

PA CONSULTING GROUP LIMITED

**2015 Carlyle Investment**

**TAX INFORMATION – DENMARK**

**PREPARED: 6 November 2015**

**LAST UPDATED: 30 November 2017**

**This document is intended for:**

- **People who held legacy PA Ordinary shares who were directors, employees or linked shareholders (spouse/ trust etc.) of any member of the PA Group as of 1 August 2015 and who had not given or received notice of termination of their employment prior to 1 August 2015.**
- **People who held Options over legacy PA Ordinary shares who were employees of any member of the PA Group as of 1 August 2015 and who had not given or received notice of termination of their employment prior to 1 August 2015.**

**This document summarises the information that PA has received from external lawyers and tax advisers in relation to the personal tax implications of the Carlyle Investment which completed on 11 December 2015 when all legacy PA shares were purchased in exchange for a mix of cash, Vendor Loan Notes and new equity.**

**The information contained herein assumes you are employed and tax resident in Denmark. Whilst every effort has been made to ensure the accuracy of the tax information provided, PA does not take any responsibility for personal tax obligations which remain with you the taxpayer and with your personal tax adviser if you have one.**

**Disclaimers:**

PA gives no undertaking to update this document. The issue of the document shall not be deemed to be any form of commitment on the part of PA to proceed with any Investment.

This communication is for information purposes only and is not intended to be, and is not, an offer or invitation to sell, or to purchase or subscribe, any shares or other securities.

Nothing in this document constitutes legal, tax or financial advice. If you do not understand anything in this document or if you require legal, tax or financial advice in respect of your specific circumstances it is strongly recommended that you seek professional advice from an appropriately authorised independent adviser.

The information in this document in respect of taxation is general in nature. The information in this document has not, therefore, been tailored to your personal circumstances and the actual tax consequences for you may be different than as set out in this document. The information in this document applies in respect of an individual who is and has been resident and domiciled for tax purposes in the country to which this document applies (as stated in the title of this document) during the period from the first date on which any PA shares or share options were acquired until the final disposal of any securities referred to in this document. For the avoidance of doubt, if you decide to transfer your shares to any other person, or if any of your options lapse, the information in this document will not take account of this transfer or lapse. The information in this document is based on information provided to PA on the basis of tax laws in force at the time such information was provided to PA. PA has sought to ensure that the information in this document is accurate, but cannot be responsible for any inaccuracies.

References in this document to the value of securities are to the value of such securities for the purposes of the Scheme of Arrangement implementing the proposed Carlyle investment only. The value for which such securities may be able to be disposed of may be different, and can fall as well as rise.

This document is being made available in reliance on Article 62 (Sale of a body corporate) and Article 60 (Participation in employee share schemes) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005.

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## ABBREVIATIONS

<b>PACG</b>	PA Consulting Group Limited. This was the company in which legacy PA shares were held. It was renamed PA Consulting Holdings Limited on 11 December following the Carlyle investment.
<b>PACG Ordinary share</b>	The legacy Ordinary shares in PA Consulting Group Limited
<b>Investment</b>	The proposal from the Carlyle Group to purchase all issued PACG Ordinary shares through a UK court approved scheme of arrangement.
<b>Loan Note (VLN)</b>	This is your vendor (i.e. seller) loan to the new PA group.
<b>Preference shares</b>	These are shares in the new PA group parent company to issued to ongoing employees and option holders in the new PA group top company. They are 'stapled' to the B Ordinary shares held by PA people.
<b>B Ordinary shares</b>	The B shares in the new PA group parent company are also issued to ongoing employees. They are 'stapled' to the Preference shares. Together one B and 3.8543 (rounded) Preference shares are known as a 'Share Unit'
<b>EBT</b>	The PA 2004 ESOP. This is PA's Jersey employee benefit trust which held the PACG Ordinary shares not currently held by employees.

## SUMMARY

The Investment was approved by legacy PACG Ordinary shareholders and the court, and became effective on 11 December 2015.

You can review your Personal communication (attached to the email set to you by PA's Share Plans team on 17 December 2015) of what your legacy share and/or share options delivered as a result of the Investment happening on 11 December.

1. [You paid Income Tax and Social Security on the consideration gifted to you by PA's Employee Benefit Trust.](#)
2. [You had a special opportunity to use your share options before the Scheme become effective.](#)
3. [Capital gains tax treatment applied on the new consideration you received on exchange of your legacy PA shareholding in 2015.](#)
4. [Tax was due on the Cash and Loan Note elements of your consideration at the time of the Investment in 2015.](#)
5. [You could elect to defer the gain 'rollover' on the new Preference and B Ordinary shares. Whether this was beneficial to you depended upon the base cost of your legacy PACG shareholding.](#)
6. [There may be future tax charges on your Loan Note, Preference shares or B Ordinary shares.](#)
7. [What happens if you leave PA employment before a share realisation event](#)

## **1. You paid Income Tax and Social Security on the consideration gifted to you by PA's Employee Benefit Trust.**

Legacy PA shares which were not held directly by employees or covering share options and therefore could be regarded as 'excess' under a 100% employee ownership model, were held in an EBT. The EBT Trustees delivered the excess PA shares to you as share and option holders in the Nordics, by the EBT initially receiving the Carlyle Investment consideration (Cash, Loan Note, Preference shares and B Ordinary shares). A recommendation was then made to the EBT in January 2016 to distribute the mix of consideration it received as follows:

- Cash distribution through payroll – You paid Income Tax and Social Security through PA's January 2016 payroll on the cash distribution. The final Income Tax you paid depended upon your marginal tax rate of up to 55.8% (including the labour market contributions AM tax of 8%). The Social Security you pay is calculated through payroll in the month it is taxed.
- Loan Note distribution – The EBT transferred, at no cost, Loan Note value into your name. You should have paid Income Tax through your Danish tax return and the resulting estimated taxes should have been paid by the 2016 year-end to avoid interest accruing. The final Income Tax you will have paid will depend upon your marginal tax rate of up to 52% (the Loan Note is not subject to labour market contributions AM tax of 8%).

PA received advice from external lawyers that a safe tax filing position is to value the Loan Note at a 40% discount. This can be achieved on the basis that a valuation of the Loan Note at 60% is a practice that SKAT will be familiar with and has some support in case-law.

It is under this basis that PA reported to SKAT the 2016 Loan Note gift from the EBT in January 2016. This is then what you could have expected to see in your pre-populated 2016 tax return which is then subject to income tax.

Note that should SKAT take the view that your Loan Note should be fully taxable with no discount applied, you personally run the risk of incurring interest on any underpayment of tax. If you would then rather take a conservative approach, you could have, in your tax 2016 return, reported the full value of the Loan Note received and pay the taxes accordingly.

If you are in any doubt about the above you should seek independent advice.

- Options over Preference Shares and B Ordinary shares held by the EBT – The EBT invited you to receive a low cost (to meet tax requirements) option over the new shares. There is no Income tax charge as a result of receiving the options. The benefit to you of receiving an option (instead of being gifted the new shares) is that the Income tax charge to receive the new shares will be deferred until the options are used, which can be in the period up to 30 June 2018. There is a limited forfeiture (option lapse) provision attached to the options, again to ensure it meets the requirement to be classified as an option for tax purposes. This provision is that the options will lapse if you leave PA to join a competitor before you use the options.

The price you pay to use your options to buy the shares will be 2% of the Preference share and B Ordinary share value at the time of the Investment i.e. £0.14 based on a working £6.83 Preference + £0.18 B Ordinary new shares value.

### Example 1

You hold 400 PACG shares.

Your EBT gift will be computed on 100 shares (approximately 1 for 4 held).

In January 2016 the EBT gifts you:

- Cash: £957 (£9.57 x 100)
- Loan Note: £731 (£7.31 x 100)
- Options over Preference Shares: £683\* (£6.83 x 100)
- Options over B Ordinary Shares: £18\* (£0.18 x 100)

100 x £23.89 = £2,389 total value gifted (\*value available if you use the option)

Payroll taxes on cash gift:

£957 x 55.8% tax = £534 estimated payroll taxes in January 2016 you will pay as a result of you receiving the cash gift.

Income Tax on Loan Note gift:

£731 x 60% x 52% tax = £228 estimated tax cost you will pay via your tax return by 31 December 2016.

### Example 1 continued

Options over Preference Shares and B Ordinary Shares:

Income Tax will be due at the date your options are used to buy shares on the difference between the price you pay and the value of the shares acquired at that date.

For example you use your options in March 2016 assuming the share price remains:

- £6.83 for Preference shares
- £0.18 for B Ordinary shares

You will pay income tax on:

£701 Value of the shares acquired: £100 x (£6.83 + £0.18)

£14 Price you pay to use the options: £100 x £0.14

£687 Subject to Income Tax: £701 - £14

£687 x 55.8% tax = £383 estimated payroll taxes you will pay in March 2016 as a result of using your options.

The total cost of using your options is £397 (£383 + £14). As a result of using your options you now hold:

- Preference Shares of value £683 (£6.83 x 100)
- B Ordinary Shares of value £18 (£0.18 x 100)

Note that as the consideration gifted to you by the EBT occurs after the Investment date in December 2015, this consideration is not taken into account in your Capital Gains tax calculations for 2015 year.

For reference, we investigated with external advisers and wrote a detailed submission to HMRC (the UK tax authority) requesting their agreement that the transfer of value from the EBT could be subject to capital gains tax treatment rather than Income Tax. This was ultimately not agreed by HMRC who relied on complex provisions of UK tax law to deny such treatment to us.

## **2. You had a special opportunity to use your share options before the Investment.**

As a result of the Investment, you had a special opportunity to use all options you held..

If you held share options, the purchase cost you needed to pay to acquire legacy PACG Ordinary shares (which were then subject to the Investment) will be deducted from the upfront Cash consideration due to you. In general, share option holders received sufficient Cash from the Investment to cover both the option purchase cost (for example £7.30 for options issued in March 2014) and also the taxes due on their option gain (for most legacy options, this will be Income tax and Social Security on the £23.89 Investment per share value less option cost e.g. £7.30).

The tax charge for the use of options is Income Tax treatment. You were liable for Income Tax at your marginal rate of up to 55.8% depending on the level of your earnings (including the labour market contributions AM tax of 8%), on the difference between the amount paid for the option and the value of the share when you use your option. The Social Security you pay is calculated through payroll in the month it is taxed.

PA reported the gains made when you used your options to SKAT. You were also responsible for reporting gains made in your annual personal income tax return, and for paying the liabilities to the tax authorities.

### Example 2

You request to use 100 share options at the share purchase cost of £2.07 each.

The option tax charge is calculated on notional income of new consideration less purchase cost. £23.89 less £2.07 = £21.82 per option

100 options x £21.82 = £2,182 total notional income

£2,182 x 55.8% = £1,217 estimated payroll taxes on option gain

Payment of the full share purchase cost (£207) is deducted from your Cash proceeds.

The total cost to use the options to purchase 100 shares will therefore be £1,424 (£207 + £1,217)

At the date of the Investment you will receive:

- £1,688 Cash (£16.88 initial value x 100 options)
- £683 Preference shares (£6.83 initial value x 100 shares)
- £18 B Ordinary shares (£0.18 initial value x 100 shares)

Your net Cash position at the date of the investment will be £264 (£1,688 Cash less £1,424 total option purchase cost including taxes). You will also hold £683 of Preference shares and £18 of B Ordinary shares.

The full taxed value of your exercised option (£23.89) will be added to the base cost of your current PA shareholding.

Example 2 continued

Your 400 PACG shares have an average base cost of £7.50\*.

Your 100 shares you acquired by using your share options have a base cost of £23.89.

Your new base cost per share held is a weighted average of the 2 prices:  
 $(400 \times £7.50) + (100 \times £23.89) / (500 \text{ shares}) = £10.77$

\*In this example the average base cost used is £7.50. Each shareholder will have a different average base cost.

**3. Capital gains tax treatment applied to the new consideration you received on exchange of your legacy PA shareholding in 2015.**

Each legacy PACG Ordinary share you held (including those given to you by the EBT) was exchanged for the following consideration:

- £9.581940 Cash (value)
- £7.301361 Loan Note (value)
- £6.832863 Preference share (initial value which were issued in £1.00 per share units)
- £0.177281 B Ordinary share (initial value which were issued in £0.10 per share units)

Your Cash proceeds were delivered to you in Danish Krone. The market rate on the date the Scheme became effective was applied to convert your Cash proceeds to Danish Krone.

**4. Tax was due on the Cash and Loan Note elements of your consideration at the time of the Investment in 2015.**

Capital Gains tax was due on the Cash and Loan Note consideration at the time of the Investment. It was not possible to defer taxation on the Loan Note until it is paid out to you.

Whether you could attribute any of the base cost of your PACG shares to your Cash and Loan Note consideration depended upon whether it was economically beneficial for you to elect to defer the gain 'rollover' on your new Preference and B Ordinary shares. Please see section 4 below.

With regards to your Loan Note, the advice PA received from external lawyers is that a safe tax filing position is to value the Loan Note at a 40% discount for capital gains tax purposes. This can be achieved on the basis that a valuation of the Loan Note at 60% is a practice that SKAT will be familiar with and has some support in case-law.

Note that should SKAT take the view that your Loan Note should be fully taxable with no discount applied, you personally run the risk of incurring interest on any underpayment of tax. If you would then rather take a conservative approach you can, on your tax return, report the full value of the Loan Note received for capital gains tax purposes and pay the taxes accordingly.

If you are in any doubt about the above you should seek independent advice.

Any gain was subject to Capital Gains Tax at a varying rate of 27% to 42%. For share income below DKK 49.900 in 2015, the gains were taxed at a flat rate of 27%. For share income in excess of DKK 49.900 the gains were taxed at 42%. The thresholds are doubled for married couples.

You were required to pay any taxes due on your share gains by 31 December 2015 on a best estimate basis. When you received your electronic tax return (in or around March 2016), you were required to report the gains made by you as a result of the Investment.

PA's Employment Tax team published a Denmark [share income calculator](#) to help you calculate your taxes due.

**5. You could elect to defer the gain 'rollover' on the new Preference and B Ordinary shares. Whether this was beneficial to you depended upon the base cost of your legacy PACG shareholding.**

**a. If you elected to defer the gain 'rollover' on the new Preference and B Ordinary shares, the base cost of your legacy PACG shareholding was attributed in full to the new Preference and B Ordinary shares.**

Your taxable gain at the time of the Investment was then:

- £9.57 on the Cash value
- £4.386 (£7.31 x 60%) on the Loan Note value
- Totalling a £15.418 taxable gain on the total value.

Example 1 continued

You have 400 PACG shares with an average base cost of £7.50\*. (Do not include any "2016 gift" from the EBT in this calculation).

At the date of the Investment you will receive:

- £3,828 Cash (£9.57 initial value x 400 shares)
- £2,924 Loan Note (£7.31 initial value x 400 shares)
- £2,732 Preference shares (£6.83 initial value x 400 shares)
- £72 B Ordinary shares (£0.18 initial value x 400 shares)

**You elect to defer the gain 'rollover'**

Your gain per share for tax purposes on your Cash and Loan Note consideration will be:

£9.57 Cash per share

£4.386 Loan Note per share

$(£9.57 + £4.386) \times 400 = £5,582$  total gain subject to Capital Gains Tax.

\*In this example the average base cost used is £7.50. Each shareholder will have a different average base cost.

PA's Employment Tax team published a Denmark [share income calculator](#) to help you calculate the average base cost of your PACG shareholding.

**b. If you did not elect to defer the gain 'rollover' on the new Preference and B Ordinary shares, the base cost of your legacy PACG shareholding was attributed in full to the total new consideration.**

Your taxable gain at the time of the Investment was then £23.89 total consideration less the base cost of your legacy PACG shares.

Example 1 continued

**You do not elect to defer the gain**

Your gain per share on your Cash and Loan Note consideration will be:

£23.89 total consideration

-£1.462 (representing a discount of 40% applied to the £7.31 Loan Note value)

-£7.50 base cost

£14.928 gain per share

£14.928 x 400 = £5,971 total gain subject to Capital Gains Tax.

**c. If the base cost of your legacy PACG shares was less than £7.00 (converted to DKK on the Scheme effective date), electing to defer the gain 'rollover' was beneficial to you.**

Example 1 continued

Where the election to defer the gain 'rollover' was made, the total gain subject to capital gains tax was £6,167.

Where no election was made, the total gain subject to capital gains tax was £5,971.

In this example rollover is not beneficial to the shareholder as it results in a higher taxable gain at the time of the Investment.

You can claim 'rollover' on your individual tax return should you wish to do so. Set out below is some draft wording for you to use when applying for rollover.

**Wording to use if you did not hold any share options immediately prior to the Investment (see Section 6 for further details):**

**Meddelelse om skattefri aktieombytning**

(Ingen udnyttelse af optioner umiddelbart før transaktionerne)

**Navn:**

**Adresse:**

**Cpr. nr.:**

Jeg skal hermed give SKAT meddelelse om, at jeg som aktionær i det engelske selskab PA Consulting Group Limited har deltaget i en række skattefri aktieombytninger den 11. december 2015, hvorved jeg ultimativt har modtaget **[antal]** præferenceaktier og **[antal]** B-aktier i det engelske selskab Garden Topco Limited.

Indtil den 11. december 2015 ejede jeg således **[antal]** aktier á 10 britiske pence (£ 0,10) i selskabet PA Consulting Group Limited, som er registreret på adressen 123 Buckingham Palace Road, London, SW1W9SR, Storbritannien, og som har selskabsregistreringsnummer 8249452. Den samlede aktiekapital i PA Consulting Group Limited udgjorde pr. 11. december 2015 £ 2.491.562,70 fordelt på 24.915.627 aktier á 10 pence.

Ud over at have modtaget aktieverdrag har jeg tillige modtaget kontantvederlag og et gældsbevis som nærmere angivet nedenfor.

Følgende aktieombytninger er foretaget:

- (i) Jeg indskød samtlige mine PA Consulting Group Limited-aktier i det engelske selskab Garden Bidco Limited med selskabsregistreringsnummer 9763551 og med adresse på 57 Berkeley Square, Lansdowne House, London W1J 6ER, mod som vederlag at få 143,2 aktier i Garden Bidco Limited per indskudt aktie. Ud over de modtagne aktier i Garden Bidco Limited blev der som vederlag ydet et kontantbeløb på £ 9,57 per afstået aktie i PA Consulting Group Limited.
- (ii) Herefter indskød jeg de modtagne aktier i Garden Bidco Limited i det engelske selskab Garden Midco 2 Limited med selskabsregistreringsnummer 9763513 og med adresse på 57 Berkeley Square, Lansdowne House, London W1J 6ER, mod som vederlag at få et tilsvarende antal aktier i Garden Midco 2 Limited.
- (iii) Herefter indskød jeg de modtagne aktier i Garden Midco 2 Limited i det engelske selskab Garden Finance Limited med selskabsregistreringsnummer 9763192 og med adresse på 57 Berkeley Square, Lansdowne House, London W1J 6ER, mod som vederlag at få *dels* 70,1 aktier i Garden Finance Limited per PA Consulting Group Limited-aktie indskudt under (i), og *dels* et gælds-brev (Vendor Loan Note) udstedt af dette selskab med et pålydende på £ 7,31 (ligeledes per oprindeligt indskudt PA Consulting Group Limited-aktie).
- (iv) Herefter indskød jeg de modtagne aktier i Garden Finance Limited i det engelske selskab Garden Midco1 Limited med selskabsregistreringsnummer 9761488 og med adresse på 57 Berkeley Square, Lansdowne House, London W1J 6ER, mod som vederlag at få et tilsvarende antal aktier i selskabet Garden Midco1 Limited.
- (v) Endelig indskød jeg de modtagne aktier i Garden Midco1 Limited i det engelske selskab Garden Topco Limited med selskabsregistreringsnummer 9761378 og med adresse på 57 Berkeley Square, Lansdowne House, London W1J 6ER, mod som vederlag at få 6,83 præferenceaktier og 1,8 B-aktier i selskabet Garden Topco Limited per PA Consulting Group Limited-aktie indskudt under (i).

Det i step 1 modtagne kontantbeløb og kontantværdien af det i step 3 modtagne gælds-brev er skattemæssigt behandlet som kontantvederlag, og der er således alene foretaget skattefri aktieombytning for den del af vederlaget, der udgør vederlag i form af aktier i de erhvervende selskaber.

Det kan videre oplyses, at det erhvervende selskab i de enkelte skridt ved gennemførelsen af transaktionen har opnået - eller havde allerede - stemmemajoriteten i det erhvervede selskab.

**Wording to use if you used any share options you may have held immediately prior to the investment (see Section 6 for further details):**

**Meddelelse om skattefri aktieombytning**

(Optioner udnyttet umiddelbart før transaktionerne)

**Navn:**

**Adresse:**

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Ud over at have modtaget aktievederlag har jeg tillige modtaget kontantvederlag og et gældsbrief som nærmere angivet nedenfor.

Følgende aktieombytninger er foretaget:

- (i) Jeg indskød samtlige mine PA Consulting Group Limited-aktier i det engelske selskab Garden Bidco Limited med selskabsregistreringsnummer 9763551 og med adresse på 57 Berkeley Square, Lansdowne House, London W1J 6ER, mod som vederlag at få 143,2 aktier i Garden Bidco Limited per indskudt aktie. Ud over de modtagne aktier i Garden Bidco Limited blev der som vederlag ydet et kontantbeløb på £ 9,57 per afstået aktie i PA Consulting Group Limited. For så vidt angår de aktier, som jeg havde modtaget i forbindelse med udnyttelse af optioner umiddelbart inden ombytningen, modtog jeg dog alene 7,01 aktier i Garden Bidco Limited per indskudt aktie, mens kontantvederlaget udgjorde £ 16,88 per aktie.
- (ii) Herefter indskød jeg de modtagne aktier i Garden Bidco Limited i det engelske selskab Garden Midco 2 Limited med selskabsregistreringsnummer 9763513 og med adresse på 57 Berkeley Square, Lansdowne House, London W1J 6ER, mod som vederlag at få et tilsvarende antal aktier i Garden Midco 2 Limited.
- (iii) Herefter indskød jeg de modtagne aktier i Garden Midco 2 Limited i det engelske selskab Garden Finance Limited med selskabsregistreringsnummer 9763192 og med adresse på 57 Berkeley Square, Lansdowne House, London W1J 6ER, mod som vederlag at få *de/s* 70,1 aktier i Garden Finance Limited per PA Consulting Group Limited-aktie indskudt under (i), og *de/s* et gældsbrief (Vendor Loan Note) udstedt af dette selskab med et pålydende på £ 7,31 (ligeledes per oprindeligt indskudt PA Consulting Group Limited-aktie). For så vidt angår de aktier, som jeg havde modtaget i forbindelse med udnyttelse af optioner umiddelbart inden ombytningen, har jeg dog alene modtaget det vederlag, der er beskrevet ovenfor i (i).
- (iv) Herefter indskød jeg de modtagne aktier i Garden Finance Limited i det engelske selskab Garden Midco1 Limited med selskabsregistreringsnummer 9761488 og med adresse på 57 Berkeley Square, Lansdowne House, London W1J 6ER, mod som vederlag at få et tilsvarende antal aktier i selskabet Garden Midco1 Limited.
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Det i step 1 modtagne kontantbeløb og kontantværdien af det i step 3 modtagne gældsbrief er skattemæssigt behandlet som kontantvederlag, og der er således alene foretaget skattefri aktieombytning for den del af vederlaget, der udgør vederlag i form af aktier i de erhvervende selskaber.

Det kan videre oplyses, at det erhvervende selskab i de enkelte skridt ved gennemførelsen af transaktionen har opnået - eller havde allerede - stemmemajoriteten i det erhvervede selskab.

## **6. There may be future tax charges on your Loan Note, Preference shares or B Ordinary shares**

### **Future tax charges on your Loan Note**

## Interest

Interest is payable on your Loan Note amount each September at a fixed annual rate of 5% and also on the amount of any repayment of Loan Note at the time it is repaid.

Any interest payments made in respect of the Loan Note will be subject to UK withholding tax at basic rate, currently 20%. We had expected that you would be able to take a credit for the withholding tax against whatever taxes are ultimately due on the interest you received in your own country. We understand the practical experience of our Danes is that the claim is being rejected on the Danish tax return.

As an alternative, our [VLN interest tax guidance notes](#) provide information by country and set out how you can seek exemption from the UK withholding tax and how you can apply for a refund of any withholding tax we have paid to HMRC on this and future payments of interest.

Any interest payments made in respect of the Loan Note will be subject to Income Tax at your marginal unearned Income Tax rate of up to 42%. Interest will be paid to you without deduction for Danish taxes and is not subject to Social Security.

## Capital repayment

From the total £200 million total issued Vendor Loan Notes,

- £20 million was repaid on 31 March 2017
- £30 million was repaid on 15 December 2017

Together these payment equates to 25% of each holder's total Loan Note amount.

It is expected that you would have already paid Capital Gains Tax in 2015 or Income Tax in 2016 up to 60% of the £7.31 Loan Note value. As such any return of the capital on the Loan Notes you hold has a base cost of 60%. You will then pay tax on the 40% gain as per the below example.

The above advice PA has received from external council based on sections 14 and 25(1) of the Act on Gains on Securities of the Danish tax legislation. Section 26 prescribes how the gain/loss is calculated:

"Stk. 2. Gevinst eller tab på fordringer opgøres som forskellen mellem anskaffessummen og afståelsessummen. Som anskaffessum anvendes kursværdien på erhvervestidspunktet, medmindre den skattepligtige godtgør at have erhvervet fordringen for et højere beløb.

Stk. 3. Gevinst eller tab på gæld opgøres som forskellen mellem gældens værdi ved påtagelsen af gælden og værdien ved frigørelsen eller indfrielsen. Sker indfrielsen gennem afdrag, medregnes en så stor del, som svarer til forholdet mellem på den ene side indfrielsessummen med fradrag af anskaffessummen og på den anden side indfrielsessummen."

Please refer to SKAT's guidelines for more information if you would like:

<http://www.skat.dk/SKAT.aspx?oId=1946022&chk=214126>

<http://www.skat.dk/SKAT.aspx?oId=1948965&chk=214126>

This is of course a matter for you personally and you may wish to seek your own tax advice.

Example 1 continued

On your 100 "2016 Gift"

In January 2016 the EBT gifted to you:

- Loan Note: £731 ( $£7.31 \times 100$ )

On your 400 PACG shares

At the date of the Investment you received:

- £2,924 Loan Note ( $£7.31$  initial value  $\times$  400 shares)

Total VLN holding: £3,655 ( $£731 + 2,924$ )

Base cost: £2,193 ( $£3,655 \times 60\%$ )

For example: 25% of the Loan Note is paid out in March 2017 and December 2017  
 $£3,655 \times 25\% = £913.75$  Payment for Loan Note  
 $£2,193 \times 25\% = £548.25$  Income, on which tax has already been paid in 2016  
£365.50 taxable gain

You are required to pay any taxes due on your Loan Note gains by 31 December 2017 on a best estimate basis. When you receive your electronic tax return (in or around March 2018), you are required to report the gains made.

**Future tax charges on your Preference shares and B Ordinary shares**

At the point your Preference shares and B Ordinary shares 'Share Units' are sold, (either by you as a current employee following a 'matched market' being operated in Share Units, or on a share realisation event, such as a controlling interest of PA being acquired by a new investor into PA), you will be required to compute a capital gain, and if any taxes are due, pay them by 31 December before the year end in which the payment is received.

- a. Preference shares and B Ordinary shares you acquire in 2015 on your 2015 PA shareholding

If you elected for 'rollover' at the time of the Investment, there will be a capital gain assessable at the time the new shares are sold. You will be able to attribute the full base cost of your current PACG shareholding against this gain.

If you did not elect for 'rollover' at the time of the Investment, only any uplift from the starting values of £6.83 for the Preference share and £0.18 for the B Ordinary share will be assessable at the time of sale for Capital Gains Tax purposes. You would have already paid Capital Gains Tax in 2015 up to the £6.83 Preference share and £0.18 B Ordinary share value, therefore these values become the base cost of your new Preference and B Ordinary shares.

Example 1 continued

On your 400 PACG shares

At the date of the Investment you received:

- £2,732 Preference shares (£6.83 initial value x 400 shares)
- £72 B Ordinary shares (£0.18 initial value x 400 shares)

If you elected for 'rollover' at the time of the Investment in 2015, the base cost you can attribute to your Preference and B Ordinary shares when they are sold is £3,000 (400 x £7.50 being the original base cost of your PACG shares in this example).

If for example in 2021 you sell your Preference shares for £10 and your B Ordinary shares for £5 (£15 in total), your gain subject to Capital Gains tax would be:

Proceeds: £6,000 (£10+£5 x 400)

Cost: £3,000

Taxable gain £3,000

If you did not elect for 'rollover' at the time of the Investment in 2015, the base cost you can attribute to your Preference and B Ordinary shares when they are sold is £2,804 (400 x (£6.83 + £0.18) being the value you paid Capital Gains tax on in 2015.

If for example in 2021 you sell your Preference shares for £10 and your B Ordinary shares for £5 (£15 in total), your gain subject to Capital Gains tax would be:

Proceeds: £6,000 (£10+£5 x 400)

Cost: £2,804

Taxable gain £3,196

- b. Preference shares and Ordinary B shares you acquire in 2016 as a "2016 Gift" from the EBT.

Any uplift from the starting values of £6.83 for the Preference share and £0.18 for the B Ordinary share will be assessable at the time of sale for Capital Gains Tax purposes. You would have already paid Income Tax on the Preference share and B Ordinary share value at the time you used your options to buy the shares

Example 1 continued from page 6

On your 100 “2016 gift” Preference shares and B Ordinary shares

In January 2016 the EBT gifts you:

- Options over Preference Shares: £683 (£6.83 x 100)
- Options over B Ordinary Shares: £18 (£0.18 x 100)

For example you use your options in March 2016. The total cost of using your options is £397 (£383 Income Tax + £14 share purchase cost, see page 6). As a result of using your options you now hold:

- Preference Shares of value £683 (£6.83 x 100)
- B Ordinary Shares of value £18 (£0.18 x 100)

If for example in 2021 you sell your Preference shares for £10 and your B Ordinary shares for £5 (£15 in total), your gain subject to Capital Gains tax would be:

Proceeds: £1,500 (£10+£5 x 100)

Cost: £683 + £18 (value of the shares when you used your options to buy them)

Taxable gain £799

PA's Employment Tax team will keep these notes updated and provide guidance on this calculation at the time.

## **7. What happens if you leave PA employment before a share realisation event**

Once you give or are given notice to leave PA's employment you are no longer able to offer your Share Units for sale, but instead that right has passed to the Company and this is operated using a 'Call Option' placed over your Share Units.

The following steps then take place in connection with your Share Units:

- a) Your leaver status for Share Units is determined by PA's Succession and Compensation Committee. The leaver section of our [Guide to PA shares](#) provide detail on leaver status.
- b) The Call option price for your Share Units is set. Until your shares have been sold there is no gain to consider for capital gains tax purposes. Having a 'Call Option' placed over your Share Units does not trigger any tax reporting or liability.
- c) Your Share Units will be sold either at the all option price in order to satisfy employee demand, typically in a share market each April, or sold at lower of the call option price and price offered (to all shareholders) by a third party buyer of PA.
- d) You will be paid out your sale proceeds in accordance with PA's articles.

For Normal and Competing leavers the sale proceeds will become payable on the earlier of:

- i) A share realisation event (when Carlyle exit from PA); and
- ii) 10 December 2023.

For Exceptional and Staged Value exceptional leavers the sale proceeds will become payable as follows:

- i) 50% on 10 December 2017 (or any later Share Unit sale date)
- ii) The balance on the earlier of a share realisation event and 10 December 2023.

For capital gains tax purposes the point that taxes are assessed is the date of sale rather than the date of payment. You will then be required to compute, report and pay any taxes due at the sale date which may well be before you receive your proceeds.

PA's Employment Tax team will keep these notes updated and provide guidance on this calculation at the time.