



Return of Capital to shareholders

Page 12 of the Circular relating to the Return of Capital and Share Consolidation published on 29 January 2018 refers to the requirement for certain shareholders in receipt of B Shares to apportion the CGT base cost in their Ordinary Shares between the B Shares and their 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 16 February 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 £1.50 per share	
The shareholders base cost is	£1,500.00
B Shares	
Entitled to	1,000 B Shares
These were redeemed for £1.50 each	
Shareholder will receive a total return of	£1,500.00

Apportionment of base cost

Base cost is apportioned by reference to the respective market values of the B Shares and the Ordinary Shares. This is taken as being £1.50 per B Share (i.e., the amount that will be returned on them) and the published closing price for Ordinary Shares on their first full day of trading.

Closing Share Price on 16 February 2018	£1.27
B Shares:	1,000 x £1.50 £1,500 A
Ordinary Shares	1,000 x £1.27 <u>£1,270</u> B

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

$$\text{Relevant proportion: } \frac{A}{(A + B)} = \frac{1,500}{(1,500 + 1,270)} = 54.15\%$$

Tax base cost attributable to B Share redemption

Tax Base cost x 54.15%	£1,500 x 54.15%	£812.25
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2. Calculate capital gain on redemption of B Shares

Total cash proceeds received on B Shares	£1,500
Tax base cost	£(812.25)
Taxable gain	£687.75

Shareholders have effectively sold 54.15% of their holding for £1.50p per Share.

Base cost in Ordinary Shares going forward

Original tax base cost	£1,500.00
Less: tax base cost apportioned to B Shares	£(812.25)
Base cost apportioned to Ordinary Shares	<u>£687.75</u>
Base cost in Ordinary Shares	<u>£687.75</u>