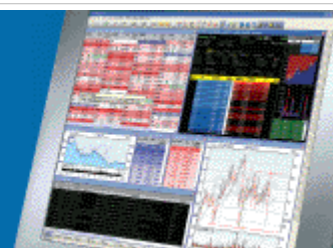


# ShareScope Training Zone

Your guide to getting the best out of ShareScope



## Tutorial 7 - Corporate Actions

In this tutorial we will look at how to edit transactions when shares you own are affected by a corporate action. The main types of corporate actions are:

Share split	Where existing shares are divided into multiple shares
Share consolidation	A reverse split where the number of shares is reduced
Merger	The combining of two or more companies
Demerger	Selling off subsidiaries or divisions of a company

Corporate actions can take the form of just one or a mixture of the above mentioned actions. These do not always affect the number or type of shares you hold in a company, but when they do you need to add or edit your transactions to record these correctly.

### Share Splits and Consolidations

A share split may be performed, for example, if a company's share price has grown so high that to many investors the shares are too expensive to buy in round lots. A consolidation, or reverse split, can be a bad sign – a company may do it to make their stock look more valuable when, in fact, nothing has changed. A company may also do a reverse split to avoid being delisted.

In most instances of splits and consolidations the overall market value of the company is not changed – the share price is adjusted by the same ratio used for the share split or consolidation. In ShareScope the share price is adjusted historically to reflect the split or consolidation, however your holding within your portfolios is not.

As a shareholder you should receive prior notification of any corporate action as these usually require a vote at an Annual or Extraordinary General Meeting.

Let's look at some recent examples of splits and consolidations and how you would record these in ShareScope.

### Share Splits

#### Young & Co's Brewery PLC – Share split (4 for 1) February 2008

##### **Corporate action details:**

Up until 22/02/08 the company had two ordinary shares – an 'A' Ord and a Non voting Ord, both with a par value of GBP0.50. As of 5pm on 22/02/08 these were split into 4 new 'A' Ord and 4 new Non voting Ord shares, both with a par value of GBP0.125.

Young & Co's closed at £20.90 on 22/02/08. As a result of the 4 for 1 split, this price is adjusted down to £5.225 by ShareScope.

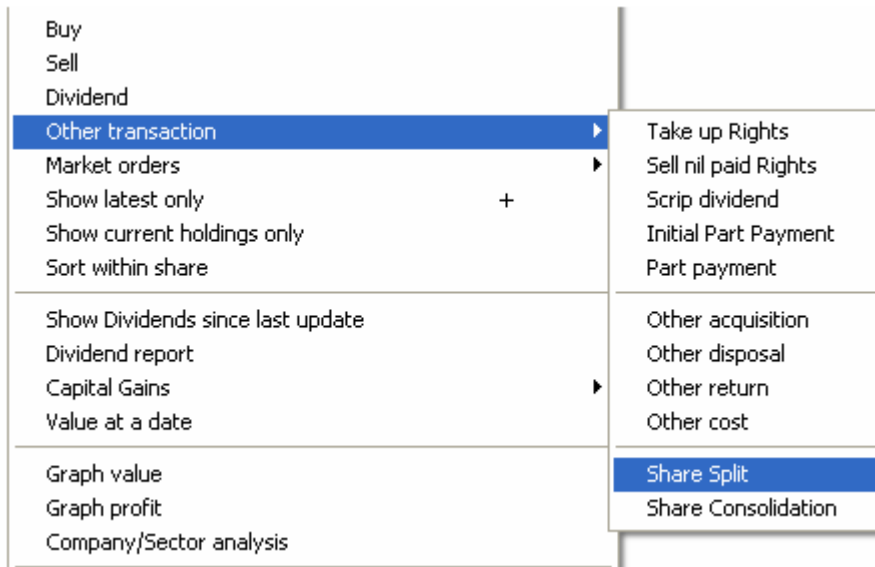
##### **How this affects your holding:**

The number of shares you held as of 22/02/08 is, in effect, multiplied by 4. If you originally held 100 shares, you would now hold 400 shares. At the same time, the share price is reduced by a quarter – therefore the value of your holding remains the same.

In ShareScope we reduce the price, however we do not increase the size of your holding – this you need to do yourself. Let's say you had bought 100 Young & Co's shares in 2006. With a closing price on 22/02/08 of 2090p, this would give your holding a value of £2090.00. Due to the price adjustment made by ShareScope, your new value based on the adjusted price would be  $100 \times 522.5p = £522.50$  – a drop in value of nearly £1500! Your transactions may have looked something like those below, where the value based on a closing price of £5.425 on 25/02/08 is calculated as £542.50 due to the incorrect number of shares being used.

Date	Time	Name	Share type	Transaction type	Num. shares	Total shares	Value	Last price
22/2/06	15:52:10	Young & Co's Brewery PLC	Ord*	Buy	100	100		
25/2/08		Young & Co's Brewery PLC	Ord*	Latest	100	100	£542.50	£5.42%

From the transaction screen, right click, go to Other transaction and select Share Split.



The following dialog will open:

The 'Record a transaction' dialog box contains the following fields and values:

- Portfolio: Tutorial portfolio - splits etc
- Share: Young & Co's Brewery PLC
- Share type: 50p 'A' Ords
- Transaction: Share Split
- Cash Account: (empty)
- Currency: (empty)
- Reference: (empty)
- Note 1: (empty)
- Previous holding: 100
- Previous Number: 100
- New Number: 0
- Ratio: 0
- Date: 22/02/08 (Fri 22nd Feb 2008)
- Time: 15:19:35

Buttons at the bottom: Show CGT, Options, Help, Cancel, OK.

Enter the new number of shares as a result of the split and ensure the correct date and time are selected.

Click on OK to save the transaction and your records should look more like this:

Date	Time	Name	Share type	Transaction type	Num. shares	Total shares	Value	Last price
22/2/06	15:52:10	Young & Co's Brewery PLC	Ord*	Buy	100	100		
22/2/08	17:00:00	Young & Co's Brewery PLC	Ord*	Split		400		
25/2/08		Young & Co's Brewery PLC	Ord*	Latest	400	400	£2,170.00	£5.42%

Note that the value based on the same closing price of £5.425 on 25/02/08 is now calculated correctly at £2,170.00 (a slight improvement on our valuation as of 22/02/08 of £2090).

### Share Consolidations

Amarin Corporation PLC – Share consolidation (1 for 10) January 2008

#### Corporate action details:

Up until 17/01/08 the company had ordinary shares with a par value of GBP0.05. As of 5pm on 17/01/08 every 10 existing shares were consolidated into 1 new ordinary share with a par value of GBP0.50.

Amarin closed at 15.5p on 17/01/08. As a result of the 10 for 1 reverse split, this price is adjusted to 155p by ShareScope.

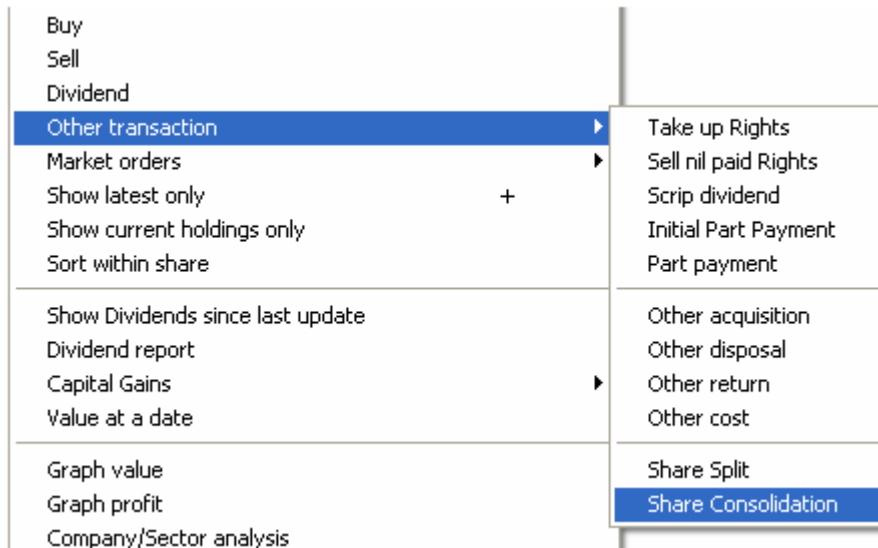
#### How this affects your holding:

The number of shares you held as of 17/01/08 is, in effect, divided by 10. If you originally held 100 shares, you would now hold 10 shares. At the same time, the share price is increased tenfold – meaning the overall value of your holding remains the same.

As with the share split, in ShareScope we adjust the price, however we do not reduce the size of your holding – again, this you need to do yourself. Let's say you had bought 100 Amarin shares in 2006. With a closing price on 17/01/08 of 15.5p, this would give your holding a value of £15.50. Due to the price adjustment made by ShareScope, your new value based on the adjusted price would be  $100 \times 155p = £155$  – an increase we all dream about! Your transactions may have looked something like those below, where the value based on a closing price of £1.71 on 25/02/08 is calculated as £171.00 due to the incorrect number of shares being used.

Date	Time	Name	Share type	Transaction type	Num. shares	Total shares	Value	Last price
11/7/06	16:29:13	Amarin Corporation PLC	Ord	Buy	100	100		
25/2/08		Amarin Corporation PLC	Ord	Latest	100	100	£171.00	£1.71

Right click in the transactions view, go to Other transaction and select Share Consolidation.



A similar dialog to the Share Split dialog opens.

Once you've recorded the consolidation transaction, your records would look something like this:

Date	Time	Name	Share type	Transaction type	Num. shares	Total shares	Value	Last price
11/7/06	16:29:13	Amarin Corporation PLC	Ord	Buy	100	100		
17/1/08	17:00:00	Amarin Corporation PLC	Ord	Consolidation		10		
25/2/08		Amarin Corporation PLC	Ord	Latest	10	10	£17.10	£1.71

Note that the value based on the same closing price of £1.71 on 25/02/08 is now calculated correctly at £17.10 (again, a slight improvement on our valuation as of 22/02/08 of £15.50).

This company is an example of one that consolidated their shares to make their share price more attractive – at 15.5p the shares appeared of little value, having fallen from a high of 208.25p\* on 20/04/07.

\* *unadjusted share price*

The two examples above are both fairly simple examples of splits and consolidations. Other recent examples are the rights issue made by Intermediate Capital Group PLC where 2 new ordinary shares are issued for every 9 ordinary shares held; or the consolidation by WH Smith PLC in which a special dividend of 33p per share is paid and then every 74 existing ordinary shares are consolidated in 67 new ordinary shares. Splits and consolidations (reverse splits) can be a lot more complicated though, involving the issue of new shares (Amlin PLC is a recent example from December 2007) or a split followed by a consolidation (as with Chrysalis PLC also in December 2007).

## Merger

### Payzone PLC – Merger of Cardpoint and Alphyra December 2007

#### **Corporate action details:**

Alphyra (unlisted) merges with Cardpoint (listed on LSE) and creates new listing on AIM as Payzone PLC on 05/12/07. Holders of Cardpoint shares receive 1 new Payzone share for each Carpoint share held.

#### **How this affects your holding:**

In this example Cardpoint was the only company previously listed on the London Stock Exchange, so was also the only company listed in ShareScope. As a result of the merger, the price history from Cardpoint was retained against the new listing of Payzone. Any transactions that you had recorded in ShareScope under Cardpoint would automatically be renamed to Payzone. As there is no change to the size of your shareholding you do not need to edit the transactions in ShareScope in any way.

### McAlpine (Alfred) PLC – Take-over by Carillion PLC February 2008

#### **Corporate action details:**

Acquisition of Alfred McAlpine by Carillion PLC on 12/02/08, both listed companies on the London Stock Exchange. Holders of Alfred McAlpine receive 1.08 New Carillion Shares and 165.4p in cash\*.

\* A Mix and Match scheme and Loan Note alternative were also available.

### How this affects your holding:

If you held shares in Carillion then there is no change to your shareholding and thus no need to edit your transactions.

If you held shares in Alfred McAlpine you need to manually transfer these into Carillion shares in ShareScope. Each transaction you had in Alfred McAlpine needs to be re-recorded against Carillion. In this example, the number of shares you own in Carillion is different to that purchased originally in Alfred McAlpine (1.08 for each 1), so this needs to be accounted for when transferring the shares. See below for how the original transaction might have appeared in ShareScope:

Date	Name	Transaction type	Num. shares	Cost / Value	Value	Last price	Profit / loss
22/2/06	McAlpine (Alfred) PLC	Buy	100	£435.00			
10/7/07	McAlpine (Alfred) PLC	Buy	50	£223.88			
25/2/08	McAlpine (Alfred) PLC	Latest	150	£658.88	£821.25	£5.47½	£162.37

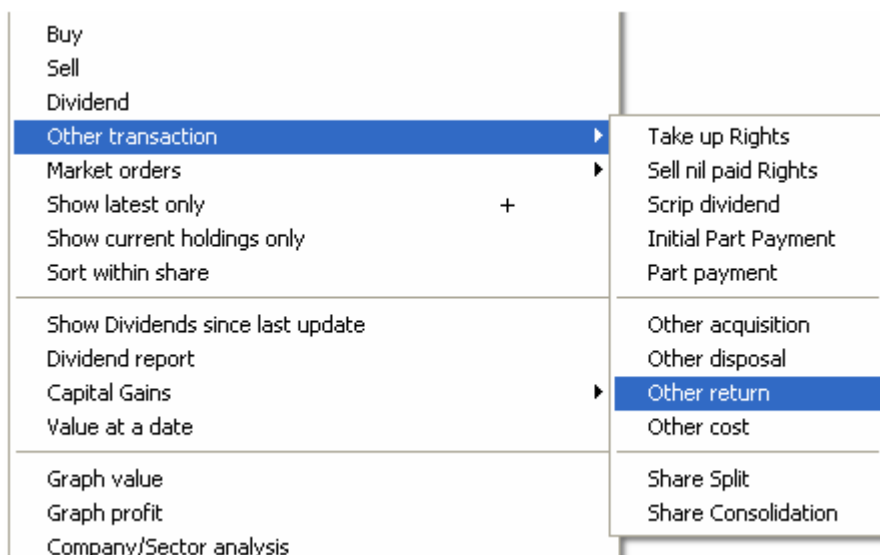
To transfer the transactions to Carillion, you need to add Carillion to your portfolio, and then record each transaction again, this time against Carillion. As you record the transactions though, you need to alter the number of shares purchased by multiplying by 1.08, do not enter a price per share but enter the Total Cost as it was in the original transaction and keep the original transaction dates as well. See below for how the new transactions might have appeared in ShareScope – the number of shares is different but the date and Cost is the same on each transaction:

Date	Name	Transaction type	Num. shares	Cost / Value	Value	Profit / loss	Note 1
22/2/06	Carillion PLC	Buy	108	£435.00			McAlpine merger 12/02/08
10/7/07	Carillion PLC	Buy	54	£223.88			McAlpine merger 12/02/08
12/2/08	Carillion PLC	Other return		£248.10			Return of cash - McAlpine
25/2/08	Carillion PLC	Latest	162	£658.88	£618.43	£207.65	

Your transactions against Alfred McAlpine then need to be removed from the portfolio as they will incorrectly affect your total portfolio valuation. You can either move these to another portfolio that you can use to keep track of historical transactions, or you can delete them completely.

### Notes:

1. A new transaction is added to record the cash offer.
2. The value column refers to the current value of the shareholdings only.
3. The Profit/loss column takes account of the shareholdings and the cash return.
4. The original transaction dates need to remain the same so that any CGT liable is calculated from the correct date.
5. A note has been added as a reminder of the origin of the transactions.
6. To add an 'Other return' transaction, right click to access the context menu, go to **Other transaction** and select **Other return**.



## Demerger

### Egdon Resources PLC – De-merger to form New Egdon and Portland Gas January 2008

#### Corporate action details:

De-merger of Egdon's Gas Storage Business to form a new Holding Company – Portland Gas on 17/01/08. Shareholders receive one new Portland share for each existing Egdon share they hold.

#### How this affects your holding:

You still hold the same number of shares in Egdon, however you need to add Portland Gas to your portfolio and record new transactions against Portland Gas to match each transaction in Egdon. Most often, in these instances, you also need to associate some of your original purchase costs with the new holding as well. The ratio of the cost split is provided by the company however it is often not available for a few months after the date of the demerger. At the time of writing, the apportionment of costs for the Egdon demerger is not yet confirmed, so the amounts used in this example are not correct and are only intended as a guide.

Your original transactions in Egdon may have looked like this:

Date	Name	Transaction type	Num. shares	Cost/ Value
2/2/06	Egdon Resources PLC	Buy	100	£118.50
22/3/07	Egdon Resources PLC	Buy	50	£100.50
<b>26/2/08</b>	<b>Egdon Resources PLC</b>	<b>Latest</b>	<b>150</b>	<b>£219.00</b>

Using an apportionment ratio based on the opening prices of the Egdon and Portland Gas shares on 17/01/08\*, after recording new transactions against Portland, your transactions would look something like this:

Date	Name	Transaction type	Num. shares	Cost/ Value	Note 1
2/2/06	Egdon Resources PLC	Buy	100	£11.02	Cost reduced from £118.50 due to Portland Gas split
22/3/07	Egdon Resources PLC	Buy	50	£9.35	Cost reduced from £100.50 due to Portland Gas split
<b>26/2/08</b>	<b>Egdon Resources PLC</b>	<b>Latest</b>	<b>150</b>	<b>£20.37</b>	
2/2/06	Portland Gas PLC	Buy	100	£107.48	
22/3/07	Portland Gas PLC	Buy	50	£91.15	
<b>26/2/08</b>	<b>Portland Gas PLC</b>	<b>Latest</b>	<b>150</b>	<b>£198.63</b>	

The number of shares in both companies is the same as you receive one Portland Gas share for each existing Egdon share. The Total Cost on each of the Egdon transactions is manually edited and reduced, with the remaining portion being recorded against the new holding. Note that after all transactions are recorded or edited, the overall Cost of both the new holdings is the same as the original Cost of the Egdon shares (i.e. £20.37 + £198.63 = £219.00).

\* as opposed to the correct apportionment yet to be confirmed by Egdon Resources PLC

With regard to any corporate actions that affect your shareholdings, please ensure you read any circulars thoroughly as there can be CGT and/or income tax due on any new issue or return of capital. We would recommend you contact a tax professional for advice in these circumstances as

our Support team may only be able to offer limited guidance.

Remember, if you have any trouble finding or using any of these features, please don't hesitate to call our Customer Support team. They will be delighted to help.

From outside London:                   0845 045 0111  
From London:                             020 7749 8504  
Email:                                       [support@sharescope.co.uk](mailto:support@sharescope.co.uk)