



Return of Capital to shareholders

Page 23 of the Circular relating to the Return of Capital and Share Consolidation published on 28 February 2018 refers to the requirement for certain shareholders in receipt of B Shares to apportion the CGT base cost in their Existing Ordinary Shares between the B Shares and the New Ordinary Shares.

The following information provides an example of how the apportionment works, based upon UK law and HM Revenue & Customs practice current as at 28 March 2018. It does not constitute, and should not be taken as, tax advice. It relates only to shareholders who are liable to UK capital gains tax in respect of the payment received on the redemption of their B Shares.

Shareholders should always seek their own advice from an appropriate independent and authorised professional if they are in any doubt as to whether they are liable to capital gains tax or otherwise regarding their tax position.

Example Holding

Shareholder has	1,000 shares
The shares were acquired at £4.00 per share	
The shareholder's base cost is	£4,000.00

B Shares

Entitled to	1,000 B Shares
These were redeemed for 93.65p each	
Shareholder will receive a total return of	£936.50

Number of New Ordinary Shares following share consolidation

$$\text{Existing no. shares} \times \frac{25}{29} = 1,000 \times \frac{25}{29} = 862.07$$

This is rounded down to 862

Therefore 862 New Ordinary Shares were issued.

The remaining 0.07 will be a 'Fractional Entitlement' (see overleaf).

Apportionment of base cost

Base cost is apportioned by reference to the respective market values of the B Shares and the New Ordinary Shares. This is taken as being 93.65p per B Share (i.e. the amount that will be returned on them) and the published closing price for New Ordinary Shares on their first full day of trading.

Closing Share Price on 27 March 2018			£6.86
B Shares:	1,000 x £0.9365	£936.50	A
New Ordinary Shares	862 x £6.86	<u>£5,913.32</u>	B

1. Calculate the proportion of tax base cost to be allocated to B Shares

$$\text{Relevant proportion: } \frac{A}{(A + B)} = \frac{936.50}{(936.50 + 5,913.32)} = 13.67\%$$

Tax base cost attributable to B Share redemption

$$\text{Tax Base cost} \times 13.67\% \quad \text{£4,000.00} \times 13.67\% \quad \text{£546.80}$$

2. Calculate capital gain on redemption of B Shares

Total cash proceeds received on B Shares	£936.50
Tax base cost	£(546.80)
Taxable gain	£389.70

Shareholders have effectively sold 13.67% of their holding for 93.65p per Existing Share.

Fractional Entitlements

Fractional Entitlements will be aggregated into New Ordinary Shares and sold on the market, and the proceeds apportioned between the relevant shareholders. If the amount that would be apportioned to a shareholder is less than £3, it will not be distributed and will instead be donated to charity. If a distribution is made to a shareholder in respect of a Fractional Entitlement, that amount will be deducted from the base cost in the holding of New Ordinary Shares for the purposes of any future disposal of them.

In this example, the 0.07 remaining gives a Fractional Entitlement to the value of 0.07 New Ordinary Shares which (applying the Closing Share Price on 27 March 2018 of £6.86) equals £0.48. This is less than £3 so will not be distributed to the shareholder.

Base cost in New Ordinary Shares going forward

Original tax base cost	£4,000.00
Less: tax base cost apportioned to B Shares	<u>£(546.80)</u>
Base cost apportioned to New Ordinary Shares	£3,453.20
Distribution received in respect of 0.07 Fractional Entitlement	<u>£(0.00)</u>
Base cost in New Ordinary Shares	£3,453.20

Timing of capital gains tax liability

Any capital gains tax liability in respect of the redemption of B Shares will be treated as accruing to shareholders in the tax year ending 5 April 2018 (at the time of the redemption of the B shares), and not in the tax year ending 5 April 2019 (during which shareholders will receive cash proceeds).