to view:

- the audited accounts of Avidity for the financial year ended 30 April 2015; and
- the audited accounts of Avidity for the financial year ended 30 April 2014.

No interim statement or preliminary announcement has been made by Avidity since the date of publication of its annual report and financial statements for the financial year ended 30 April 2015.

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

Neither the content of the website of Avidity, nor the content of its’ website accessible from hyperlinks on that website, is incorporated into, or forms part of, this document.

APPENDIX IV

Information relating to AEOTL, ICL and ICP

Part A: Financial information relating to AEOTL

AEOTL was incorporated on 18 February 2015 and has not prepared any interim accounts since that date.

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

Part B: Financial information relating to ICL

ICL is wholly owned by ICP. Set out below is the financial information in respect of ICL. The documents referred to below are incorporated into this document by reference. All documents referred to below are available in “read-only” format for reviewing or downloading free of charge on the combined website www.AEOTL.co.uk :

- the abbreviated unaudited accounts of ICL for the financial year ended 31 December 2014; and
- the abbreviated unaudited accounts of ICL for the financial year ended 31 December 2013.

No interim statement or preliminary announcement has been made by ICL since the date of publication of its annual report and financial statements for the financial year ended 31 December 2014.

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

Part C: Financial information relating to ICP

Set out below is the financial information in respect of ICP. The documents referred to below are incorporated into this document by reference. All documents referred to below are available in “read-only” format for reviewing or downloading free of charge on the combined website www.AEOTL.co.uk to view:

- the abbreviated unaudited accounts of ICP for the financial year ended 31 December 2014; and
- the abbreviated unaudited accounts of ICP for the financial period from 30 September 2012 to 31 December 2013.

No interim statement or preliminary announcement has been made by ICP since the date of publication of its annual report and financial statements for the financial year ended 31 December 2014.

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

Neither the content of the websites of AEOTL, ICL, nor ICP, nor the content of any websites accessible from hyperlinks on those websites, is incorporated into, or forms part of, this document.

APPENDIX V

ADDITIONAL INFORMATION

1 Responsibility

- 1.1 The AEOTL directors, whose names are set out in paragraph 2.1 below of this Appendix V, accept responsibility for: (i) the information contained in this document relating to AEOTL, AEOTL Directors and their immediate families, related trusts and related persons; and (ii) all other information in this document except for that information for which responsibility is taken by others pursuant to paragraphs 1.2, 1.3, 1.4 and 1.5 below. To the best of the knowledge and belief of the AEOTL 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.
- 1.2 The ICL Director, whose name is set out in paragraph 2.2 below of this Appendix V, accepts responsibility for: (i) the information contained in this document relating to ICL, the ICL Director and his immediate family, related trusts and related persons; and (ii) all other information in this document except for that information for which responsibility is taken by others pursuant to paragraphs 1.1 above and paragraphs 1.3, 1.4 and 1.5 below. To the best of the knowledge and belief of the ICL Director (who has taken all reasonable care to ensure that such is the case), the information contained in this document for which he takes responsibility is in accordance with the facts and does not omit anything likely to affect the import of such information.
- 1.3 The ICP partners, whose names are set out in paragraph 2.3 below of this Appendix V, accept responsibility for: (i) the information contained in this document relating to ICP, the ICP partners and their immediate families, related trusts and related persons; and (ii) all other information in this document except for that information for which responsibility is taken by others pursuant to paragraphs 1.1 and 1.2 above and 1.4 and 1.5 below. To the best of the knowledge and belief of the ICP partners (who have taken all reasonable care to ensure that such is the case), the information contained in this document for which he takes responsibility is in accordance with the facts and does not omit anything likely to affect the import of such information.
- 1.4 The Avidity Directors, whose names are set out in paragraph 2.4 below of this Appendix V, accept responsibility for: (i) the information contained in this document relating to Avidity, the Avidity Directors and their immediate families, related trusts and related persons; and (ii) all other information in this document except for that information for which responsibility is taken by others pursuant to paragraphs 1.1, 1.2 and 1.3 above and the Recommendation of the Independent Chairman as set out in paragraph 1.5 below. To the best of the knowledge and belief of the Avidity 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.
- 1.5 The Independent Chairman, whose name is set out in paragraph 2.5 below of this Appendix V, accepts responsibility for the Recommendation set out in Part 1 of this document. To the best of the knowledge and belief of the Independent Chairman (who has taken all reasonable care to ensure that such is the case), the Recommendation contained in this document for which he takes responsibility is in accordance with the facts and does not omit anything likely to affect the import of such information.

2 Directors

- 2.1 The AEOTL directors are as follows:

- David Johnston
- Anthony Williams

The registered office of AEOTL is 25 Meer Street, Stratford-Upon-Avon, Warwickshire, CV37 6QB.

- 2.2 The ICL Director is as follows:

- Rupert Symons

The business address of Rupert Symons is 25 Meer Street, Stratford-Upon-Avon, Warwickshire, CV37 6QB, which is also the registered office of ICL.

- 2.3 The partners of ICP are as follows:

- Rupert Symons
- Robert Howard
- Shaun O'Brien
- Gerald Rance

- Nicholas Underwood

The business address of the ICP partners is 25 Meer Street, Stratford-Upon-Avon, Warwickshire, CV37 6QB, which is also the registered office of ICP.

2.4 The Avidity directors are as follows:

- Samuel Wauchope
- Richard Bizley
- Rupert Symons

The business address of the Avidity Directors is 25 Meer Street, Stratford-Upon-Avon, Warwickshire, England, CV37 6QB, which is also the registered office of Avidity IP Group PLC.

2.5 The Independent Chairman of Avidity is:

- Samuel Wauchope

The address of the Independent Chairman is as set out in paragraph 2.4 above.

3 Irrevocable Undertakings

AEOTL has received irrevocable undertakings to accept or procure the acceptance of the Offer from Richard Bizley and Malcolm Lawrence in respect of their entire beneficial interests in Avidity, amounting to, in aggregate 4,606,873 Avidity Shares representing approximately 54.4 percent of Avidity's issued share capital. This undertaking will cease to be binding only if the Offer lapses or is withdrawn.

4 Interests and Dealings

4.1 Definitions

For the purposes of this paragraph 4:

“acting in concert” with a party means any such person acting or deemed to be acting in concert with that party for the purposes of the City Code;

“arrangement” includes indemnity or option arrangements, and any agreement or understanding, formal or informal, of whatever nature relating to relevant securities which may be an inducement to deal or refrain from dealing;

“connected advisers” includes an organisation which (i) is advising the Offeror in relation to the Offer; (ii) is corporate broker to the Offeror (iii) is advising a person acting in concert with the Offeror in relation to the Offer or in relation to the matter which is the reason for that person being a member of the concert party, in each case above excluding any exempt principal traders and any exempt fund managers;

“control” means an interest, or interests, in shares carrying in aggregate 30 percent or more of the voting rights attributable to the capital of a company which are currently exercisable at a general meeting, irrespective of whether such interest or interests give de facto control;

“dealing” includes: (i) the acquisition or disposal of securities, of the right (whether conditional or absolute) to exercise or direct the exercise of the voting rights attaching to securities, or of general control of securities; (ii) the taking, granting, acquisition, disposal, entering into, closing out, termination, exercise (by either party) or variation of an option (including a traded option contract) in respect of any securities; (iii) subscribing or agreeing to subscribe for securities; (iv) the exercise or conversion, whether in respect of new or existing securities, of any securities carrying conversion or subscription rights; (v) the acquisition of, disposal of, entering into, closing out, exercise (by either party) of any rights under, or variation of, a derivative referenced, directly or indirectly, to securities; (vi) entering into, terminating or varying the terms of any agreement to purchase or sell securities; and (vii) any other action resulting, or which may result, in an increase or decrease in the number of securities in which a person is interested or in respect of which he has a short position;

“derivative” includes any financial product whose value in whole or in part is determined directly or indirectly by reference to the price of an underlying security;

“disclosure date” means 28 October 2015, being the latest practicable date before the publication of this document;

“disclosure period” means the period commencing on 30 October 2014 (the date twelve months prior to the commencement of the Offer Period) and ending on the disclosure date;

an **“exempt principal trader”** or **“exempt fund manager”** are to those terms as defined in the City Code;

“financial collateral arrangement” means a security financial collateral arrangement which provides a right for the collateral taker to use and dispose of relevant securities as if it were the owner of those securities;

a person has an **“interest”** or is **“interested”** in securities if he has a long economic exposure, whether absolute or conditional, to changes in the price of those securities and in particular covers: (i) legal title and beneficial ownership (i.e. the ability to exercise, or control the exercise of, voting rights); (ii) the right, option or obligation to acquire, call for or take delivery of securities under an option or derivative; and (iii) the situation where a person holds a derivative referenced to, or which may result in, a long position in securities;

“related persons” in relation to a director, means those persons whose interests in shares the director would be required to disclose pursuant to Part 22 of the Companies Act and related regulations;

“relevant securities” includes (i) Avidity Shares and any other securities of Avidity conferring voting rights or, as the context requires, the Offeror Shares and any other securities of the Offeror conferring voting rights; (ii) equity share capital of Avidity or, as the context requires, the Offeror; (iii) securities of Avidity or, as the context requires, the Offeror, carrying conversion or subscription rights into any of the foregoing;

“short position” means any short position (whether conditional or absolute and whether in the money or otherwise) including any short position under a derivative, any agreement to sell or any delivery obligation or right to require another person to purchase or take delivery.

4.2 *Persons acting in concert with the Offeror*

In addition to AEOTL’s Directors (together with their close relatives and related trusts), the persons acting in concert with AEOTL for the purposes of the Offer, and which are required to be disclosed are: (i) ICL of 25 Meer Street, Stratford-Upon-Avon, Warwickshire, CV37 6QB, and (ii) Cattaneo LLP of One Victoria Square, Birmingham B1 1BD. Cattaneo LLP is providing independent financial advice to the Offeror in relation to the Offer and is a connected adviser for the purposes of the City Code.

4.3 *Persons acting in concert with Avidity*

In addition to the Independent Chairman (together with his close relatives and related trusts), the persons acting in concert with Avidity for the purposes of the Offer, and which are required to be disclosed are: EGR Broking Limited of 15 Eldon Street, London EC2M 7LD is providing independent financial advice to Avidity in relation to the Offer for the purposes of Rule 3 of the City Code and is a connected adviser for the purposes of the City Code. Pursuant to Rule 25.6 of the City Code there are no dealing arrangements, including indemnity or options arrangements as referred to in Note 11 of the definition of acting in concert that exist between any person and the offeree, in relation to relevant securities which may be an inducement to deal or refrain from dealing.

4.4 *General*

(a) As at the disclosure date, AEOTL and persons acting in concert with AEOTL (including, without limitation, the AEOTL Directors and together with their close relatives and other related persons) were interested in the following relevant securities of Avidity:

Registered Holder	Owner or Controller of interest	Nature of Interest	Number of relevant Avidity Shares	Total interest in issued share capital
AEOTL	AEOTL	Registered holder	631,429 ordinary shares and 900,000 B ordinary shares	18.09%
AEOTL	David Johnston	Beneficial Interest*	631,429 ordinary shares and 900,000 B ordinary shares	18.09%
AEOTL	Anthony Williams	Beneficial Interest*	631,429 ordinary shares and 900,000 B ordinary shares	18.09%
ICL	ICL	Registered and beneficial owner	2,302,132	27.20%
ICL	Rupert Symons	Director of ICL	2,302,132	27.20%

* David Johnston and Anthony Williams are employees of Avidity and as such are beneficiaries of the Avidity Employee Ownership Trust.

- (b) Save for the foregoing, none of AEOTL, AEOTL's Directors, any members of such person's close relatives or any related trusts or companies, nor any person with whom AEOTL or any person acting in concert with AEOTL has an arrangement, was interested, had any rights to subscribe or had any short positions in respect of any relevant securities of Avidity on the disclosure date nor has any such person dealt in any relevant securities of Avidity during the disclosure period.
- (c) Neither AEOTL nor any person acting in concert with AEOTL, has borrowed or lent any relevant securities of Avidity during the disclosure period, save for any borrowed shares which have either been on-lent or sold.
- (d) Neither AEOTL nor any person acting in concert with AEOTL have entered into or taken any action to unwind any financial collateral arrangements in respect of any relevant securities of Avidity during the disclosure period.
- (e) Save as disclosed in this document neither AEOTL, nor any person acting in concert with AEOTL have any arrangements in relation to any relevant securities of Avidity.
- (f) Richard Bizley has an interest in 2,303,226 Shares in the Company representing 27.21 percent of the existing issued share capital and Rupert Symons has an interest as disclosed in paragraph 4.4 (a) above.
- (g) Save as disclosed in 4.4(f) above, none of Avidity, Avidity's Directors, any members of such person's close relatives or any related trusts or companies, nor any person with whom Avidity or any person acting in concert with Avidity has an arrangement, was interested, had any rights to subscribe or had any short positions in respect of any relevant securities of Avidity or AEOTL on the disclosure date nor has any such person dealt in any relevant securities of Avidity or AEOTL during the disclosure period.
- (h) Neither Avidity nor any person acting in concert with Avidity, has borrowed or lent any relevant securities of Avidity during the disclosure period, save for any borrowed shares which have either been on-lent or sold.

5 Avidity Directors service contracts and emoluments

- 5.1 The dates of appointment to the board of Avidity of each of the Directors and details of their remuneration are set out below.

Name	Date of appointment	Remuneration per annum (£)
Samuel Wauchope	23 September 2013	£35,000
Rupert Symons	15 October 2013	£156,000 (annualised)
Richard Bizley	4 January 2013	£100,000*

*with effect from 1 October 2015

- 5.2 Samuel Wauchope was appointed Non-executive Chairman of the Company by means of a service agreement dated 30 August 2013 for an initial term of two years, which was subsequently extended for a continuous period of employment. The agreement is terminable by three months written notice on either side, if Mr Wauchope is not re-elected to the Board, or if otherwise required in accordance with the Company's Articles of Association. Mr Wauchope is not required to spend more than 24 days per annum on his duties as a non-executive director except in periods where the Company is undergoing increased activity. He is entitled to be reimbursed for reasonable travel and subsistence expenses and has agreed for a period of six months after termination of his appointment not be directly or indirectly engaged concerned or interested in any business that is in competition with the Company or any of its subsidiaries, to solicit or seek to entice business or trade of a relevant customer away from the Company, or to offer employment or entice a relevant employee away from the Company.
- 5.3 Pursuant to an agreement dated 27 January 2015 ICL has agreed for a monthly fee of £13,000 to provide director services of Rupert Symons commencing on 1 February 2015, for an initial term of 6 calendar months, which has subsequently been extended, for a continuous period of engagement. Mr Symons has agreed to provide the services to the Company as requested of him and devote his

knowledge, skill and care to the provision of the services. ICL shall be reimbursed for out-of-pocket expenses reasonably incurred in the provision of the services. The agreement is stated so as not to construe a relationship of employer and employee between the Company and Mr Symons, the appointment of him to act as agent of the Company, a partnership or joint venture between himself and the Company or the right or power for him to contract on behalf or bind the Company in any way to a third party. The agreement contains provisions protecting confidential information and the serving of written notice. Mr Symons has agreed to certain restrictive covenants being imposed upon him for the restricted period, being 12 months following the expiry of this agreement, including restrictions relating to the Company's customers and restricted services in competition with the Company.

- 5.4 Pursuant to a service agreement dated 17 March 2015 Richard Bizley was appointed a Director of the Company, to take effect from 1 July 2015, for a continuous period of employment that commenced 1 March 2006 and will continue until terminated. This agreement replaced a previous agreement dated 1 September 2010. The agreement is terminable by four months written notice on either side, three months written notice by the Company if Mr Bizley has been prevented from performing his duties by reason of ill health or other reason outside of his control for a period or aggregated period of four months, or with immediate effect if a breach stipulated in this agreement has occurred. Mr Bizley is required to work 99 days per calendar year, of which up to 9 may be taken as holiday as well as hours outside of his normal hours of employment as required by the responsibilities of his job and reasonably stipulated by the Company. Mr Bizley's remuneration was £100,000 per annum with effect from 1 October 2015. He is entitled to be reimbursed for reasonably and properly incurred expenses and has agreed to the deduction from any sums due to him of amounts that he owes the Company. The service agreement contains provisions protecting confidential information, intellectual property and restrictions on other interests and activities. Mr Bizley has agreed for a restricted period, being 12 months less garden leave where applicable, that he will be bound by the covenants and undertakings as specified in the agreement, including those relating to relevant and prospective clients of the Company and any relevant Group Company.
- 5.5 The Directors' appointments as directors will continue until either the director resigns from office or as otherwise provided in the Articles. There is no contractual entitlement for any Director to be compensated for loss of office.
- 5.6 Save as disclosed above, there have been no changes in either remuneration or allowances within the 6 months of the date of this document.

6 Material Contracts

6.1 *AEOTL material contracts*

The following contracts have been entered into by AEOTL otherwise than in the ordinary course of business since 15 February 2015, (being the date of incorporation) and are or may be material;

6.1.1 Facility Agreement dated 28 October 2015

AEOTL as borrower and ICL as lender entered into the Facility Agreement on 28 October 2015. The principal terms of the Facility Agreement are as follows:

- (A) Amount of the facility – The Facility Agreement provides for a bid facility of £432,500 and a revolving facility of up to £550,000, subject to an overall maximum facility amount of £550,000 at any time ("Facility").
- (B) Repayment terms – Amounts of principal outstanding under the Facility Agreement are repayable in accordance with the following schedule:

Repayment Date	Repayment Instalment
31 August 2016	25% of the Facility then outstanding, save as provided below
31 August 2017	25% of the Facility then outstanding
31 August 2018	25% of the Facility then outstanding
31 August 2019	25% of the Facility then outstanding
31 October 2020	The outstanding balance of the Facility

AEOTL may prepay part or all of the Facility at any time. If less than the outstanding balance of the Facility is being prepaid, the amount of the prepayment must be a whole multiple of £10,000.

AEOTL may elect, at its sole discretion, to make any payment under the Facility Agreement in cash or in the form of Avidity Shares (but not Offer Shares) registered in its name, or in a combination of the two. Where AEOTL elects to make a payment in the form of Avidity Shares, they shall be transferred at a value per share (“Equivalent Value”) equal to the aggregate of the Cash Consideration and any Earn-out Consideration and Deferred Consideration calculated in accordance with Appendix II of this document,

Interest payments on the outstanding balance of the Facility are payable quarterly in arrears.

- (C) Interest rate – the amounts outstanding under the Facility Agreement bear interest at the rate of 6 per cent above the base rate for the time being of National Westminster Bank plc.
- (D) The obligations of AEOTL under the Facility Agreement are secured by the Charge over Shares, details of which are set out in paragraph 6.1.2 below.
- (E) Summary of key covenants – the Facility Agreement contains customary affirmative and negative covenants and customary events of default.
- (F) Obligations in relation to Avidity Shares – the Facility Agreement contains undertakings by each of ICL and AEOTL not to grant any right or interest (other than, in the case of AEOTL, the Charge over Shares) over the Avidity Shares held by them until all Offer Shares acquired by AEOTL have been paid for. In addition, the Facility Agreement contains a statement of intent that in the event that the Offer is declared wholly unconditional, AEOTL will hold approximately 60 percent of the Avidity Shares and ICL will hold approximately 40 percent of the Avidity Shares, with the exact proportions to be determined by subsequent agreement. AEOTL and ICL have undertaken to use all reasonable endeavours to implement this reorganisation as soon as reasonably practicable and in any event no later than six months from the date on which the Offer is declared unconditional in all respects. The Facility Agreement records the present intention of the parties that the reorganisation of shareholdings will be effected by the transfer to ICL of 625,000 Avidity Shares held by AEOTL on the date of the Facility Agreement at Equivalent Value and the cancellation of the Ordinary B Shares, which are held by AEOTL. The Facility Agreement also contains an undertaking by AEOTL and ICL to procure that AEOTL at all times holds as trustee of the Avidity Employee Ownership Trust not less than 50.1 percent of the voting share capital of Avidity.

6.1.2 Charge over Shares dated 28 October 2015

AEOTL and ICL entered into a charge over shares under which the obligations of AEOTL under the Facility Agreement are secured by a charge over certain Avidity Shares held by AEOTL. The shares to be charged to ICL are the 631,429 ordinary shares of 1 pence each held by AEOTL on the date of the Charge over Shares (“Original Shares”) and such number of Offer Shares acquired by AEOTL pursuant to the Offer as will, when aggregated with the Original Shares, represent only the excess over 50.1 percent of the voting share capital of Avidity at any given time.

6.1.3 Deed of Guarantee dated 28 October 2015

By a deed of guarantee dated 28 October 2015, ICL has guaranteed Avidity Shareholders who transfer Offer Shares to AEOTL pursuant to the terms of the Offer that in the event that AEOTL fails to pay any of the Earn-Out Consideration or the Deferred Consideration in accordance with Appendix II of this document, ICL will pay on demand such Earn-Out Consideration and Deferred Consideration. The deed of guarantee contains standard provisions for the protection of the beneficiaries of the guarantee. AEOTL is entitled to provide a substitute guarantee for the guarantee of ICL, subject to the prior approval of those persons who on the date of this document held not less than 75 percent of the Offer Shares.

6.2 *ICL material contracts*

The following contracts have been entered into by ICL otherwise than in the ordinary course of business since 30 October 2013, (the date two years before the commencement of the Offer Period) and are or may be material:

- 6.2.1 the Facility Agreement summarised in paragraph 6.1.1 above.
- 6.2.2 the Charge over Shares summarised in paragraph 6.1.2 above.

6.2.3 the Deed of Guarantee summarised in paragraph 6.1.3 above.

6.3 *Avidity material contracts*

There have been no contracts entered into by Avidity or its subsidiaries otherwise than in the ordinary course of business since 30 October 2013 (the date two years before the commencement of the Offer Period) that are or may be material.

7 **Financing of the Offer**

The Cash Consideration including stamp duty payable by the Offeror under the terms of the Offer will be funded by ICL. Full acceptance of the Offer, including the exercise of all options will result in Cash Consideration of approximately £432,500 being payable to Avidity Shareholders.

Cattaneo is satisfied that sufficient resources are available to AEOTL to satisfy in full the Cash Consideration payable to Avidity Shareholders as a result of full acceptance of the Offer.

8 **Fees and expenses**

8.1 AEOTL expects to incur fees and expenses of £71,000 excluding VAT, in aggregate, in connection with the Offer, comprising the following:

£42,000 in respect of financial advice;

£23,000 in respect of legal advice; and

£6,000 in respect of other costs and expenses including receiving agents, printing and mailing.

8.2 Avidity expects to incur fees and expenses of £30,000, excluding VAT, in aggregate, in connection with the Offer comprising the following:

£25,000 in respect of financial advice; and

£5,000 in respect of legal advice.

9 **Bases and sources of information**

9.1 The value of £719,417 attributed to the existing entire issued share capital of Avidity is based on 7,563,725 Avidity Ordinary A Shares in issue and 900,000 Avidity Ordinary B Shares in issue at 28 October 2015, being the last practicable date prior to the date of this Offer.

9.2 Unless otherwise stated, the financial information concerning Avidity has been extracted from the audited annual report and financial statements for Avidity for the relevant years.

9.3 References to a percentage of Avidity Shares are based on the number of Avidity Shares in issue as set out in paragraph 9.1 above.

10 **Incorporation by reference**

A list of information incorporated by reference in this document is set out in Appendix III (Financial and Ratings Information relating to Avidity) and Appendix IV (Information relating to AEOTL, ICL and ICP) of this document. You may request a hard copy of any information incorporated by reference in this document by contacting Neville Registrars Limited during business hours on 0121 585 1131 between 9.00 a.m. and 5.00 p.m. (London time) Monday to Friday (excluding UK public holidays). Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Offer nor give any financial, legal or tax advice. You can also request a hard copy of any information incorporated by reference into this document by submitting a request in writing to Neville Registrars Limited, Neville House, 18 Laurel Lane, Halesowen, West Midlands, B63 3DA. Hard copies of this information, incorporated by reference in this document, will not be sent to you unless specifically requested. 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.

11 **Other Information**

11.1 Cattaneo LLP has given and not withdrawn its written consent to the issue of this document with the inclusion herein of the references to its name in the form and context in which they appear.

11.2 EGR Broking Limited has given and not withdrawn its written consent to the issue of this document with the inclusion herein of the references to its name in the form and context in which they appear.

11.3 Save as disclosed in this document, there is no agreement, arrangement or understanding (including any compensation arrangements) between AEOTL or any person acting in concert with it and any of the directors, recent directors, shareholders or recent shareholders of Avidity or any person interested or recently

interested in Avidity shares having any connection with or dependence on or which is conditional upon the outcome of the Offer.

- 11.4 Except as disclosed in this document, there is no agreement, arrangement or understanding by which any securities acquired in pursuance of the Offer will be transferred to any other person.
- 11.5 Avidity's Shares are not, and have not been listed or traded on any recognised stock exchange and therefore there are no published quotations for its shares. No Shares have been traded in the six months prior to the date of this document save for the transfer of Shares from Avidity IP Trustee Limited to AEOTL on 18 June 2015 as described in paragraph 5 of Part 2 of this document which were transferred for no value between the two trustees.
- 11.6 Save as disclosed in this document there has been no significant change in the financial or trading position of Avidity since 30 April 2015, being the date to which the Avidity audited annual accounts were prepared.

12 Documents available for inspection

Copies of this document, and the documents listed below, are available free of charge on the combined website at www.AEOTL.co.uk until the end of the Offer:

- (a) this document and the Form of Acceptance;
- (b) the memorandum and articles of association of AEOTL;
- (c) the memorandum and articles of association of Avidity;
- (d) the audited financial statements of Avidity for each of the financial years ended 30 April 2015 and 30 April 2014;
- (e) the unaudited financial statements of ICL for the financial year ended 31 December 2014 and the year ended 31 December 2013;
- (f) the unaudited financial statements of ICP for the financial year ended 31 December 2014 and the period from 1 October 2012 to 31 December 2013;
- (g) the irrevocable undertakings referred to in paragraph 3 of this Appendix V;
- (h) the consent letters referred to in paragraphs 11.1 and 11.2 of this Appendix V; and
- (i) the material contracts referred to in paragraph 6 of this Appendix V.

APPENDIX VI

DEFINITIONS

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

“Acceptance Condition”	the Condition as to acceptances set out in paragraph (a) of Part A of Part II of this document;
“Announcement”	the announcement of the Offeror’s firm intention to make an offer for Avidity dated 29 October 2015;
“Announcement Date”	the date on which the Announcement was released;
“AEOTL”	Avidity Employee Ownership Trustees Limited a private limited company incorporated in England and Wales with registered number 09446308, acting as trustee for the Avidity Employee Ownership Trust;
“Avidity” or the “Company”	Avidity IP Group plc, a public company incorporated in England and Wales with registered number 05697512 whose registered office is at 25 Meer Street, Stratford-upon-Avon, Warwickshire CV37 6QB;
“Avidity Directors” or “Board of Avidity” or “Avidity Board”	the board of directors of Avidity;
“Avidity Group”	Avidity and its subsidiary undertakings and, where the context permits, each of them;
“Avidity Shareholders” or “Shareholders”	holders of Avidity Shares from time to time;
“Avidity Shares”, “Shares” or “Ordinary Share”	the existing issued or unconditionally allotted and fully paid (or credited as fully paid) ordinary shares of 1 pence each and the B ordinary shares of 1 pence each in the capital of Avidity and any further such shares which are unconditionally allotted or issued and fully paid (or credited as fully paid) before the date on which the Offer closes or, subject to the provisions of the City Code, such earlier date as AEOTL may determine;
“Business Day”	a day (other than Saturdays, Sundays and public holidays in the UK) on which banks are normally open for business in the City of London;
“Cash Consideration”	the sum of 8.50 pence per Avidity Share payable in cash upon the Offer becoming unconditional;
“Cattaneo LLP”	the financial adviser to AEOTL;
“City Code”	the City Code on Takeovers and Mergers;
“Companies Act”	the Companies Act 2006 (as amended);
“Concert Party”	AEOTL and ICL who are acting in concert as defined by the City Code for the purposes of the Offer;
“Conditions”	the conditions of the Offer set out in Parts A and B of Appendix II of this document, and Condition means any one of them;
“Dealing Disclosure”	has the meaning given to it by Rule 8 of the City Code;
“Deferred Consideration”	the Deferred Consideration of 5 pence per Avidity Share payable on 1 September 2018 but reduced by any amounts paid or payable in respect of the First, Second and Third Earn-out Sums;
“Deferred Shares”	the 160,801,175 Deferred Shares of 1p each in Avidity. These shares have no dividend or voting rights and have very limited rights to capital. They are not classified as being equity capital in Avidity;
“Disclosed”	information disclosed: (i) in the annual report and financial statements of Avidity for the year ended 30 April 2015; (ii) in the Announcement; (iii)

	in any other announcement made to a Regulatory Information Service by or on behalf of Avidity prior to the release of the Announcement; or (iv) fairly to the Offeror or their advisers by or on behalf of Avidity prior to the release of the Announcement;
“Disclosure Period”	the period commencing 30 October 2014 (being the date 12 months prior to the commencement of the Offer Period) and ending on 28 October 2015 being the latest practicable date prior to the publication of this document;
“Earn-out Consideration”	the Earn-out Consideration comprising the “First Earn-out Sum”, the “Second Earn-out Sum” and the “Third Earn-out Sum”, further details of which are set out in Appendix II of this Offer Document;
“EGR Broking”	EGR Broking Limited the Rule 3 adviser to Avidity;
“First Closing Date”	1.00pm (London Time) on 19 November 2015 (being the date which is 21 days after the posting of this document);
“Form of Acceptance”	in relation to Avidity Shares, the form of acceptance and authority relating to the Offer which accompanies this Offer Document for use by Avidity Shareholders with shares in connection with the Offer;
“ICL” or “Idea Catalyst”	Idea Catalyst Limited, a private limited company with company number 08072788 with its registered office situated at 25 Meer Street, Stratford Upon Avon, Warwickshire, CV37 6QB. The company is wholly owned by Idea Catalyst Partners and is an associate of AEOTL;
“ICP” or “Idea Catalyst Partners”	Idea Catalyst Partners LLP, the controlling entity of ICL with registered number OC367806 and whose registered office is 25 Meer Street, Stratford Upon Avon, Warwickshire, CV37 6QB;
“Independent Chairman”	the sole independent director of Avidity being the Chairman Samuel Wauchope;
“Malcolm Lawrence Options”	the options to subscribe for 330,000 ordinary shares of 1 pence each in Avidity exercisable by Malcolm Lawrence;
“Neville Registrars”	Neville Registrars Limited, a company registered in England under number 4770411 and whose registered office is Neville House, 18 Laurel Lane, Halesowen, B63 3DA. Neville Registrars is acting as receiving agent for the Offer;
“Offer”	the offer by AEOTL for all the issued and to be issued Avidity Shares not already owned by AEOTL or ICL on the terms and subject to the Conditions set out in this document and the Form of Acceptance and including, where the context permits, any subsequent revision, variation, extension or renewal of such offer;
“Offer Document”	this document and any subsequent document containing the Offer;
“Offer Period”	the period beginning on and including 29 October 2015 and ending on the latest of (i) 1.00 p.m. (London time) on the First Closing Date, (ii) the time and date on which the Offer becomes or is declared unconditional as to acceptances and (iii) the time and date on which the Offer lapses or is withdrawn;
“Offeror”	AEOTL;
“Offeror Directors”	the directors of AEOTL;
“Offer Shares”	the 4,630,164 Avidity Shares in issue subject to the Offer being the whole of the issued ordinary share capital excluding those Shares already owned by AEOTL and ICL;
“Opening Position Disclosure”	has the meaning given to it by Rule 8 of the City Code;
“Option Scheme”	The Avidity IP Group plc Company Share Option Plan;
“Optionholders”	holders of share options under the Option Scheme;

“Ordinary B Shares”	the existing ordinary B shares of 1p each in Avidity in issue at the date of this document;
“Overseas Shareholders”	Avidity Shareholders (or nominees of, or custodians or trustees for Avidity Shareholders) who are resident in, or nationals or citizens of, jurisdictions outside the United Kingdom;
“Panel”	the Panel on Takeovers and Mergers;
“Regulatory Authority”	any government or governmental, quasi-governmental, supranational, statutory or regulatory body, or any court;
“Regulatory Information Service”	has the meaning given by the City Code;
“Restricted Jurisdiction”	any of Australia, Canada, United States of America or Japan or any other jurisdiction where local laws or regulations may result in a significant risk of civil, regulatory or criminal exposure if information concerning the Offer is sent or made available to Avidity Shareholders in that jurisdiction;
“subsidiary, subsidiary undertaking, associated undertaking and undertaking”	have the meanings given by the Companies Act;
“United Kingdom” or “UK”	the United Kingdom of Great Britain and Northern Ireland.