Quilter

Quilter plc's separation from Old Mutual plc

This information is provided as indicative guidance only. It is only directed toward United Kingdom and South African shareholders who held their shares on capital account as at the relevant dates. Quilter plc accepts no responsibility for the use that may be made of this information. This does not constitute tax or financial advice and must not be relied upon as such. Any person wishing to calculate their United Kingdom or South African chargeable gains should consider their own particular circumstances and consult an appropriate professional adviser.

Introduction

On 25 June 2018 Quilter plc (previously Old Mutual Wealth) separated from the Old Mutual group of companies with an initial public offering on the London Stock Exchange **(LSE)** and secondary inward listing on the Johannesburg Stock Exchange **(JSE)**. The separation was effected by the distribution by Old Mutual plc of 86.6% of the total issued share capital of Quilter plc to Old Mutual plc's shareholders as at that date (who received one Quilter plc ordinary share for every three Old Mutual plc shares held), followed by the sale by Old Mutual plc of 9.6% of the total issued share capital of Quilter plc to institutional investors in the United Kingdom, the United States, South Africa and elsewhere (with the balance of the shares being retained by an existing employee share trust) (the **Quilter Demerger**).

Later that same day, Old Mutual plc shareholders received three shares in Old Mutual Limited for every three shares they held in Old Mutual plc as at that date in exchange for the transfer of their Old Mutual plc shares to Old Mutual Limited. Old Mutual Limited's shares were subsequently listed (with a primary listing on the JSE and standard listing on the LSE) on 26 June 2018 (the **Second Scheme**).

For further information on the Quilter Demerger and the Second Scheme, Shareholders are referred to Old Mutual plc's Shareholder Circular available at: **https://www.oldmutual.com/investor-relations/old-mutual-plc/about**

Quilter

Base cost apportionment for United Kingdom shareholders

Following the separation, UK shareholders will need to apportion the base cost of their pre-separation Old Mutual plc shares (**Pre OM Shares**) between their post-separation Old Mutual Limited shares (**OM Shares**) and Quilter plc shares (**Q Shares**) in accordance with sections 130 and 272 of the Taxation of Chargeable Gains Act 1992. These sections require the apportionment to be carried out with reference to the market value of the shares on the first day they were listed on the LSE, being £1.52 on 25 June 2018 in respect of the Q Shares[1], and £1.58 on 26 June 2018 in respect of the OM Shares[2].

For every three Pre OM Shares they held, Old Mutual Limited's shareholders received one Q Share and three OM Shares. Accordingly, the base cost of the Pre OM Shares should be apportioned between the Q Shares and OM Shares as follows:

$$Q\ Shares = \frac{£1.52}{£1.52 + (3 \times £1.58)} = 0.242812 \times base\ cost$$

$$OM\ Shares = \frac{(3 \times £1.58)}{£1.52 + (3 \times £1.58)} = 0.757188 \times base\ cost$$

In other words, 75.7188% of the base cost of the Pre OM Shares should be apportioned to the OM Shares and 24.2812% of the base cost of the Pre OM Shares should be apportioned to the Q Shares for UK tax purposes.

Reduction in base cost for South African shareholders

For South African shareholders that held their shares on capital account, on 25 June 2018, there will be a reduction in base cost of their OM Shares for South African capital gains tax purposes in accordance with the provisions of paragraph 76B of the Eighth Schedule to the Income Tax Act, 1962, as described further below.

For shares acquired on or after 1 October 2001

The market value of the Q Shares will be the opening price of the Q Shares on 25 June 2018, which was R25.88. Therefore each Q Share will have a base cost of R25.88.

As Old Mutual plc's shareholders received one Q Share for every three Pre OM Shares they held, the base cost of each Pre OM Share is reduced by the base cost of the Q Shares divided by three. R25.88/3 = R8.626

Accordingly a shareholder's base cost in the OM Shares will be the same as his or her original base cost in the Pre OM Shares reduced by R8.63 to reflect the issue of the Q Shares as described above.

Where a shareholder holds a Pre OM Share with a base cost lower than R8.63, the difference will be subject to tax as a capital gain and consequently 40% of that gain should be included in an individual's taxable income and 80% of that gain should be included in a corporate or trust's taxable income.

For shares acquired before 1 October 2001

Where a shareholder acquired a Pre OM Share before 1 October 2001, that share will constitute a pre-valuation date asset and the base cost of that Pre OM Share will first have to be re-established, before the base cost reduction as described for shares acquired on or after 1 October 2001 can be applied.

The rules for determining the base cost of the pre-valuation date assets to be used in the deemed disposal calculation, are complex. Other than for identical assets[3] where the weighted average cost method is applied, shareholders must apply the rules prescribed by paragraphs 25 to 30 of the Eighth Schedule to the Income Tax Act, 1962, to determine the base cost of a pre-valuation date asset.

We consider it likely that the valuation date value and base cost of the Pre OM Shares, for shareholders who received these shares for no consideration as part of the de-mutualisation in 1999, is R13.63. Please note, however, that Old Mutual plc had a share consolidation in 2012 and shares were consolidated in the ratio of 8/7; the valuation date market value and/or base cost per share would have to be adjusted accordingly.

Once the base cost has been established following the deemed disposal transaction, this base cost must be reduced by R8.63, being the market value of the asset received.

[1] https://www.londonstockexchange.com/exchange/prices-and-markets/stocks/summary/company-summary/GB00BDCXV269GBGBXSTMM.html
[2] https://www.londonstockexchange.com/exchange/prices-and-markets/stocks/summary/company-summary/ZAE000255360GBGBXSSMU.html
[3] A group of similar assets which –
a) if any one were disposed of, would realize the same amount regardless of which one was disposed of; and
b) are not able to be individually distinguished apart from any distinguishing numbers that they may bear.