PA CONSULTING GROUP LIMITED

2015 Carlyle Investment

TAX INFORMATION – SPAIN

PREPARED: 6 November 2015

LAST UPDATED: 30 November 2017

This document provides guidance 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 Spain. 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.

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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.

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.
Preference shares	These are shares in the new PA group top company to be 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 Ordinary shares	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'.
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. **You had a special opportunity to use your share options before the Investment**
3. **Capital gains tax treatment applied to the new consideration you received on exchange of your legacy PA shareholding.**
4. **Tax was due on the Cash, Preference share and B Ordinary share elements of your consideration at the time of the Investment.**
5. **There was no tax charge on any Loan Note you acquired at the time of the Investment**
6. **Future tax charges on your Loan Note, Preference shares and 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 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 47% tax = £1,122 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 will depend upon your region of tax residency and your marginal tax rate of up to 47%. The Social Security you pay is calculated through payroll in the month it is taxed.

As you paid income tax on the £23.89 value of each share given to you by the EBT, the £23.89 amount becomes the base cost of these new shares and is added to your total base cost for all PACG shares you hold.

> Example 1 continued
>
> Your 400 PACG shares have an average base cost of £4.00*.
>
> Your 100 gifted shares have a base cost of £23.89.
>
> Your new base cost per share held is a weighted average of the 2 prices:
> (400 x £4.00) + (100 x £23.89) / (500 shares) = £7.98
>
> *In this example the average base cost used is £4.00. Each shareholder will have a different average base cost.

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 National Insurance 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 which was withheld through PA's payroll. You will be liable for income tax at your marginal rate of up to 47% on the difference between the amount paid for the option and the value of the share when you use your option.

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 47% = £1,025 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 £1,232 (£207 + £1,025) 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 £456 (£1,688 cash less £1,232 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) was added to the base cost of your current PA shareholding in the same way as the shares gifted to you from the EBT (See Example 1).

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

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 £0.10 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 Euro. The market rate on the date the Scheme became effective was applied to convert your Cash proceeds to Euro.

4. Tax was due on the Cash, Preference share and B ordinary share elements of your consideration at the time of the Investment.

The Investment cannot be treated as a tax free share exchange under Spanish tax law. As such Capital Gains tax was due in the first instance on the entire value of the new consideration.

PA received advice from external lawyers that the Loan Note can be treated as "deferred consideration" and as such only taxable when it is paid out.

The impact of this is that the Cash and new share consideration is subject to Capital Gains tax at the time of the Investment; and tax on the Loan Note is deferred.

At the date of the Investment the following was triggered:

a. the apportionment of your PACG shares base cost between your Cash, Loan Note and new PA shares; and

b. a capital gain on the Cash and new share value of your consideration on which a capital gains tax liability may arise.

a. the apportionment of the base cost between your Cash, Loan Note and new PA shares

The apportioned base cost will be determined as follows.

(A) Consideration:	(B) Cash	(C) Loan Note	(D) Preference share	(E) B Ordinary share
£23.89 split to:	£9.57	£7.31	£6.83	£0.18
Existing base cost x	B/A	C/A	D/A	E/A
Continuing with Example 1 above, this leads to base cost of £7.98 being allocated as follows:	£3.19	£2.44	£2.28	£0.07

Important: each shareholder will have a different average base cost of their existing PACG shares. You must calculate your existing base cost before you can allocate this to the new consideration.

b. a capital gain on the Cash and new share elements of your consideration on which a tax liability may arise.

The taxable gain on the Cash and Loan Note consideration will then be:

(Cash consideration (£9.57) - the apportioned Base cost applicable to your Cash consideration x *the number of shares exchanged*

(Preference share consideration (£6.83) - the apportioned Base cost applicable to your Preference share consideration x *the number of shares exchanged*

(B Ordinary share consideration (£0.18) - the apportioned Base cost applicable to your B Ordinary share consideration x *the number of shares exchanged*

Example 1 continued

You have a pool of 500 PACG shares (which includes 100 shares gifted to you) with an average base cost of £7.98. All these shares were acquired after 31 December 2008.

At the date of the Investment you will receive:

- £4,785 Cash (£9.57 initial value x 500 shares)
- £3,655 Loan Note (£7.31 initial value x 500 shares)
- £3,415 Preference shares (£6.83 initial value x 500 shares)
- £90 B Ordinary shares (£0.18 initial value x 500 shares)

Your gain per share on your Cash consideration will be:
£9.57 Cash consideration per share
-£3.19 Apportioned base cost: £7.98 x (£9.57 / £23.89)
£6.38 Gain: £9.57 - £3.19
£6.38 x 500 = £3,190 total capital gain

Please note that the full £9.57 of Cash consideration is taken into account when computing the gain even though you will repay any outstanding share purchase loans from the Cash consideration value.

Your gain per share on your Preference share consideration will be:
£6.83 Preference share consideration per share
-£2.28 Apportioned base cost: £7.98 x (£6.83 / £23.89)
£4.55 Gain: £6.83 - £2.28
£4.55 x 500 = £2,275 total capital gain

Your gain per share on your B Ordinary share consideration will be:
£0.18 B Ordinary share consideration per share
-£0.07 Apportioned base cost: £7.98 x (£0.18 / £23.89)
£0.11 Gain: £0.18 - £0.07
£0.11 x 500 = £55 total capital gain

A total of £5,520 of gain (£3,190 + £2,275 + £55) will then be subject to capital gains tax.

Any gains made are subject to the Capital Gains tax rate of between 19.5% and 23.5%. The gain must be reported on your 2015 tax return.

5. There was no tax charge on any Loan Note you acquired at the time of the Investment.

The base cost attributed to your Loan Note will be available for you to offset against any gains made when your Loan Note is paid out.

6. Future tax charges on your Loan Note, Preference shares and 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 withholding tax at basic rate, currently 20%.

If you complete a tax return, you can take a credit for the 20% withholding tax against whatever taxes are due at your marginal tax rate (0%, 20%,40% or 45%) on this income. Please note the VLN interest does not form part of the savings allowance (introduced for the 2016/17 tax year) which covers only bank and building society interest.

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.

As you will have read in section 3, at the date of the Investment on 11 December 2015 the apportionment of your legacy PACG Ordinary shares base cost between your Cash, Loan Note and new PA shares was triggered.

You should now refer back to this apportionment as you can now utilise the base cost which was apportioned to your Loan Notes. You can take 10% of the base cost attributed to your Loan Notes to offset against the 10% Loan Note proceeds you receive in March 2017. You can take 15% of the base cost attributed to your Loan Notes to offset against the 15% Loan Note proceeds you receive in December 2017.

Example 1 continued At the date of the Investment you received: • £3,655 Loan Note (£7.31 initial value x 500 shares) At the date of the Investment the base cost apportioned to your Loan Notes was: • £1,220 Base cost (£2.44 base cost x 500 shares) In 2017 you receive 25% of your Loan Note Value. Your gain will be: £913.75 Loan Note payment (£3,655 x 25%) £305 Apportioned base cost (£1,220 x 25%) £608.75 Gain (£913.75 - £305)

Any gains made are subject to the Capital Gains tax rate of between 19.5% and 23.5%. The gains must be reported on your 2017 tax return.

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, report this on your tax return and pay any taxes that may be due. The gain will be computed on any uplift in share value from the £6.83 Preference share value and £0.18 B Ordinary share value subject to Capital Gains tax in 2015.

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 you receive your proceeds. There is nothing to report until you have received your proceeds.