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If you have sold or otherwise transferred some or all of your ordinary shares in the capital of Michelmersh Brick Holdings plc (the "**Company**"), please immediately forward this document, together with any accompanying documents, to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected. However, these documents should not be forwarded or transmitted in or into any jurisdiction in which such an act would constitute a violation of the relevant laws of such jurisdiction. If you have sold or otherwise transferred only part of your holding of your ordinary shares in the capital of the Company, you should retain these documents and consult the bank, stockbroker or other agent through whom the sale or transfer was effected.

## **MICHELMERSH BRICK HOLDINGS PLC**

(Incorporated in England and Wales with registered number 03462378)

### **SCRIP DIVIDEND SCHEME**

A copy of this document is available at the Company's website at <https://www.mbhplc.co.uk/investor-relations>. Neither the content of the Company's website nor any website accessible by hyperlinks to the Company's website is incorporated in, or forms part of, this document.

# LETTER FROM THE CHAIRMAN

## MICHELMERSH BRICK HOLDINGS PLC

(Incorporated in England and Wales with Company number 03462378)

Directors:  
Martin Warner – Chairman  
Peter Sharp – Joint Chief Executive Officer  
Frank Hanna – Joint Chief Executive Officer  
Steve Morgan – Finance Director  
Bob Carlton-Porter – Non-Executive Director  
Stephen Bellamy – Non-Executive Director

Registered Office:  
Freshfield Lane  
Danehill  
Haywards Heath  
West Sussex, RH17 7HH

26 March 2019

Dear Shareholder

### **Michelmersh Brick Holdings Plc Scrip Dividend Scheme**

Unless otherwise defined, all capitalised terms in this circular shall have the meanings given to them in Appendix I below.

On 26 March 2019, the Company announced the payment of the 2018 Final Dividend.

At the Annual General Meeting of the Company scheduled to be held on 14 May 2019, the Directors are seeking authority from the Shareholders to offer Qualifying Shareholders the opportunity to elect to receive Scrip Shares in lieu of the cash Dividends to which they would otherwise be entitled. Such authority is sought for the 2018 Final Dividend, any final dividend declared in respect of financial years ending 31 December 2019 and 31 December 2020 and any interim dividends (or part thereof) declared in respect of financial years ending 31 December 2019, 31 December 2020 and 31 December 2021.

Scrip dividends are attractive to many shareholders because they enable shareholders to increase their shareholdings in a company without incurring dealing costs or stamp duty. To the extent that Shareholders elect to receive Scrip Shares, the Company will also derive an advantage through the retention of cash in the business which it might otherwise have paid to Shareholders through cash Dividends.

The purpose of this circular is to provide Shareholders with details of the Scheme and to explain how Qualifying Shareholders may elect now, and in the future, to receive Scrip Shares rather than cash Dividends pursuant to the Scheme.

If you wish to continue to receive Dividends in cash you need take no action and may disregard this circular.

### **Expected timetable**

The expected timetable for payment of the 2018 Final Dividend, which would be subject to the terms of the Scheme, is as follows:

14 May 2019, 10.30 a.m.	Annual General Meeting
24 May 2019	Record Date
11 June 2019, 5.00 p.m.	Final date and time for receipt of Elections
28 June 2019	Payment of Dividend and admission of Scrip Shares to AIM

**Further details of the Scheme and the procedure to be followed are set out in Appendices I and II to this document. Whether or not you should elect to receive Scrip Shares instead of cash Dividends will depend upon your own tax circumstances. Appendix II sets out some of the points you may wish to consider. If, after reading the Appendices, you are in any doubt about what course of action to take, you should consult an independent financial adviser. Please bear in mind that the price of Ordinary Shares (including Scrip Shares) can go down as well as up.**

## **Scrip Dividend Election**

Shareholders who hold Ordinary Shares in certificated form and who wish to participate in the Scheme should sign and return the enclosed Scrip Mandate Form to the Company's registrars, Equiniti, at Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA. A reply-paid envelope is enclosed for your use. No acknowledgement of receipt of the Scrip Mandate Forms will be given. Any Scrip Mandate Form sent to an address other than that stated above will not be accepted or considered valid. For details regarding overseas Shareholders please see paragraph 6 of Appendix I below.

Alternatively, you may call Equiniti on 0371 384 2681, if calling from the UK, or +44 121 415 7047 if calling from outside the UK, to request a copy of the Scrip Mandate Form. 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. The helpline is open between 9.00 am – 5.30 pm, Monday to Friday excluding public holidays in England and Wales. Please note that Equiniti cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes. Your attention is drawn to the terms and conditions of the Scheme, which are set out in Appendix I to this circular.

Shareholders who hold their Ordinary Shares in uncertificated form in the CREST system and who wish to participate in the Scheme may only elect to do so in respect of those Ordinary Shares by submitting a Dividend Election Input Message in accordance with paragraphs 11 and 12 of Appendix I.

**Elections to participate in the Scheme must be received by Equiniti by no later than 5.00 p.m. on 11 June 2019.** Elections made after that time will serve as an Election in respect of Dividends subsequent to the 2018 Final Dividend.

You may cancel your Election at any time in accordance the procedure set out in paragraph 9 of Appendix I.

Yours faithfully

**Martin Warner**  
Chairman

# Appendix I: Terms and Conditions of the Scrip Dividend Scheme

## 1. Definitions of terms used:

“2018 Final Dividend”	the final dividend of 2.14 pence per Ordinary Share to be paid by the Company in respect of the financial year ended 31 December 2018;
“AIM”	AIM, the market of that name operated by the London Stock Exchange;
“Annual General Meeting”	the annual general meeting of the Company scheduled to be held on 14 May 2019;
“Business Day”	a day other than a Saturday, Sunday or public holiday in England when banks in London are open for business;
“Company”	Michelmersh Brick Holdings Plc, a public limited company having company no. 03462378, whose registered office address is at Freshfield Lane, Danehill, Haywards Heath, West Sussex, RH17 7HH;
“CREST”	the computerized system for the paperless settlement of sales and purchases of securities and the holding of uncertificated securities operated by Euroclear;
“CREST Manual”	the CREST manual referred to in agreements entered into by Euroclear;
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755) as amended from time to time;
“Directors”	the board of directors of the Company from time to time;
“Dividend”	a dividend (including an interim dividend) declared or paid from time to time in respect of Ordinary Shares in the capital of the Company;
“Dividend Election Input Message”	has the meaning set out in the CREST Manual;
“Election”	a valid election to participate in the Scheme, made by means of a Scrip Mandate Form (by Shareholders holding shares in certificated form) in accordance with paragraph 4 of Appendix I or a Dividend Election Input Message (by Shareholders holding shares in uncertificated form in the CREST system) in accordance with paragraph 12 of Appendix I;
“Equiniti”	Equiniti Group plc, the Company’s duly appointed registrars;
“Euroclear”	Euroclear UK & Ireland Limited
“Ex-Dividend Date”	the date on which the Ordinary Shares are first quoted “ex” the relevant Dividend;
“London Stock Exchange”	London Stock Exchange PLC;
“Ordinary Shares”	ordinary shares of 20 pence each in the capital of the Company;
“Participant”	a Qualifying Shareholder who makes a valid Election;
“Qualifying Shareholder”	a Shareholder who, under the terms set out in this document, is eligible to make an Election;
“Record Date”	the record date for entitlement to participation in a Dividend, as notified to Shareholders from time to time;
“Return Date”	the date by which: (i) a completed Scrip Dividend Mandate must be received by Equiniti in order to participate in the Scheme; or (ii) a written notice of withdrawal must be received by Equiniti in order to withdraw from the Scheme, in either case in respect of the Dividend next following;
“Scheme”	the Michelmersh Scrip Dividend Scheme as comprised under and subject to the terms and conditions contained in this document as amended from time to time;

“Scrip Dividend”	a Dividend in the form of Scrip Shares (credited as fully paid) instead of in cash;
“Scrip Mandate”	the instructions given by a Shareholder pursuant to an Election;
“Scrip Mandate Form”	a hard copy instruction from a Shareholder to Equiniti electing to participate in the Scheme in the form made available by the Company or Equiniti from time to time;
“Scrip Shares”	Ordinary Shares, credited as fully paid, issued and allotted from time to time pursuant to the Scheme and subject to the terms and conditions set out in this document;
“Scrip Share Price”	the price of a Scrip Share to be calculated in accordance with paragraph 5 of Appendix I; and
“Shareholders”	persons holding Ordinary Shares from time to time and “Shareholder” shall mean any one of them.

## 2. The Scheme

The Scheme gives the opportunity to a Qualifying Shareholder to receive Scrip Shares instead of cash for any future Dividends (although a Participant will remain able, by cancelling their Scrip Mandate, to elect to receive cash in respect of any future Dividend at the time that the offer of any Scrip Dividend alternative is made).

For Dividends in respect of which the Scheme operates, each certificated Shareholder who has completed and not revoked a Scrip Mandate will receive Scrip Shares in lieu of a cash Dividend in respect of their holding of Ordinary Shares recorded in the register of members of the Company on the relevant Record Date.

Notwithstanding the above paragraph, Shareholders who hold Ordinary Shares through CREST are required to elect for the Scrip Dividend in accordance with the procedure set out in paragraphs 11 and 12 below.

The operation of the Scheme is subject to the approval of the Directors (whose authority is subject to approval by the Shareholders at the Annual General Meeting of the Company to be held on 14 May 2019).

The operation of the Scheme in relation to any Dividend is conditional on:

- a) the middle market quotation for an Ordinary Share (as derived from the AIM Appendix of the Daily Official List of the London Stock Exchange) on the Return Date exceeding a price which is 15 per cent below the Scrip Share Price; and
- b) the Scrip Shares (to be issued under the Scheme in relation to that Dividend) being admitted to trading on AIM on or before the date (as notified by the Company) on which dealings in those Scrip Shares are expected to commence.

If the operation of the Scheme is not approved as required, or if the conditions as set out in this paragraph 2 are not satisfied, the relevant Dividend will be paid in cash.

## 3. Who can join the Scheme?

All Qualifying Shareholders resident in the United Kingdom can join the Scheme. For details regarding Shareholders resident outside the United Kingdom, please see paragraph 6.

For details regarding cancellation of a Scrip Mandate, please see paragraph 9.

## 4. How do I join the scheme if I hold my shares in certificated form?

If a Qualifying Shareholder holding shares in certificated form wishes to join the Scheme they should complete the Scrip Mandate Form in accordance with the instructions thereon.

To obtain a paper copy of the Scrip Mandate Form please contact Equiniti on 0371 384 2681, if calling from the UK, or +44 121 415 7047, if calling from outside the UK. 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. The helpline is open between 9.00 am – 5.30 pm, Monday to Friday excluding public holidays in England and Wales. Please note that Equiniti cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

A Scrip Mandate will remain in force for all future Scrip Dividends, (subject to the Company having valid authority from its Shareholders) until cancelled by the respective Participant in writing. For further details please see paragraph 10.

Any Scrip Mandate Form must be received in paper form by Equiniti not later than 5.00 p.m. on the date which is 15 Business Days before the Dividend payment date to be eligible for that Dividend. No acknowledgement that a Scrip Dividend Mandate has been received will be issued. Forms received after that date will be applied in time for the next Dividend.

Upon submission of a Scrip Mandate, either personally or on behalf of the relevant Shareholder, that Shareholder is deemed (in respect of himself, his heirs, successors and assigns):

- (a) to agree to participate in the Scheme pursuant to its terms;
- (b) to authorise the Company or its agent in the case of holdings in certificated form, to send to the relevant Participant, at the relevant Participant's registered address, any definitive share certificate in respect of Scrip Shares allotted on the date that dealings in the Scrip Shares commence; and
- (c) to have confirmed that the relevant Participant is not prohibited from receiving or electing to receive Scrip Shares in accordance with the terms of the Scheme and that the relevant Participant's participation in the

Scheme will be in compliance with any regulatory and legal requirements of any overseas jurisdiction applicable to the relevant Participant.

## 5. How many shares will I receive?

The entitlement of a Participant to Scrip Shares in respect of a Dividend will depend on the amount of the Dividend, any residual cash balance brought forward from previous Scrip Dividends, the number of Ordinary Shares held by that Participant and the Scrip Share Price.

The Scrip Share Price for this purpose will be the average of the middle market quotations for an Ordinary Share on the London Stock Exchange, as derived from the AIM Appendix of the Official Daily List, during five dealing days beginning on the Ex-Dividend Date. The Scrip Share Price will be posted on the Company's website.

When calculating a Participant's Scrip Share entitlement, it is unlikely that this will give rise to an exact number of Scrip Shares. As fractions of Scrip Shares cannot be issued, they will be rounded down to the nearest whole number and a residual entitlement will be carried forward, without interest, and added to the Participant's next Dividend, when it will be used in the calculation of their entitlement to Scrip Shares. Shareholders who hold Ordinary Shares in CREST are required to make separate elections to receive Scrip Shares for each relevant Dividend (see paragraph 12). Accordingly, cash balances will not be retained by the Company for such Shareholders and any cash balance arising for any such Shareholder will be paid to that Shareholder in cash on the applicable Dividend payment date.

The formula used for calculating a Participant's entitlement of Scrip Shares for each Dividend is set out below:

$$\begin{array}{c} \text{(Number of Ordinary Shares held at the Record Date} \\ \\ \text{x} \\ \\ \text{cash dividend rate)} \\ \\ \text{+} \\ \\ \text{any fractional cash entitlement} \\ \\ \text{\div} \\ \\ \text{Scrip Share Price} \end{array}$$

An example for illustrative purposes only is as follows:

The cash Dividend is 2 pence per Ordinary Share, the Participant's shareholding is 10,000 Ordinary Shares, the Scrip Share Price is 90 pence and there is a fractional entitlement of 50 pence outstanding from a previous Dividend.

Value of cash dividend: 10,000 x 2 pence = £200.

Value of cash dividend plus fractional entitlement: £200 + 50 pence = £200.50.

Number of Scrip Shares: £200.50 ÷ 90 pence = 222.778 rounded down to 222 Scrip Shares.

Value of Scrip Shares: 222 x 90 pence = £199.80, leaving a balance of 70 pence which would be carried forward to the next Dividend payment.

## 6. Eligibility

In view of the securities laws of the United States of America and Canada, the Scheme is not being made available to Shareholders with registered addresses in the United States of America, Canada or their respective territories or possessions. Accordingly, such Shareholders will continue to receive Dividends in cash.

A Shareholder resident in jurisdictions outside the United Kingdom may not treat the Scheme as being available to them unless it would lawfully be made to them without compliance with any registration or other legal requirements in the relevant jurisdiction. It is the responsibility of any person resident outside the United Kingdom wishing to make an Election to satisfy itself as to the full observance of the laws of the relevant jurisdiction in

respect of the receipt of Scrip Shares, including obtaining any governmental or other consents and observing any other formalities which may be required in such territories.

## **7. Issue and admission to trading of Scrip Shares**

Application will be made to the London Stock Exchange for admission to trading on AIM of all Scrip Shares. Subject to such admission, share certificates for Scrip Shares will be issued and posted to Participants eligible thereto, at their risk, at or about the same time as the cash Dividends are sent to Shareholders, recording their additional holdings of Scrip Shares as a result of the Scheme.

Where Scrip Shares are issued as uncertificated shares, the Company will instruct Euroclear to credit the Shareholder's stock account in CREST (being the account under the same participation ID and member account ID as the Ordinary Shares from which that Participant's entitlement to Scrip Shares is derived) with the appropriate entitlement of Scrip Shares.

The Scrip Shares will, on issue, rank equally in all respects with existing issued Ordinary Shares and will carry the right to all Dividends subsequently declared, including Scrip Dividends.

## **8. What are the tax effects?**

The tax effect of taking Scrip Shares will depend on individual circumstances of each Shareholder. Further details are contained in Appendix II. If a Shareholder is not sure how they would be affected by the Scheme, they should seek their own personal financial advice immediately from their stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 (as amended).

## **9. Cancellation of a Scrip Mandate**

Participants may cancel their Scrip Mandate at any time.

For Shareholders holding Ordinary Shares in certificated form, notice of cancellation must be given in writing or by telephone (see telephone contact details in paragraph 14 below) to Equiniti at least 15 Business Days before the relevant Scrip Dividend payment date.

CREST Shareholders can only cancel their Scrip Mandates through the CREST system in accordance with paragraph 12.

A notice of cancellation will take effect in respect of all Dividends payable after the date of receipt of such notice upon being recorded by Equiniti. If a notice of cancellation is received 15 or fewer Business Days in advance of a Scrip Dividend payment date, the Shareholder will receive the Scrip Shares in respect of that Scrip Dividend and the cancellation will only take effect in respect of subsequent Scrip Dividend. In order to be valid, any written notice of cancellation must be sent to Equiniti at Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA.

A Participant's Scrip Mandate will be deemed to be cancelled if such Shareholder sells or otherwise transfers their Ordinary Shares to another person, with effect from the registration of the relevant transfer.

A Participant's Scrip Mandate will also terminate immediately on receipt of notice of such Shareholder's death. If a joint Shareholder dies, the Scrip Mandate will continue in favour of the surviving joint Shareholder(s) (unless and until cancelled by the surviving joint Shareholder(s)).

Any residual amounts over £5 standing to the credit of a Shareholder whose Scrip Mandate has terminated or deemed to have been cancelled will be paid to such Shareholder in cash (by cheque) on or as soon as practicable after the cancellation. Where such residual amount is under £5, such sums will be paid to a charity of the Company's choice.

## **10. Modification and termination by the Company**

The Scheme can be modified, suspended or terminated by the Directors at any time without notice to Participants. In the case of a modification, Participants will be deemed to have elected to continue under the modified Scheme unless and until Equiniti receives a valid notice of cancellation from such Shareholder pursuant to paragraph 9 above.

The Directors also have the power, after an offer of Scrip Shares under the Scheme is made, to revoke the offer generally at any time prior to the allotment of the Scrip Shares in respect of any Scrip Dividend. If the Directors revoke an offer (or otherwise suspend, terminate or cancel the Scheme), Shareholders will receive their Dividends in cash on, or as soon as reasonably practicable after, the relevant Dividend payment date.

The Company will use its reasonable endeavours to circulate any updates to the terms and conditions set out in this document. It is the responsibility of each Qualifying Shareholder and Participant to assess with their professional adviser(s) the effect of any such change to their individual circumstances.

## **11. What if I hold my shares in CREST?**

If a Qualifying Shareholder holds some or all of their Ordinary Shares in uncertificated form in the CREST system, they may elect to participate in the Scheme in respect of those uncertificated Ordinary Shares by means of the CREST procedures that require the use of the Dividend Election Input Message in accordance with the CREST Manual. Further details of these procedures are contained in paragraph 12 below.

Where practicable, Scrip Shares allotted to a Participant in respect of a holding in CREST will be allotted in uncertificated form and credited electronically to the same CREST member account as registered for that holding prior to the Record Date for the relevant Dividend, unless the Company is unable to do so under the provisions of the CREST Regulations or the facilities and requirements of CREST, in which case share certificates in respect of such Scrip Shares will be issued in the usual way. If part of a Participant's registered holding is in CREST and the balance is represented by share certificates, a Qualifying Shareholder must complete and return a Scrip Mandate Form to Equiniti in accordance with paragraph 4 to receive Scrip Shares in respect of their non-CREST holdings and use the Dividend Election Input Message in respect of their CREST holdings.

## **12. CREST Procedures**

Shareholders who hold their Ordinary Shares in CREST can only elect to receive dividends in the form of Scrip Shares by submitting (or, where Ordinary Shares are held in CREST via a broker or nominee, instructing their broker or nominee to submit) a Dividend Election Input Message no later than the Return Date to be eligible for the next relevant Dividend. No other type of Election will be accepted in respect of CREST shareholdings. You will need to make separate Elections to receive New Ordinary Shares for each relevant Dividend.

The Dividend Election Input Message must contain the number of Ordinary Shares relating to the Election. If the number of elected Ordinary Shares is zero or left blank, the Election will be rejected. If the number is greater than the Ordinary Shares held by the relevant Shareholder at the relevant Record Date, the Election will be scaled back to the holding at the Record Date.

Once an Election is made using the CREST Dividend Election Input Message system it cannot be amended. Therefore, if a Shareholder wishes to change their Election, such Shareholder would need to cancel their previous Election and submit a new Election.

Elections can only be cancelled through the CREST system. A CREST notice of cancellation will take effect on its receipt and will be processed by Equiniti in respect of the next relevant Dividend payable after the date of receipt of such notice. A notice of cancellation must be received by the Return Date for the relevant Dividend for it to be effective. Where Ordinary Shares are held in CREST via a broker or nominee, please contact the nominee or broker as earlier lodgement dates will apply to permit them to advise Equiniti by the required date.

## **13. What is the governing law of the Scheme?**

The Scheme (including any Election(s) and authorisation(s) given by any Shareholder) is governed by and its terms are to be construed in accordance with English law. By electing to receive Scrip Shares the Shareholder agrees to submit to the jurisdiction of the English courts in relation to the Scheme.

## **14. What do I do if I have any questions?**

If you have any general queries concerning the Scheme, please contact Equiniti on 0371 384 2681, if calling from the UK, or +44 121 415 7047, if calling from outside the UK. 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. The helpline is open between 9.00 am and 5.30 pm, Monday to Friday excluding public holidays in England and Wales. Please note that Equiniti cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

If you wish to receive Dividends in cash in the usual way you should not make an Election and may disregard this document.

## Appendix II: Taxation of Scrip Dividends

The following paragraphs, which are intended as a general guide only and are based on current United Kingdom legislation and published HM Revenue & Customs practice as at the date of this document, summarise certain limited aspects of the United Kingdom taxation treatment of Participants receiving Scrip Shares in lieu of cash Dividends. They relate only to the position of Participants who are resident (and, in the case of individuals, domiciled) solely in the United Kingdom for taxation purposes and who hold their Shares beneficially as an investment. The precise tax consequences for a Participant electing to receive Scrip Shares will depend on the Participant's individual personal circumstances. This summary is not exhaustive and does not deal with the tax position of any Participant not resident (or domiciled) in the United Kingdom for tax purposes or with the tax position of certain other categories of Participants to whom special rules may apply. Unless expressly stated, it does not anticipate the effect (if any) of any changes in taxation which may be introduced after the date of this document. Levels and bases of, and reliefs from, taxation are subject to change.

If you are in any doubt as to your position, or if you may be subject to taxation in any jurisdiction other than the UK, you are strongly advised to seek your own professional advice immediately.

### 1. Individuals

#### Income Tax

Individual Participants who receive Scrip Shares in lieu of a cash Dividend will be treated as having received dividend income of an amount which is equal to the "cash equivalent" of those Scrip Shares. The "cash equivalent" is the amount of cash Dividend which the Participant would have received had they not elected to take Scrip Shares, unless the difference between the cash-dividend alternative and the market value of the Scrip Shares equals or exceeds 15% of that market value in which case the "cash equivalent" will be the market value of the Scrip Shares. The market value is the market value on the earliest day on which the Company is required to issue the Scrip Shares.

The cash equivalent will be treated as dividend income. For UK resident individuals, no income tax is payable in respect of dividend income received from all sources in the tax year to the extent it falls within the annual dividend allowance (currently £2,000) (although such income will still count towards the basic, higher and additional rate thresholds). Dividend income in excess of the annual dividend allowance is taxed at the following rates: 7.5%, 32.5% and 38.1% to the extent the income falls within the basic rate, higher rate and additional rate bands respectively. Dividend income is treated as the top slice of an individual's income.

#### Capital Gains Tax

An individual Participant who receives Scrip Shares will be treated as acquiring a separate asset for an amount equal to the "cash equivalent" for capital gains tax purposes. On a subsequent sale or disposal of the Scrip Shares, an individual Participant will pay capital gains tax on any gain realised (taking into account the "cash equivalent" as the acquisition cost) at 10% for basic rate taxpayers and 20% for higher or additional rate taxpayers. The capital gains tax annual exemption may be available to set off against some or all of the gain.

### 2. UK-resident companies

UK resident companies should not be subject to corporation tax on Scrip Shares issued in lieu of a cash Dividend. For the purposes of corporation tax on chargeable gains, the Scrip Shares will be treated as the same asset as the existing Shares acquired at the same time but no consideration will be treated as having been paid for the Scrip Shares.

### 3. Cash Alternative

If a UK shareholder receives dividends in the form of cash, the cash dividend will be treated as a conventional dividend for UK taxation purposes. UK resident individuals receiving cash dividends will pay tax on the dividend income at the same rates as would apply in respect of the "cash alternative" as described above. UK-resident companies are generally exempt from corporation tax on dividends.

### 4. Withholding tax

The Company is not required to deduct any amount on account of UK tax when paying a cash dividend or issuing Scrip Shares.

#### **5. Stamp duty**

No UK stamp duty or stamp duty reserve tax will be payable on the issue of Scrip Shares.

