



PCF GROUP PLC SCRIP DIVIDEND SCHEME

(the 'Scheme')

TERMS AND CONDITIONS

DEFINITIONS

"Company"	PCF Group plc;
"Directors"	the board of directors of the Company;
"Dividend"	a dividend declared in respect of Ordinary Shares in the Company;
"Ex-Dividend Date"	the date on which the Ordinary Shares are first quoted ex the relevant Dividend;
"New Share Price"	the price for each New Share, calculated in accordance with paragraph 5 of the Terms and Conditions;
"New Shares"	Ordinary Shares, credited as fully paid and allotted subject to the Terms and Conditions;
"Ordinary Shares"	fully paid ordinary shares of £0.05 each in the capital of the Company;
"Participant"	a Shareholder who validly elects or has elected to receive New Shares by completing and returning a Scrip Dividend Mandate in the prescribed manner or, if a Shareholder holds their Ordinary Shares in CREST, by using the CREST Dividend Election Input Message in accordance with the CREST Manual;
"Record Date"	the record date for entitlement to participation in a Dividend, as notified to Shareholders from time to time;
"Registrars"	the Company's Registrars, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY;
"Return Date"	the date by which: (i) a completed Scrip Dividend Mandate must be returned to the Registrars in order to participate in the Scheme; or (ii) a written notice of withdrawal must be returned to the Registrars in order to withdraw from the Scheme, in either case in respect of the Dividend next following;
"Scheme"	the PCF Group plc Scrip Dividend Scheme comprising the Terms and Conditions (as amended or modified from time to time);
"Scrip Dividend"	a Dividend in the form of Ordinary Shares (credited as fully paid) instead of in cash;
"Scrip Dividend Mandate"	a mandate (printed on yellow paper) in the form provided by the Company or the Registrars, validly completed by a Shareholder, comprising an application to participate in the Scheme as operated by the Company from time to time until varied or revoked;
"Shareholder" or "Shareholders"	a holder or holders of Ordinary Shares; and
"Terms and Conditions"	the Terms and Conditions of the Scheme.

1. **The Scheme**

- 1.1 For Dividends in respect of which the Scheme operates, each Shareholder who has completed and not revoked a Scrip Dividend Mandate will receive New 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.
- 1.2 The operation of the Scheme is subject to the approval of the Directors from time to time.
- 1.3 If the Scheme is to be operated in relation to any Dividend, Shareholders will be notified by means of a statement in the Company's Annual Report and Financial Statements, or in the Company's Interim Report, or by means of a separate letter to Shareholders which will include details of the basis of entitlement to New Shares.
- 1.4 The operation of the Scheme is conditional on the middle market quotation for an Ordinary Share (as derived from the Daily Official List of the London Stock Exchange plc) on the Return Date exceeding a price which is 15 per cent below the price calculated for a New Share, as set out in paragraph 5 of these Terms and Conditions. The operation of the Scheme in relation to any Dividend is also conditional on the New Shares to be issued under the Scheme in relation to that Dividend being admitted to AIM and admitted to trading on or before the date (as notified by the Company) on which dealings in those New Shares are expected to commence.
- 1.5 If the conditions are not satisfied, the relevant Dividend will be paid in cash.

2. **Extent of the operation of the Scheme**

- 2.1 Each Shareholder may elect to receive New Shares under the Scheme in respect of the whole of their shareholding.
- 2.2 If a Shareholder wishes to receive a Dividend in the form of New Shares in respect of part of their shareholding and to receive cash in respect of the remaining part of their shareholding, they should give notice in writing to the Registrars, which notice must be received prior to the relevant Return Date, specifying the number of Ordinary Shares held by them in respect of which they wish to receive New Shares. Any residual entitlement in relation to any New Shares issued will be paid out together with the cash dividend in respect of the Ordinary Shares for which no election has been made.
- 2.3 Any such partial election shall have effect only in respect of the Dividend to which it relates. Subsequent dividends will be paid in accordance with the Terms and Conditions of the Scheme, unless notice of withdrawal is given in accordance with paragraph 4 of these Terms and Conditions.

3. **Accumulation of residual entitlements**

- 3.1 No Participant can receive a fraction of a New Share. Where a Participant has made an election to participate in the Scheme, which would otherwise give rise to an entitlement to a fraction of a New Share, any residual entitlement which is less than the price of one New Share (as calculated in accordance with paragraph 5 of these Terms and Conditions) will not be paid. Instead, that sum will be credited to the account of the Participant, carried forward (without interest) and added to the next Dividend payable to that Participant in the form of New Shares under the Scheme.
- 3.2 The Company will pay cash to a Shareholder (without interest) in respect of any fractional entitlement carried forward:
 - 3.2.1 on the disposal of the Shareholder's entire shareholding; or
 - 3.2.2 on the death or liquidation of a sole Shareholder; or
 - 3.2.3 upon written request of the Shareholder.

3.3 If a notice of withdrawal in writing is lodged by the Return Date specified in the Company's Annual Report and Financial Statements, or in the Company's Interim Report, or by means of a separate letter to Shareholders, the residual amount being carried forward will be paid (without interest) together with the relevant Dividend payment. However, for any notice of withdrawal received after the Return Date, the residual amount will be carried forward and, providing a new Scrip Dividend Mandate is not submitted at that time, will be included with the following Dividend payment.

3.4 Additional copies of these Terms and Conditions and the Scrip Dividend Mandate will be available from the Company Secretary and/or the Registrars.

4. **Withdrawal**

4.1 A Participant may withdraw from the Scheme at any time by giving notice of withdrawal to the Registrars in writing. For a withdrawal to be effective in respect of the next Dividend, a notice to that effect must be received by the Registrars on or before the relevant Return Date. Any Participant withdrawing from the Scheme in respect of future Dividends will receive cash Dividends. Receipt by the Company of notice of the death of a sole Shareholder will cancel participation in the Scheme. If the deceased was a joint Shareholder, the participation of the survivor within the Scheme will continue. Receipt by the Company of notice that a Shareholder which is a corporation has been placed in liquidation will also cancel participation in the Scheme.

4.2 Completion of a Scrip Dividend Mandate will not revoke any existing order under which cash Dividends are paid directly to a bank. However, whilst a Shareholder participates in the Scheme, any such order will be deemed to have been suspended. Following withdrawal from the Scheme, such an order will ordinarily take effect again automatically.

5. **Basis of entitlement to New Shares**

5.1 The entitlement of a Participant to New Shares will be calculated on:

5.1.1 the number of Ordinary Shares held by that Participant on the Record Date in the case of elections made in respect of the whole of their shareholding; or

5.1.2 that number of Ordinary Shares specified by that Participant in the case of elections made in respect of part of their shareholding in accordance with paragraph 2.2 above,

in each case multiplied by the amount of the Dividend declared, and then divided by the New Share Price.

5.2 The New Share Price for this purpose will be the average of the middle market quotations for an Ordinary Share as derived from the Daily Official List of the London Stock Exchange plc during the period of five dealing days commencing on the Ex-Dividend Date.

5.3 Example: On the assumption of a 0.1 pence dividend, a holding of 100,000 shares and an average middle market price of 30 pence:

Full Cash Dividend on 100,000 shares at 0.1 pence	£100.00
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£100 ÷ 30 pence =

333.0 shares rounded down =

333 new shares received (at 30 pence)	£99.90
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Cash carried forward	£0.10
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N.B. The figures in this example are purely hypothetical and are for explanatory purposes only.

5.4 Where the operation of the Scheme would result in a Participant being entitled to less than one New Share (for example where that Participant held a very small number of Ordinary Shares) no fraction of a New Share will be issued, and the relevant amount of Dividend will be carried forward as if it were a residual entitlement and dealt with in the manner provided at paragraph 3 of these Terms and Conditions.

6. Eligibility

- 6.1 The Scheme is not available to any person who is, or whom the Company believes is, resident in the United States of America, Canada, Japan, South Africa, New Zealand, Australia or the Republic of Ireland or their respective territories or possessions (subject to applicable exemptions) or in any jurisdiction outside the United Kingdom where the offer requires compliance by the Company with any governmental or regulatory procedures or any similar formalities. No person receiving a copy of these documents in any such country or jurisdiction may treat them as offering a right to elect unless such an offer could lawfully be made without any such compliance. Any Shareholder resident outside the United Kingdom wishing to receive New Shares instead of a cash dividend is responsible for ensuring that such an election can be validly and lawfully made and for observing all governmental or regulatory procedures or any similar formalities and paying any issue, transfer or other taxes in the applicable jurisdiction.
- 6.2 The Ordinary Shares have not been, and the New Shares will not be, registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”), or registered or qualified under the securities laws of any state of the United States and, accordingly, may not be offered, sold, pledged, taken up, resold, transferred or delivered, directly or indirectly, in the United States or to or for the account or benefit of a US person, each as defined in Regulation S under the Securities Act, at any time, except pursuant to an exemption from, or in a transaction not subject to, the Securities Act and in compliance with any applicable state securities laws of any state or other jurisdiction in the United States and as may be agreed by the Company in writing.
- 6.3 Any Shareholder resident outside the United Kingdom who receives this circular and/or these Terms and Conditions and/or the Scrip Dividend Mandate should obtain advice as to whether any governmental and/or legal consent is required and/or any other formality must be observed to enable such Shareholder to participate in the Scheme.
- 6.4 The right to participate in the Scheme does not constitute an offer of securities in any jurisdiction outside the United Kingdom in which it is unlawful to make such an offer and the circular, these Terms and Conditions and the Scrip Dividend Mandate should not be forwarded by recipients thereof to any person in any territory other than where it is lawful to make such an offer.
- 6.5 For the purposes of these Terms and Conditions, a “**person**” outside the United Kingdom shall include any person so resident, any corporation, partnership or other entity created, organised or incorporated outside the United Kingdom and any estate of which any executor or administrator or any trust of which any beneficiary or trustee is a person outside the United Kingdom. “**United States**” shall mean the United States of America, its territories and possessions, any state of the United States, and the District of Columbia. “**US person**” includes any natural person resident in the United States, any partnership or corporation organised or incorporated under the laws of the United States, any estate of which any executor or administrator is a US person and any trust of which any trustee is a US person. References to Canada include its territories, possessions and all areas subject to its jurisdiction and any political subdivision thereof.

7. Election to participate in the Scheme

Shareholders who are eligible and have not previously elected to do so may participate in the Scheme by completing, signing and dating the attached Scrip Dividend Mandate in accordance with the instructions set out on that form. If the Scrip Dividend Mandate is not received by the time and date set out on the form, the election will be effective in respect of future Dividends in respect of which the Scheme is operated. No acknowledgement of receipt of a Scrip Dividend Mandate will be given.

8. Issue and admission to trading of New Shares

- 8.1 Application will be made to the Financial Conduct Authority and/or the London Stock Exchange plc (as appropriate) for admission to AIM and admission to trading of all New Shares. Subject to such admission, share certificates for New Shares will be issued and posted to Participants eligible thereto, at their risk, at or about the same time as the dividend warrants in respect of cash dividends are sent to eligible Shareholders.

8.2 Where the New Shares are issued as uncertificated shares, the Company will instruct Euroclear UK & Ireland Limited 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 the New Shares are derived) with the appropriate entitlement of New Shares.

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

9. **Accounting statements**

9.1 To assist Participants with their tax returns, a statement will be sent with each certificate for New Shares, setting out the following information:

9.1.1 the total number of Ordinary Shares held by the Participant on the relevant Record Date;

9.1.2 Dividend entitlement;

9.1.3 cash balance brought forward from the last Dividend (if any);

9.1.4 total funds available to purchase New Shares;

9.1.5 the number of New Shares allotted to the Participant;

9.1.6 cash equivalent of New Shares allotted;

9.1.7 the residual entitlement (if any) of the Participant (as described in paragraph 3 of these Terms and Conditions) to be carried forward and added to the next applicable Dividend; and

9.1.8 the cash equivalent for tax purposes of the New Shares allotted and issued to the Participant.

9.2 A Participant who has elected to participate in the Scheme, but whose entitlement is not sufficient for them to qualify for any New Shares, will receive a notification at or about the same time as those Participants who receive statements with their share certificates.

10. **Modification and termination**

10.1 The Scheme can be modified, suspended or terminated by the Directors at any time without notice to Participants individually. In the case of a modification, Participants will be deemed to have elected to continue under the modified Scheme unless the Registrars are notified to the contrary in writing. The Directors also have the power, after an offer of New Shares under the Scheme is made, to revoke the offer generally at any time prior to the allotment of the New Shares.

10.2 A Scrip Dividend Mandate may be modified, suspended or terminated by giving written notice to the Registrars, so as to be received before the final time and date for receipt of a Scrip Dividend Mandate in respect of the relevant Dividend.

10.3 The Company will use its reasonable endeavours to circulate updated versions of these Terms and Conditions if significant alterations are required or made pursuant to changes in tax or other legislation or regulation. However, it is the responsibility of each Participant to assess, with their appropriate professional adviser, the effect of any such change to their individual circumstances.

11. **Taxation**

Under current United Kingdom legislation and current HM Revenue & Customs practice, it is believed that the taxation consequences for Shareholders resident in the United Kingdom for taxation purposes of electing to receive New Shares instead of a full cash dividend are broadly as outlined below. Shareholders should note that the summary is a general guide to the UK tax regime currently in force and is not exhaustive.

11.1 **UK resident individuals**

11.1.1 Individuals who elect to receive New Shares instead of a cash dividend will be treated as having received income of an amount which is equal to the "**Cash Equivalent**" of the New Shares. The Cash Equivalent of each New Share will be the New Share Price calculated in accordance with paragraph 5 of these Terms and Conditions, unless the market value of a New Share on the first day of dealing on the London Stock Exchange (the "**opening value**") differs by 15 per cent or more from the New Share Price, in which case the Cash Equivalent of one New Share will be the opening value.

- 11.1.2 With effect from 6 April 2016, each individual is entitled to an annual tax-free dividend allowance of £5,000. If the amount of income which an individual Shareholder is treated as having received (as mentioned above), when added to other dividend income received by the individual in the tax year in which the New Shares are issued, is less than or equal to £5,000, the individual will have no liability for income tax in respect of the receipt of the New Shares.
- 11.1.3 If the amount of income which an individual Shareholder is treated as having received (as mentioned above), when added to other dividend income received by the individual in the tax year in which the New Shares are issued, exceeds £5,000, the excess amount (“**the excess amount of income**”) will be subject to income tax in accordance with the following provisions.
- 11.1.4 Individuals who (after taking account of the amount of income which they are treated as having received, as mentioned above) pay income tax only at the basic rate (currently 20 per cent), but not the higher rate, will be liable to income tax at the dividend ordinary rate (currently 7.5 per cent) on the excess amount of income.
- 11.1.5 Individuals whose total income for tax purposes (after taking into account the amount of income which they are treated as having received as mentioned above) exceeds the threshold for higher rate income tax (“**the higher rate threshold**”) will be liable to income tax at the dividend upper rate (currently 32.5 per cent) on the excess amount of income to the extent that such income exceeds the higher rate threshold.
- 11.1.6 Individuals whose total income for tax purposes (after taking into account the amount of income which they are treated as having received as mentioned above) exceeds the threshold for additional rate income tax (“**the additional rate threshold**”) will be liable to income tax at the dividend additional rate (currently 38.1 per cent) on the excess amount of income to the extent that such income exceeds the additional rate threshold.

For capital gains tax purposes, the amount of the Cash Equivalent will be treated as consideration given for the New Shares.

11.2 **UK resident trustees**

- 11.2.1 Trustees who are liable to tax on dividend income at the dividend trust rate (currently 38.1 per cent) and who elect to receive New Shares instead of a cash dividend will, for the purposes of computing the tax payable, be treated as having received income of an amount which is equal to the Cash Equivalent.
- 11.2.2 For capital gains tax purposes, the amount of the Cash Equivalent will be treated as consideration given for the New Share.

11.3 **UK resident corporate shareholders**

New Shares received by a corporate Shareholder which is resident in the United Kingdom will not, subject to the enactment of The Corporation Tax (Treatment of Unrelieved Surplus Advance Corporation Tax) (Amendment) Regulations 2016, be treated as qualifying investment income. Corporation tax will not be charged in respect of the issue of New Shares. For the purposes of corporation tax on chargeable gains, no consideration will be treated as having been given for the New Shares.

11.4 **UK resident gross funds, charities, heritage bodies and scientific research organisations**

No tax credit will attach to the New Shares and no repayment claim can be made in respect of a receipt of New Shares.

This summary of the likely tax treatment is based on current United Kingdom law, and is not exhaustive. Although this summary is believed to be correct at the time of preparation of these Terms and Conditions, the decision whether to participate in the Scheme or not, or whether to terminate any existing participation in the Scheme, is the sole responsibility of each Shareholder. If you are not sure how you will be affected, you should consult your professional adviser before deciding how to proceed.



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