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## YOUR GUIDE TO B SHARES

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*April 2015*



## Payments to Shareholders

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At McBride plc's (the **Company**) General Meeting on 24 March 2011, shareholders approved the issue of non-cumulative redeemable preference shares with a nominal value of 0.1 pence each (**B Shares**) as a method of making payments to shareholders rather than paying a cash dividend. However, you can still receive cash from the Company by electing to redeem your B shares upon issue provided you complete an Election Form.

### In order to receive cash you must either:

1. Complete an Election Form
2. Elect online for evergreen elections (note that CREST holders will always need to elect through CREST)

If you do nothing you will receive a B Share certificate.

### What can I do with my B Shares?

You can do one of two things with your B Shares:

1. Redeem all (or part of) your B Shares for cash; or
2. Keep the B Shares

These options are explained in more detail on the following pages.

## 1. Receive cash

You can receive cash by electing to redeem your B shares upon issue, each time the Company makes a payment to shareholders, by completing an Election Form, online election, or making an instruction through CREST, depending on whether you hold your ordinary shares in the Company in certificated or uncertificated form. If you hold your ordinary shares in certificated form (i.e. not in CREST) you should return your Election Form to the Company's Registrar at the earliest opportunity. Elections must be received by 1.00pm on the date that is ten business days before the relevant redemption date.

If you decide to receive cash payments from the Company then we strongly recommend that you arrange for payments to be credited direct to your bank account. This removes the risk of a cheque going astray in the post and means that the cash is credited to your bank account straight away. You can provide your bank details to the Company's Registrar when you complete your Election Form.

If you hold your ordinary shares in uncertificated form (i.e. in CREST) and want to redeem the B Shares being issued to you for cash, you should submit the appropriate message through the CREST system by no later than 1.00pm on the date that is ten business days before the relevant redemption date.

## 2. Receive B Shares

If you make no election at all then you will automatically receive B Shares and you will be sent a B Share certificate (or, if you are holding your ordinary shares through CREST, your CREST account will be credited with B Shares).

If you retain B Shares you will receive cash dividends on the B Shares twice a year fixed at 75 per cent of the interest rate known as LIBOR. The example below will give you an idea of the sort of return you can expect should you decide to retain your B Shares.

### Assuming the LIBOR rate for the B Share dividend was 1% per annum:

- 75% of LIBOR @ 1% = 0.75% per annum

### The B Share dividend is paid twice a year and is calculated on a six monthly basis:

- 0.75% dividend by 2 = 0.375%

- 20,000 B Shares @ 0.1p nominal value each would be £20

- 0.375% return on £20 = 7.5p

You would receive a B Share dividend of 7p (i.e. 7.5p rounded down to the nearest whole penny).

This dividend is non-cumulative which means that it does not accrue if unpaid.

Note: B Shares are not listed on the London Stock Exchange and therefore there is no ready market in which you can sell your B Shares (although they will be capable of being transferred privately). If you are issued with a B Share certificate and later want to redeem those B Shares, you need to complete the form on the reverse of the B Share certificate and return it to the Registrar. Provided the certificate is received by the relevant deadline for the next redemption, the shares will be redeemed at 0.1 pence per share on that redemption date.

If you subsequently decide that you no longer wish to receive B Shares, but wish to redeem them for cash, you must complete an Election Form or elect online and return it to the Registrar.

# Frequently asked questions

## What are B Shares?

B Shares are non-cumulative redeemable preference shares of 0.1p each in the capital of the Company that can, during defined periods, be redeemed for cash. The Company expects to issue B Shares to ordinary shareholders in May and November each year in lieu of a cash dividend.

## What is a B Share worth and how does this value correspond to the cash dividend I could have received under a dividend arrangement?

The nominal value and redemption price of each B Share is 0.1 pence. Therefore 1,000 B Shares are worth £1. In total, the B Shares issued to you will have a value equal to the cash dividend the directors would have recommended be paid to you if dividend arrangements were in place. If you choose to redeem the B shares issued to you, you will therefore receive the same amount of cash that you would have received if the Company had declared a cash dividend. For example, instead of a cash dividend of 2 pence per ordinary share, you would receive 20 B Shares (20x0.1p=2p).

## Do I have to pay for B Shares?

No. B Shares will be issued to you as fully paid shares.

## Do B Shares carry a right to attend and vote at general meetings?

Generally no. Although you are entitled to one vote for every ordinary share you hold in the Company, the B Shares will not carry a right to attend, speak and/or vote at any general meeting of the Company, with the sole exception of a meeting at which a resolution to wind up the Company is to be considered.

## What is the tax position on the issue and redemption of B Shares?

The allotment and issue of B Shares should not create any charge to UK income tax or UK taxation of chargeable gains. However, the redemption of the B Shares will be treated as a disposal for the purposes of the UK taxation of chargeable gains and may, depending on the shareholder's circumstances, give rise to capital gains tax on the amount of any chargeable gain. There should not be a charge to UK income tax on the redemption of B Shares. A full discussion of the tax effects of the B Shares is set out on 'the tax effects of B Shares' of this booklet.

## Does the change to the taxation of certain B share schemes introduced by Finance Act 2015 affect the scheme?

As part of Finance Act 2015, the UK Government enacted changes to the taxation of certain special purpose share schemes (commonly referred to as "B share schemes"). The schemes in question were those that offered a potential tax advantage to individual shareholders by giving them a choice between a return that would be taxed as a capital receipt and one that would be taxed as an income receipt. The Company's B Share Scheme offers no such choice and is therefore not considered to be within the scope of the new legislation. The taxation position of UK resident shareholders should therefore be unaffected by the new rules.

This section is not intended to be and should not be construed as legal or taxation advice and is based upon UK legislation and published practice of HM Revenue and Customs as at April 2015. If you are in any doubt as to your taxation position,

you are recommended to seek your own advice from an independent professional adviser.

**Will I receive B Shares instead of cash dividends in the future?**

It is expected that while the Company is able to, and there is a benefit in doing so, future payments to shareholders will be made through the issue of further B Shares. Shareholders will have to approve the issue of B Shares at each AGM of the Company in order for the Company to continue issuing B Shares rather than paying a final and interim dividend.

**Are there any circumstances other than the Company's expected bi-annual redemption offers (discussed below) when the Company may choose to redeem B Shares in issue?**

If the total number of B Shares in issue falls below 10% of the total number of B Shares issued or in certain other defined circumstances (e.g. a restructuring), the Company will be able to redeem all the remaining B Shares in issue.

**How do I elect to redeem my B shares**

If you hold your ordinary shares in certified form (i.e. not in CREST) and want to redeem the B Shares being issued to you for cash, you should complete an Election Form. You will need to ensure that your completed Election Form reaches the Company's Registrar, no later than 1.00pm on the date that is ten business days before the relevant redemption date. Alternatively, evergreen elections for full holdings can be made online.

**Will my election be an 'evergreen election' (or will I need to make a separate election every time the Company issues B Shares)?**

The Election Forms allow shareholders holding their ordinary shares in certificated form (i.e. not in CREST) to make an 'evergreen election' for the Company to redeem all the B Shares issued to them, including in relation to all future issues of B Shares. Certificated shareholders do not therefore need to make separate elections for future issues of B Shares. Elections made online will be evergreen for your full holding.

CREST participants who wish to redeem will be required to send the appropriate message through the CREST system in respect of each issue of B Shares and will not be able to record an 'evergreen election'.

**What if I make an 'evergreen election' and change my mind in the future?**

If you wish to cancel your 'evergreen election' at any time you will be able to do so by contacting the Company's Registrar. Any retained B Shares can be redeemed in subsequent issues of B Shares by completing the reverse of your B Share certificate(s) and sending it to the Company's Registrar.

**What if I wish to make a single election for the next issue of B Shares only (rather than an 'evergreen election'), or if I wish to make a single election to redeem only some of my B Shares?**

If you only wish to either:-

- ▶ redeem all of the B Shares being issued to you in the next issue, but not make an 'evergreen election'; or
- ▶ redeem only some of the B Shares being issued to you,

please contact the Company's Registrar to discuss how to lodge your single or partial election. Please note that evergreen elections can only be for your full holding.

**What happens if my election is not received by the Registrar by the relevant time and date?**

Election Forms received after this time will not be processed in respect of the next redemption to take place (except, in exceptional circumstances, at the discretion of the Company), but will be recorded in respect of future B Share issues.

**If I choose to redeem my B Shares, when and how will I be paid?**

If your Election is received by the Company's Registrar by the relevant time and date, then, unless you have a valid standing instruction with the Company to make payments into a designated bank account (in which case see below), a redemption cheque will be posted to you or your CREST account will be credited with the redemption payments on the relevant redemption dates, depending on whether you hold your ordinary shares in certificated form or in uncertificated form in CREST. Redemption payments will be made in pounds sterling and rounded down to the nearest penny.

**What if I have previously instructed the Company to pay dividends directly into a designated bank account?**

If you have previously instructed the Company to make B Share or dividend payments directly into a designated bank account and if these instructions are still valid, then redemption payments will be made directly into that account, rather than in the manner set out above. If you have not already done so and wish to set up a standing instruction to make redemption payments directly into a designated bank account, please call the Company's Registrar's to request a Standing Instructions Form or, alternatively, complete the relevant section of the Election Form.

**Do I have to redeem my B Shares at all?**

No. Shareholders who do not wish to redeem their B Shares need take no action. Such shareholders will be sent a B Share certificate or will have their CREST accounts credited with B Shares on the relevant redemption dates depending on whether they hold their ordinary shares in certificated form or in uncertificated form in CREST.

**If I choose not to redeem all of my B Shares now, can I do so in the future?**

Yes. The Company expects to set redemption dates in May and November each year for so long as B Shares are in issue. If you are issued with a B Share certificate and later want to redeem your B Shares, you will need to complete the form on the reverse of the B Share certificate and return it to the Company's Registrar. Provided the certificate is received by the relevant deadline for that redemption, the shares will be redeemed at 0.1 pence per share on the next redemption date.

**If I have received B Share certificates in the past, can I now redeem them for cash?**

**Please note** – if you miss the relevant deadline for a particular redemption, you will have to wait for the Company to set the next redemption date. However, as indicated above, it is expected that these will be set for May and November each year.

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## What if I need further information?

Please contact the Company's Registrar if you would like further information. Please note that the Registrar will not provide advice on the merits of the B Share scheme or give any financial or tax advice. For general information on the Company please visit the Group's website at [www.mcbride.co.uk](http://www.mcbride.co.uk)

Shareholders are also encouraged to read the original documentation sent to shareholders on 24 February 2011 in connection with the Company's proposals to introduce B Share scheme for further background. Copies of these documents are available on the Group's website ([www.mcbride.co.uk](http://www.mcbride.co.uk)) and can be requested in hard copy by contacting the Company directly.

# The tax effects of B Shares

The following paragraphs, which are intended as a guide only, are based on UK legislation and the published practice of HM Revenue and Customs as of 2011 with a short update incorporated to address the effect of s19 Finance Act 2015 only as of April 2015 and are therefore subject to change. They only summarise certain limited aspects of the UK taxation treatment of the issue of B Shares. They relate only to the position of shareholders who are resident or ordinarily resident in the UK for tax purposes, who will hold their B Shares as an investment and are the absolute beneficial owners of the B Shares. They do not extend to shareholders who are subject to special tax rules (such as persons acquiring their ordinary shares in connection with employment, dealers in securities, insurance companies, collective investment schemes and other types of investment funds or vehicles). This section is not intended to be, and should not be construed to be, legal or taxation advice to any particular shareholder. If you are in any doubt as to your taxation position, you are recommended to seek your own taxation advice immediately from an independent professional adviser.

## The issue of B Shares

1. The allotment and issue of B Shares will not itself create any charge to UK income tax or UK taxation of chargeable gains.
2. For the purposes of UK taxation of chargeable gains, the allotment and issue of B Shares by the Company will be treated as a reorganisation of its share capital. Accordingly:
  - (a) a shareholder receiving an entitlement to B Shares will not be treated as making a disposal of all or part of that shareholder's existing holding of ordinary shares by reason thereof;
  - (b) the B Shares will be treated as the same asset as, and as having been acquired at the same time as, the shareholder's existing holding of ordinary shares. Accordingly, the new combined holding of B Shares and ordinary shares (together the **New Holding**) will have the same aggregate base cost at the existing holding of shares in the Company immediately before this issue; and
  - (c) on a subsequent disposal (including a redemption) of the whole or part of the New Holding, the shareholder's base cost in respect of the New Holding will be apportioned between the ordinary shares and the B Shares by reference to their respective market values on the first day after issue on which market values or prices are quoted or published for the ordinary shares, as derived from the Official List of the UK Listing Authority in the case of the ordinary shares.

## Redemption of B Shares

3. The payment by the Company of the nominal value of the B Shares on their redemption will not constitute an income distribution for UK tax purposes. Accordingly:
  - (a) no part of the proceeds received by a shareholder pursuant to the redemption will be an income receipt in that shareholder's hands for the UK tax purposes. Those proceeds will not carry any entitlement to a tax credit;

## The tax effects of B Shares continued

- (b) a shareholder who disposes of his holding of B Shares by electing to redeem their holding of B Shares may, depending on that shareholder's circumstances, be subject to capital gains tax or (in the case of a company) corporation tax on the amount of any chargeable gain realised. In computing such gain, the base cost of the B Shares is calculated in the manner described at paragraph (2) (c) above; and
- (c) where the shareholder is an individual, no tax will be payable on any gain realised on the redemption if the amount of the chargeable gain, when aggregated with any other chargeable gains realised by the shareholder in the year of assessment in question, does not exceed the annual allowance of tax-free gains.
4. As part of Finance Act 2015, the UK Government enacted changes to the taxation of certain special purpose share schemes (commonly referred to as "B share schemes"). The schemes in question were those that offered a potential tax advantage to individual shareholders by giving them a choice between a return that would be taxed as a capital receipt and one that would be taxed as an income receipt. The Company's B Share Scheme offers no such choice and is therefore not considered to be within the scope of the new legislation. The taxation position of UK resident shareholders should therefore be unaffected by the new rules.
5. Set out below are two examples of the capital gains tax computation on a redemption of B Shares by an individual. However, the actual calculation would depend on the tax position of each shareholder and shareholders should consult their professional advisers. The example are for illustrative purposes only and the prices used are not intended to relate to the actual price of the ordinary shares.

In the examples, it is assumed that forty B Shares (issued in respect of one ordinary share) are held. It is also assumed that the market quotation of the ordinary shares immediately after the issue of B Shares is 150 pence each and that the value of the B Shares at the same time is 0.1 pence each.

### Example 1

If the historic cost for capital gains tax purposes of the ordinary shares was 100 pence each, then:

	Pence
Proceeds from redemption of forty B Shares =	4
Cost of forty B Shares = $100 \times ((40 \times 0.1) / 150 + (40 \times 0.1))$	(2.6)
Gain	1.4

### Example 2

If the historic cost for capital gains tax purposes of the ordinary shares was 200 pence, then:

Proceeds from redemption of forty B Shares =	4
Cost of forty B Shares = $200 \times ((40 \times 0.1) / 150 + (40 \times 0.1))$	(5.2)
Allowable loss	(1.2)

# The tax effects of B Shares continued

## Stamp duty and stamp duty reserve tax

6. No stamp duty or stamp duty reserve tax should arise on the issue or redemption of B Shares.

## Dividends

7. The United Kingdom tax treatment of dividends paid on the B Shares will be the same as the tax treatment of dividends paid on the ordinary shares. Accordingly, under current tax law, the Company will not be required to withhold tax at source from dividend payments it makes on the B Shares.

### (a) Individuals

An individual shareholder who is resident in the UK for tax purposes and who receives a dividend from the Company on a B Share will be entitled to a tax credit which may be set off against his total income tax liability on the dividend. Such an individual shareholder's liability to income tax is calculated on the aggregate of the dividend and the tax credit (the **Gross Dividend**) which will be regarded as the top slice of the individual's income. The tax credit will be equal to 10% of the Gross Dividend (i.e. the tax credit will be one-ninth of the amount of the dividend).

Shareholders who are not liable to income tax in respect of the Gross Dividend will not be entitled to reclaim any part of the tax credit.

A UK resident shareholder who is liable to income tax at the starting rate for savings or the basic rate will be subject to income tax on the dividend at the rate of 10% of the Gross Dividend so that the tax credit will satisfy in full such shareholder's liability to income tax on the dividend. A UK resident individual shareholder liable to income tax at the higher rate or the additional rate will be subject to income tax on the Gross Dividend at 32.5% or 42.5% respectively. After taking into account the tax credit, such a shareholder will have to account for additional tax equal to 22.5% (or 32.5%) of the Gross Dividend (an effective tax rate of 25% (or 36.1%) of the net cash dividend received).

### (b) Companies

A corporate shareholder resident in the UK for tax purposes will not normally be subject to corporation tax on any dividend received from the Company on a B Share. Such corporate shareholders will not be able to claim repayment of the tax credit attaching to any dividend.

### (c) Pension funds and charities

UK pension funds and charities will not be entitled to reclaim the tax credit attaching to any dividend paid by the Company on a B Share.

## Overseas Shareholders

**This summary only considers UK taxation. Any overseas shareholders should seek tax advice in their jurisdiction of residency.**



## Contact details

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There are three ways to contact the Registrar:-

By Post           The Registrar  
                      McBride plc  
                      Capita Asset Services  
                      The Registry  
                      34 Beckenham Rd  
                      Beckenham  
                      Kent BR3 4TU

By Phone           0371 664 0300 (Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00 - 17:30, Monday to Friday excluding public holidays in England and Wales).

Or online           [shareholderenquiries@linkgroup.co.uk](mailto:shareholderenquiries@linkgroup.co.uk)