

PA CONSULTING GROUP LIMITED

2015 Carlyle Investment

TAX INFORMATION – THE NETHERLANDS

PREPARED: 6 November 2015

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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 tax resident in The Netherlands. 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.

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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.
Gifted shares	The PA EBT owned circa 5 million of PA's 25 million Ordinary shares. The trust gave (via nil cost options or by gift) to current and former employee shareholders its Ordinary PA shares.
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 shares gifted to you by PA's Employee Benefit Trust.](#)
2. [There was no specific tax charge when you exchanged your legacy PACG shares for the new consideration at the time of the Investment](#)
3. [No future tax charges on your Loan Note](#)

1. You paid income tax and Social Security on the shares 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 gave current and former employee shareholders one of its shares for every four PA shares and options (in your name or linked holding) you held. As you did not pay anything for these shares, you paid income tax and Social Security on the full value (£23.89) of each share gifted to you.

Example 1

You hold 400 PACG shares

100 (1 for 4 held) PACG shares are gifted to you by PA's EBT

100 x £23.89 Investment value per share = £2,389 total value gifted

£2,389 x 52% tax = £1,242 estimated payroll taxes cost you will pay as a result of you receiving the 100 shares

Income tax was withheld through PA's payroll. The final income tax you paid on receiving share value from the EBT depended upon your marginal tax rate of up to 52% for 2015 year. The Social Security you paid was calculated through payroll in the month it was taxed.

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. There was no specific tax charge when you exchanged your legacy PACG shares for the new consideration at the time of the Investment

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 Euro. The market rate on the date the Scheme became effective was applied to convert your Cash proceeds to Euro.

Both elements of your new consideration qualify as privately held investments and are taxable under "Box 3" for income purposes. There is therefore no specific tax charge on any Cash or Loan Note you acquired at the date of the Investment.

The "Box 3" taxation rules levy an annual tax which is based on the average net value of your privately held investments. The average net value is based on asset values at 1 January each year less a basic threshold of € 21,330 (for 2015 calendar year). The average net value is deemed to generate a 4% yield which is subject to tax at a flat rate of 30%, resulting in an effective tax rate of 1.2%. This tax is levied regardless of the actual return on investment.

Your 2015 tax return should include the value of your investments at 1 January 2015. As such the Investment will not impact your 2015 tax return.

The new mix of consideration you received was taken into account on your 2016 tax return.

Your tax return is due by 1 May following the end of the year. Once you have submitted your tax return, the Dutch tax authorities will then issue a tax assessment based on the information included in the income tax return. The income tax assessment will state before which date the income taxes should be paid.

3. No future tax charges on your Loan Note

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%.

As an alternative, our [VLN interest tax guidance notes](#) provide information by country and set out how it may be possible for you to 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 are not subject to additional taxation as the Loan Note is included as part of your “Box 3” assets.

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.

There is no additional tax charge at the point any of your Loan Note amount is paid out. You will need to take into account the value of your Loan Note at 1 January for “Box 3” income purposes until the point they are paid out to you.