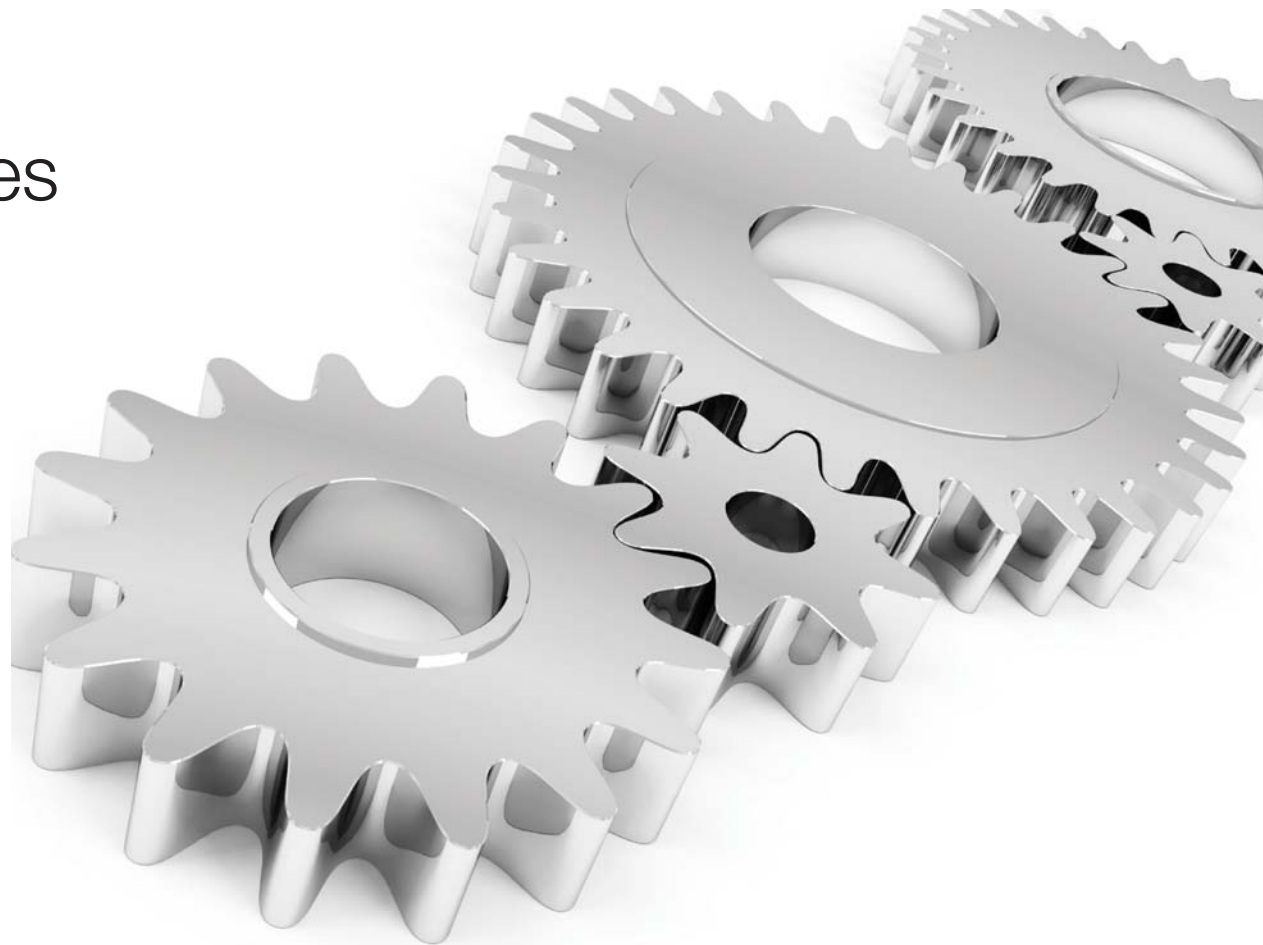




Corporate

Jersey Cash Box Structures



Introduction

Following a period of turmoil in the financial markets, issuers have been viewing cash box structures as an attractive financing tool to facilitate share and convertible bond issues and to allow access to alternative sources of funding.

The main advantage of the cash box structure is that shares issued by the relevant UK public company ("**Plc**") (whether immediately, or upon conversion of bonds) are issued for a non-cash consideration so that the statutory pre-emption provisions set out in the UK's Companies Act 2006 do not apply. The share issue can therefore take place without the timing implications of seeking shareholder approval to disapply the pre-emption rights or conducting a rights issue.

This note sets out a summary of cash box transactions and the benefits of using a Jersey cash box company.

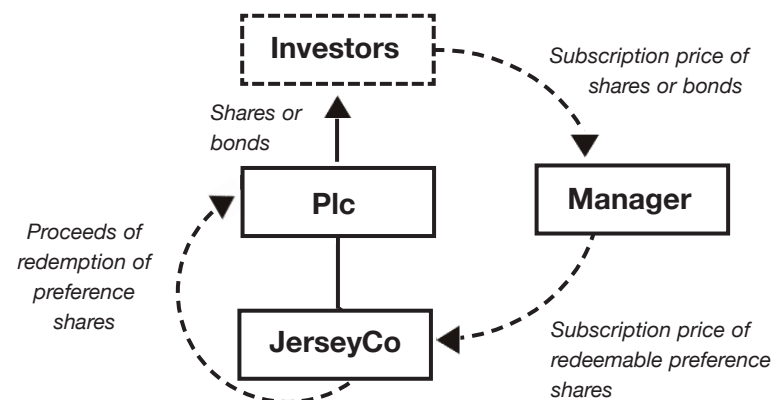
How is a cash box transaction structured?

There are two principal structures used in relation to cash box transactions:

Plc Issuer transaction:

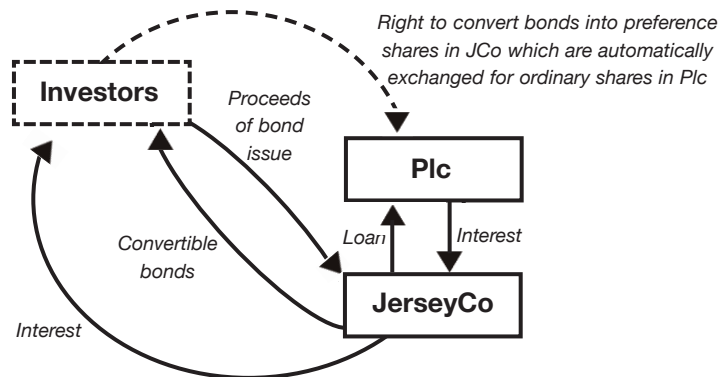
- A Jersey company ("**JerseyCo**") is incorporated as a private company and typically issues redeemable preference shares to a manager, being an investment or commercial bank ("**Manager**"). The ordinary shares in JerseyCo are held by Plc and if merger relief is to be utilised, the Manager also subscribes for a small number of such ordinary shares.

- The Manager transfers its redeemable preference shares to Plc in consideration for the issue by Plc of placing shares or convertible bonds, as the case may be, to investors identified by the Manager. The placing shares or convertible bonds are therefore issued by Plc for a non-cash consideration.
- Plc redeems the preference shares and receives the proceeds of this redemption. JerseyCo is then wound up.
- In some circumstances JerseyCo lends the subscription proceeds to Plc for a period of time prior to the redemption. The rate of interest payable to JerseyCo is usually sufficient to allow JerseyCo to meet its dividend obligations in respect of the redeemable preference shares.



Jersey Issuer transaction:

- JerseyCo is incorporated as a public company and issues convertible bonds to investors. These bonds are convertible into preference shares in JerseyCo which, upon conversion, are automatically exchanged for ordinary shares in Plc.
- The proceeds of the bond issue are usually lent by JerseyCo to Plc, which pays a rate of interest to JerseyCo sufficient to allow JerseyCo to service its obligations under the bonds.
- Once all bonds have been converted (or upon maturity, if earlier), Plc redeems the preference shares it holds in JerseyCo and JerseyCo is wound up.

**What are the benefits of using a Jersey cash box company?****Speed, flexibility and convenience:**

- Subject to completion of the necessary KYC requirements, JerseyCo can be incorporated on a "same day" basis if necessary.
- The redemption of the JerseyCo preference shares is a quick and simple process under Jersey companies law. Alternatively, the funds

can be quickly extracted in other ways if preferred, such as by dividend or on a winding up.

- There is no requirement under Jersey law for Jersey resident directors to be appointed – this allows Plc to appoint UK resident directors to the board of JerseyCo.

Jersey legal and regulatory framework:

- Jersey companies law is based on English law principles, allowing a consistent approach to be taken across both jurisdictions.
- Jersey is within the same time zone as and is close to the UK, meaning that Jersey firms are able to provide a fast and efficient service in line with the most aggressive timetable.
- No Jersey regulatory consents are required where the Plc Issuer structure is used, except to issue shares in JerseyCo, which is obtained upon its incorporation. Where the Jersey Issuer structure is used, the necessary consents can be obtained in good time.

Taxation:

- JerseyCo will usually be a UK tax resident company, in which case it will be treated as not resident in Jersey for tax purposes. The structure is therefore tax neutral from a Jersey perspective.
- There is no capital gains tax, corporation tax, stamp duty, VAT or withholding tax payable in Jersey in respect of the issue, transfer or redemption of the shares in JerseyCo.
- JerseyCo's register of members is kept in Jersey at all times and, in the case of a Plc Issuer transaction, the stock transfer forms in respect of the transfer of shares in JerseyCo from the Manager to Plc are executed in Jersey. This means that no UK stamp duty liability should arise on the transfer of the JerseyCo shares.

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Please note that this briefing is only intended to provide a very general overview of the matters to which it relates. It is not intended as legal advice and should not be relied on as such.

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