

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 not directors, employees or linked shareholders (spouse/ trust etc.) of any member of the PA Group as of 1 August 2015 or who had 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

PACG	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.
PACG Ordinary share	The legacy Ordinary shares in PA Consulting Group Limited
Investment	The proposal from the Carlyle Group to purchase all issued PACG Ordinary shares through a UK court approved scheme of arrangement.
Loan Note (VLN)	This is your vendor (i.e. seller) loan to the new PA group.
EBT	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. [Capital gains tax treatment applied to the new consideration you receive on exchange of your legacy PA shareholding in 2015.](#)
3. [Tax was due on the Cash and Loan Note elements of your consideration at the time of the Investment in 2015.](#)
4. [There may be future tax charges on the interest you receive on your Loan Note.](#)

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, and Loan Note). 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 depend upon your marginal tax rate of up to 55.8% (including the labour market contributions AM tax of 8%). The Social Security you paid was 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 paid Income Tax through your Danish tax return and the resulting estimated taxes needed to be paid by the 2016 year-end to avoid interest accruing. The final Income Tax you paid depended 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 is 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 can expect 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 can, in your tax return, report 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.

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: £1,112 (£11.12 x 100)
- Loan Note: £1,277 (£12.77 x 100)

100 x £23.89 = £2,389 total value gifted

Payroll taxes on cash gift:

£1,112 x 55.8% tax = £620 estimated payroll taxes in January 2016 you will pay as a result of you receiving the cash gift.

Income Tax on Loan Note gift:

£1,277 x 60% x 52% tax = £398 estimated tax cost you will pay via your tax return by 31 December 2016.

Note that as the consideration intended to be gifted to you by the EBT occurred 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. Capital gains tax treatment applied on 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:

- £11.1234 Cash (value)
- £12.7700 Loan note (value)

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.

3. 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.

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 80% 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 at the time of the Investment 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.

4. There may be future tax charges on the interest you receive 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 £12.77 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: £1,277 ($£12.77 \times 100$)

On your 400 PACG shares

At the date of the Investment you received:

- £5,108 Loan Note ($£12.77$ initial value \times 400 shares)

Total VLN holding: £6,385 ($£1,277 + £5,108$)

Base cost: £3,831 ($£6,385 \times 60\%$)

For example: 25% of the Loan Note is paid out in March 2017 and December 2017

$£6,385 \times 25\% = £1,596.25$ Payment for Loan Note

$£3,831 \times 25\% = £957.75$ Income, on which tax has already been paid in 2016

£638.50 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 gain made.