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# Octopus Inheritance Tax Service Rights Issue

[Frequently asked questions](#)

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## Overview

An opportunity for existing investors in the Octopus Inheritance Tax Service to top up their investment in the Service. The Octopus Inheritance Tax Service is a discretionary fund management service that invests in one or more unlisted companies. One of the portfolio companies in the Service, Fern Trading Ltd has made a 3 for 1 Rights Issue offer. This means that for every one share that existing investors hold, they can subscribe for three more shares in respect of some or all of their portfolio. The offer will run over the summer and closes to applications on 12 October 2023.

You may recall Fern's successful Rights Issue in 2020, raising £150m to accelerate Fern's growth in the fibre broadband sector.

Fern Trading Ltd. is the parent company of a large trading group made up of more than 300 subsidiary companies (Octopus Investments, 31 March 2023). The only shareholders are the investors in the Octopus Inheritance Tax Service.

## Q. What are the benefits for investors?

**A.** Fern continues to grow steadily across all its divisions, scaling its business through adding incremental assets and businesses in sectors it knows well. The current macro-economic environment presents particularly attractive opportunities for Fern to boost asset acquisition in its renewable energy, fibre and housebuilding divisions.

This is all additive for Fern – as a £3bn group of companies (Octopus Investments, 31 March 2023) with strong access to finance and a revenue generating business model, its business will remain strong even without boosting the rate of capital invested.

[You can read more about the opportunity here.](#)

Shares will be allocated in proportion to an investor's existing shareholding in Fern. As a result investors who choose to add to their portfolio under the Rights Issue will be treated as acquiring the new shares on the same date as their existing shares for Capital Gains Tax and inheritance tax IHT purposes. This should result in the minimum holding period for Business Relief (BR) purposes being met for the new shares where the investor has already owned their original shares for two years or more. Or, to have a reduced timeline to qualification for the new shares if their original shares (or that part of their total holding where it has been added to over time) have not yet been held for two years.

This is simply a function of how the legislation works and is very well understood and accepted. We have also engaged external tax and legal advisers to oversee the transaction.

## Q. What is a Rights Issue?

**A.** A Rights Issue is an offer to existing shareholders to purchase additional new shares in the company in proportion to their existing investment. Companies most commonly offer a Rights Issue to raise additional capital to fund expansion and can be when a company is in distress. Please note this is not the case for Fern – companies in distress typically have to offer out Rights Issues at below market value, which also dilutes existing shareholders. Fern will be offering new shares at the current share price when the shares are issued.

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## Q: What do you mean “in proportion to their existing investment”

**A:** Rights Issues allow investors to buy a certain number of new shares for every existing share they own. The maximum amount is set out in the offer that the company makes. Fern is making a 3:1 rights offer. This means for each one share a shareholder owns they can buy three more shares. Therefore, someone with 100,000 shares can acquire up to 300,000 more shares in Fern.

## Q: Who qualifies for the Rights Issue?

**A:** Anyone who is a shareholder in Fern on 3 July 2023 (the offer date).

If the original owner has given their shares away (i.e., to a trust or as a lifetime gift) they will not be the shareholder on that day and this offer will not be able to be made to them, it will be made to the new owner (i.e. the trust). This includes deceased clients to whom the offer also has to be made.

We have emailed you a list of your eligible clients, if you have not received this, or have any queries, please call your usual Octopus contact.

## Q: How does the application process work?

**A:** You should have received an email with links to a pre-populated online application form for each of your eligible clients. If you haven't please contact our team on **0800 316 2067**.

## Q: When will shares be allotted?

**A:** A Rights Issue is a type of company reorganisation, and all shares need to be allotted on the same day, to ensure that everyone who has taken up the offer gets the same number of new shares as everyone else per £1 of new investment. This will happen on or around 18 October 2023 (deadline for apps and cleared funds will be 12 October 2023, we need to receive cheques by 6 October 2023 so there is sufficient time for them to clear).

It is not possible to allot shares earlier than this date under the Rights Issue. We will send confirmation to you and your clients that participate shortly after the share allotment. You and your clients will be able to see the cash on the portfolio prior to investing on Octopus Online.

## Q: How much will a shareholder have to pay for their shares?

**A:** The price per share will be Fern's current share price as at 18 October 2023, when the shares will be allotted. Investors will be told in their letter the maximum entitlement (£) of Rights Issue shares they can subscribe to. This is also stated on their application form which you have access to.

You should already have received a copy of the investor correspondence. If you haven't please contact our team on **0800 316 2067**.

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## Q: What happens if a shareholder doesn't want to invest any more money?

**A:** Nothing. They don't need to do anything and won't be disadvantaged in any way as shares will be issued at whatever the share price is when this offer closes (they can't be "diluted").

Unlike some Rights Issues, there is no ability for a shareholder to transfer or even sell their rights to someone else – the Rights Issue is being made to Octopus as the legal owner and discretionary manager, and as shares will be issued at current value, there would be no benefit to anyone of this happening.

Where shares are issued at a discount, this means that for existing investors, their shareholding is worth less than it was before. This isn't the case for this Rights Issue offer in Fern.

## Q: What happens if a shareholder wants to invest more than their entitlement?

**A:** If a shareholder wishes to increase their investment in the Service by more than their maximum entitlement under the Rights Issue, they would need to complete a standard top up form for any extra investment amount above their maximum entitlement. This extra investment will not form part of the Rights Issue and there will be no immediate or accelerated inheritance tax benefit.

## Q. How long will the Rights Issue be available?

**A.** The offer to subscribe for more shares under a Rights Issue always expires on a certain date, at which point the new shares are issued. This offer made to Octopus will end on 18 October 2023 and we need all applications and cleared funds by 12 October 2023. We need cheques by 6 October 2023. There are absolutely no circumstances where this period will be extended – this is a legal requirement.

## Q: Can a shareholder be issued shares before 18 October 2023

**A:** No unfortunately this is not possible – this is not how a Rights Issue works.

## Q. What are shareholders being sent?

**A.** Shareholders in Fern will be sent a letter from 4 July 2023 informing them that Fern has offered a Rights Issue to Octopus Investments Nominees Limited, as the legal owner of the Fern shares, and the rationale for the offer. The letter will confirm their maximum rights allocation.

Advised investors will **not** be sent an application form and will be asked to contact you, their adviser, if they wish to take up the offer, or Octopus if they need/want to.

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## Q: What happens if Fern's share price changes between the time we calculate how much someone can invest and the allotment date?

**A:** If Fern's share price **increases**, everyone will get slightly fewer shares by exactly the same ratio.

If Fern's share price **decreases**, everyone will get slightly more shares by exactly the same ratio. If necessary (for those who have taken up their full rights) we will refund the extra amount that we have not been able to invest further to the Rights Issue, or contact you as advisers to ask whether their client would like extra shares outside the Rights Issue.

## Q: Can we facilitate adviser charging?

**A:** Yes. Both initial and ongoing. Any changes made will impact the whole client portfolio, existing and new investment. Please refer to page 26 of the Octopus Inheritance Tax Service brochure for more information.

## Q: Can adviser on-going charges be updated?

**A:** Yes, but this will override the existing portfolio charges.

## Q: When will I receive my advice fee?

**A:** This will be paid after shares have been allotted in October.

## Q: What is the minimum investment?

**A:** There is no minimum investment for top-ups made under the Rights Issue.

## Q: Do shares acquired qualify for Business Relief?

**A:** Yes. And because a Rights Issue is a company reorganisation, the shares are treated as having the same acquisition date as those in respect of which they were issued (the investor's existing shares in Fern) for the purposes of the minimum holding period for BR. This is an extract from HMRC's manuals explaining the point:

**SVM111090** - *A bonus or rights issue should not normally be regarded as a newly acquired holding for the purpose of the ownership tests. Provided the bonus or rights shares were issued in proportion to all the shares of a company - or to all the shares of a particular share class - the allotment to the transferor will come within s.107(4).*

Source: [HMRC internal manual: Shares and Assets Valuation Manual, HM Revenue & Customs, 20 June 2023](#)

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## Q. How does trading work?

A. Investors and advisers will receive confirmation that we have received the investment, and a reminder that it won't be invested until 18 October 2023. Soon after the allotment both investor and adviser will get confirmation this has happened and how many shares.

## Q. What will an investor see on their valuation statement?

A. The Rights Issue shares will be separately identified, noting the original shares to which they are linked.

## Q: What happens if an investor wants to sell Rights Issue shares?

A. These shares are ordinary shares in Fern, simply being issued further to a reorganisation. Therefore, they are in the pot along with all of the shareholders other shares and will be traded as normal if an investor asks to sell some or all of their shareholding.

## Q. What happens if an investor wants to change their mind, or dies, after they have sent in their application and money?

A. On request, we will cancel their application and return the money to them, up until 12 October 2023.

The instruction to cancel needs to be from the client, email is fine. If the client has died, please contact us and we will cancel the application and will try to return the funds, though they might bounce. If this happens, we will contact you to discuss next steps.

## Q. Will my investor have shares in any new or different sector specific companies?

A. No. They will have more shares in Fern, there is only one type of share in Fern.

Fern is the parent company of a group that includes renewable energy, housebuilding, property lending and fibre companies.

## Q. Why are you offering this top-up to my deceased investor/executors

A. As the estate is the beneficial owner of the deceased's investment, they are entitled to receive the offer and we are obligated to inform them it has made.

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## Q: Does my client also need to sign the application form?

**A:** The online application can either be completed entirely online, or using print and sign if your client prefers to sign a hard copy.

For paper applications, both you (as adviser) and your client need to sign, both clients for a joint portfolio.

## Q. If I am away, can one of my fellow advisers in the firm sign the application form on my behalf?

**A:** No, not unless they are a director of the business.

## Q: Can any paper applications be sent to Octopus 33 Holborn?

**A:** No, the pre-paid envelope sent with any paper applications has the Octopus Chelmsford address on it. Applications should not be sent to 33 Holborn.

## Q: Can scanned Rights Issue applications be sent on email?

**A:** Clients should only send the pre-populated printed application posted in the pre-paid envelope to the Octopus Chelmsford address.

## Q: Can my client send a cheque?

**A:** Yes, however where appropriate, electronic funds transfers are preferable. Cheques **MUST be received by 6 October 2023** in order to clear for the allotment on 18 October 2023.

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## Q: What payment reference should the client use for BACS/CHAPS

**A:** For online applications, please use the unique payment reference generated during the application process, or the client's portfolio number, which is pre-populated on the application form.

Usual bank details noted below for ease of reference.

<b>Bank account name:</b>	Octopus Investments Client Money Account		
<b>Sort code:</b>	40-03-28	<b>Bank:</b>	HSBC
<b>Account number:</b>	22177056	<b>Branch:</b>	Holborn

Please be aware that we anticipate high application volumes, therefore please allow up to five working days to receive confirmation that the application has been fully processed and matched with funds.

## Q: What happens to cheques with errors?

**A:** If a cheque is not issued correctly (not signed, incorrect amount etc) then these will be destroyed, we will contact you and a new cheque will need to be sent, or electronic funds transfer arranged.

## Q: When is the application and payment deadline?

**A:** Fully completed applications (paper and online) and cleared funds must be received by the 12 October for an allotment on the 18 October 2023.

Cheque payments must be received no later than 6 October 2023 in order for funds to clear.

## Q: Will investors receive interest on their funds ahead of allotment?

**A:** Yes, to the extent that Octopus's client money account receives interest above 1%, investors will receive interest at that rate less 1%. Where interest is payable it will be treated as client money in accordance with the FCA rules. [You can find out more in the Terms and Conditions.](#)



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## Q. What resources are available?

**A:** In addition to our usual suite of Octopus Inheritance Tax Service literature and regular Octopus Inheritance Tax Service webinars. We have created a [dedicated webpage](#) as a hub for useful information including:

- On demand webinar
- Top-up specific FinalytiQ suitability document
- Fees calculator (to help with adding octopus and adviser fees)
- Opportunity document – which explains more about the investment case for the fundraise.

## Next steps

If your client is interested in topping up their investment with us, or if you have any questions, please call your local Octopus Business Development Manager on **0800 316 2067** or email [support@octopusinvestments.com](mailto:support@octopusinvestments.com). We're always happy to hear from you.

## Key risks

- Please remember that the value of an investment in the Octopus Inheritance Tax Service, and any income from it, can fall as well as rise. Investors may not get back the full amount they invest.
- Tax treatment depends on individual circumstances and tax rules could change in the future.
- Tax relief depends on portfolio companies maintaining their qualifying status.
- The shares of unquoted companies could fall or rise in value more than shares listed on the main market of the London Stock Exchange. They may also be harder to sell.

## Important information

BR-qualifying investments are not suitable for everyone. Any recommendation should be based on a holistic review of your client's financial situation, objectives and needs. This communication does not constitute advice on investments, legal matters, taxation or any other matters. Issued by Octopus Investments Limited, which is authorised and regulated by the Financial Conduct Authority. Registered office: 33 Holborn, London EC1N 2HT. Registered in England and Wales No. 03942880. We record telephone calls. Issued: July 2023 CAM013159