

Demerger of M&G plc – information for UK shareholders

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Capital gains tax (CGT) base cost apportionment for United Kingdom shareholders

Following the demerger of M&G plc, UK shareholders will need to apportion the base cost of their pre-demerger Prudential plc shares (**Pre P Shares**) between their post demerger Prudential plc shares (**P Shares**) and their M&G plc shares (**M 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 (closing) market value of the shares on the first day of dealing in M&G plc shares on the LSE, being £13.66 on 21 October 2019 in respect of the P Shares and £2.18 on 21 October 2019 in respect of the M Shares.

For every one Pre P Share they held, Prudential plc shareholders received one M Share. Accordingly, the base cost of the Pre P Shares should be apportioned between the P Shares and M Shares as follows:

$$\text{P Shares} = \frac{\text{£13.66}}{\text{£13.66} + \text{£2.18}} = 0.862374 \times \text{base cost}$$

$$\text{M Shares} = \frac{\text{£2.18}}{\text{£13.66} + \text{£2.18}} = 0.137626 \times \text{base cost}$$

In other words, 86.2374% of the base cost of the Pre P Shares should be apportioned to the P Shares and 13.7626% of the base cost of the Pre P Shares should be apportioned to the M Shares for UK tax purposes.

As an example, if a UK shareholder had before the demerger acquired 1,000 Prudential plc shares at a cost of £10 per share, their tax base cost of £10,000 would be split on 21 October 2019 as follows:

- £8,623.74 [£10,000 * 86.2374%] to Prudential plc shares, and
- £1,376.26 [£10,000 * 13.7626%] to M&G plc shares

