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If you sell or otherwise transfer, or have sold or otherwise transferred, all your Ordinary Shares, please forward this document, together with the accompanying Form of Proxy, as soon as possible to the purchaser or the transferee, or to the bank, stockbroker or other agent through whom the sale or transfer was effected, for transmission to the purchaser or the transferee. If you receive this document as a purchaser or transferee from another person, please contact the Registrar for a Form of Proxy using the contact details on page 8 (*Directors, Company Secretary, Registered Office and Advisers*) of this document. If you sell or have sold or otherwise transferred only part of your holding of Ordinary Shares, you should retain these documents and consult the bank, stockbroker or other agent through whom the sale or transfer was effected. However, neither this document nor the accompanying form of proxy should be released, published, distributed, forwarded or transmitted, in whole or in part, in, into or from any jurisdiction in which to do so would constitute a breach of the relevant laws of such jurisdiction.

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This document should be read as a whole, together with any information incorporated by reference. Your attention is drawn to the letter from the Chair of the Company, which is set out in Part I (*Letter from the Chair of Carr's Group plc*) of this document and which contains a unanimous recommendation from the Board that you vote in favour of the Resolution to be proposed at the General Meeting referred to below. Your attention is also drawn to the risk factors which are set out in Part III (*Risk Factors*) of this document.

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## **CARR'S GROUP PLC**

*(incorporated and registered in England and Wales with registered number 00098221)*

### **PROPOSED DISPOSAL OF THE COMPANY'S INTERESTS IN THE CARR'S BILLINGTON AGRICULTURE BUSINESS**

**AND**

### **NOTICE OF GENERAL MEETING**

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Notice of a general meeting of the Company, to be held at Hotel Sofitel London Heathrow, Terminal 5 London Heathrow Airport, London TW6 2GD at 9.30 a.m. on 19 September 2022, is set out at the end of this document. A Form of Proxy for use in connection with the General Meeting is enclosed with this document. Whether or not you intend to be present at the General Meeting, you are asked to submit a proxy vote by no later than 9.30 a.m. on 15 September 2022 (or, in the case of an adjournment, not later than 48 hours before the time fixed for the holding of the adjourned meeting (excluding any part of a day which is non-working)).

Shareholders can submit their proxy vote by completing and returning the accompanying Form of Proxy in accordance with the instructions printed thereon as soon as possible and, in any event, so as to be received by the Registrar, Link Group, at 10th Floor, Central Square, 29 Wellington Street, Leeds LS1 4DL by no later than 9.30 a.m. on 15 September 2022 (or, in the case of an adjournment, not later than 48 hours before the time fixed for the holding of the adjourned meeting (excluding any part of a day which is non-working)). Alternatively, Shareholders can log on to the share portal ([www.signalshares.com](http://www.signalshares.com)) and follow the applicable instructions. CREST Members may appoint a proxy by completing and transmitting a CREST Proxy Instruction in accordance with the procedures described in the CREST Manual (available at [euroclear.com/CREST](http://euroclear.com/CREST)) so that it is received by the Registrar (under CREST participant ID RA10) by no later than 9.30 a.m. on 15 September 2022 (or, in the case of an adjournment, not later than 48 hours before the time fixed for the holding of the adjourned meeting (excluding any part of a day which is non-working)).

The Company may be required to change the arrangements for the General Meeting at short notice should government restrictions on public gatherings or other social distancing measure be reintroduced, for example in the event of a further outbreak of COVID-19. Any changes to the arrangements for the General Meeting (including any change to the location of the General Meeting) will be communicated to Shareholders in advance of the General Meeting through the Company's website (<https://carrsgroup.com>) and there will be an announcement via a Regulatory Information Service. Should the Company need to change the arrangements in this way, it is possible that the Company will not be in a position to accommodate Shareholders beyond the minimum required to hold a quorate meeting and, in such circumstances, it may be necessary for the venue of the meeting to be moved to the Company's registered office. Owing to this uncertainty, we strongly encourage Shareholders to submit a proxy vote in advance of the General Meeting and to appoint the Chair of the General Meeting as their proxy, rather than a named person who, if circumstances change, may not be permitted to attend and vote at the General Meeting.

A summary of the actions to be taken by Shareholders is set out on page 18 of this document and in the Notice of General Meeting set out at the end of this document.

This document is a circular relating to the Transaction which has been prepared in accordance with the Listing Rules of the Financial Conduct Authority (the "FCA") made under section 73A of the Financial Services and Markets Act 2000, as amended ("FSMA"). This document has been approved by the FCA.

Investec Bank plc ("**Investec**"), which is authorised in the United Kingdom by the Prudential Regulation Authority (the "**PRA**") and regulated in the United Kingdom by the FCA and the PRA, is acting exclusively for the Company as sponsor and financial adviser and for no one else

in connection with the Transaction, the content of this document and other matters described in this document and will not be responsible to anyone other than the Company for providing the protections afforded to clients of Investec, nor for providing advice to any other person in relation to the Transaction, the content of this document or any other matters described in this document.

Save for the responsibilities and liabilities, if any, of Investec under FSMA or the regulatory regime established thereunder, Investec assumes no responsibility whatsoever and makes no representations or warranties, express or implied, in relation to the contents of this document, including its accuracy, completeness or verification or for any other statement made or purported to be made by the Company, or on the Company's behalf, or by Investec or on Investec's behalf and nothing contained in this document is, or shall be, relied on as a promise or representation in this respect, whether as to the past or the future, in connection with the Company or the Transaction. Investec disclaims, to the fullest extent permitted by law, all and any responsibility and liability whether arising in tort, contract or otherwise which it might otherwise be found to have in respect of this document or any such statement.

Lazard & Co., Limited ("**Lazard**"), which is authorised and regulated in the United Kingdom by the FCA, is acting exclusively for the Company as financial adviser and for no one else in connection with the matters set out in this document and will not be responsible to anyone other than the Company for providing the protections afforded to clients of Lazard nor for providing advice in relation to the matters set out in this document. Neither Lazard nor any of its affiliates owes or accepts any duty, liability or responsibility whatsoever (whether direct or indirect, whether in contract, in tort, under statute or otherwise) to any person who is not a client of Lazard in connection with this document, any statement contained herein or otherwise.

No person has been authorised to give any information or make any representations other than those contained in this document and, if given or made, such information or representations must not be relied on as having been so authorised. The delivery of this document shall not, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date of this document or that the information in it is correct as of any subsequent time.

Capitalised terms have the meaning ascribed to them in Part VIII (*Definitions*) of this document.

**This document is dated 31 August 2022.**

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# IMPORTANT INFORMATION

## Presentation of financial information

Unless otherwise indicated all references in this document to "**pounds sterling**", "**GBP**", "**£**", "**pence**" or "**p**" are to the lawful currency of the United Kingdom and all references to "**Euro**", "**EUR**" or "**€**" are to the lawful currency of the Eurozone.

## Rounding

Certain figures contained in this document or incorporated into this document by reference, including the financial information presented in a number of tables in this document, have been rounded to the nearest whole number or the nearest decimal place. Therefore, the sum of the numbers in a row or a column may not conform exactly to the total figure given for that row or column. In addition, certain percentages presented in this document reflect calculations based upon the underlying information prior to rounding and, accordingly, may not conform exactly to the percentages that would be derived if the relevant calculations were based upon the rounded numbers. Differences between figures set out in the text of this document are based on the differences between the relevant figures rounded to the nearest whole number or nearest decimal place. Such differences may not conform exactly to the relevant figures if the relevant calculations were based on the underlying information prior to rounding.

## Sources of information

Financial information relating to the Agricultural Supplies Division for FY 2019, FY 2020 and FY 2021 and HY 2022 has, unless otherwise stated, been extracted without material adjustment from the Historical Financial Information of the Agricultural Supplies Division, which is set out in Part IV (*Historical Financial Information relating to the Agricultural Supplies Division*) of this document.

## Definitions

Certain terms used in this document, including all capitalised terms and certain technical and other terms, are defined and explained in Part VIII (*Definitions*) of this document.

## Alternative performance measures ("APMs")

This document contains APMs, which are not defined or specified under the requirements of IFRS. These APMs are consistent with how business performance is measured internally and are also used in assessing performance under the Group's incentive plans. Therefore the Directors believe that these APMs provide stakeholders with additional useful information on the Group's performance.

*EBITDA*: Earnings before interest, tax, depreciation, amortisation, profit/(loss) on the disposal of non-current assets and before share of post-tax results of the associate and joint ventures. EBITDA allows the user to assess the profitability of the Group's core operations before the impact of capital structure, debt financing and non-cash items such as depreciation and amortisation.

*Adjusted EBITDA*: Earnings before interest, tax, depreciation, amortisation, profit/(loss) on the disposal of non-current assets, before share of post-tax results of the associate and joint ventures and excluding items regarded by the Directors as adjusting items. EBITDA allows the user to assess the profitability of the Group's core operations before the impact of capital structure, debt financing and non-cash items such as depreciation and amortisation.

*Net debt*: The net position of the Group's and Company's cash at bank and borrowings as per the balance sheet.

## Unaudited *pro forma* financial information

In this document, any reference to '*pro forma*' financial information is to information which has been extracted without material adjustment from the unaudited *pro forma* financial information contained in Section A of Part V (*Unaudited Pro Forma Financial Information*) of this document. The unaudited *pro forma* income statement and unaudited *pro forma* statement of net assets contained in that section are intended to show how the Transaction might have affected the income statement of Carr's Group plc for

HY 2022 if it had taken place at the beginning of FY 2022 and the statement of net assets of Carr's Group plc as at 26 February 2022 if it had taken place at that date.

The unaudited *pro forma* financial information addresses a hypothetical situation and has been prepared for illustrative purposes only under the basis of preparation set forth in Section A of Part V (*Unaudited Pro Forma Financial Information*) of this document. The hypothetical financial position and results presented in the unaudited *pro forma* financial information do not represent the Continuing Group's actual financial position or results. Future results of operations may differ materially from those presented in the unaudited *pro forma* financial information due to various factors.

### **Forward-looking statements**

This document includes statements that are, or may be deemed to be, 'forward-looking statements'. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms 'believes', 'estimates', 'plans', 'anticipates', 'targets', 'aims', 'continues', 'expects', 'intends', 'hopes', 'may', 'will', 'would', 'could' or 'should' or, in each case, their negative or other variations or comparable terminology.

These forward-looking statements include matters that are not facts. They appear in a number of places throughout this document and include statements regarding the Directors' intentions, beliefs or current expectations concerning, amongst other things, the Group's and, following Completion, the Continuing Group's results of operations, financial condition, prospects, growth, strategies and the industries in which the Group and, following Completion, the Continuing Group operate. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances.

A number of factors could cause actual results and developments to differ materially from those expressed or implied by the forward-looking statements, including, without limitation: conditions in the markets; the market position of each of the Group and, following Completion, the Continuing Group; earnings, financial position, cash flows, return on capital and operating margins of the Group and, following Completion, the Continuing Group; anticipated investments and capital expenditures of the Group and, following Completion, the Continuing Group; changing business or other market conditions; and general economic conditions. These and other factors could adversely affect the outcome and financial effects of the plans and events described herein. Forward-looking statements contained in this document based on past trends or activities should not be taken as a representation that such trends or activities will continue in the future. Subject to any requirement under the Listing Rules, the Disclosure Guidance and Transparency Rules or any other applicable law or regulation, neither the Company nor Investec undertakes any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Investors should not place undue reliance on forward looking statements, which speak only as of the date of this document.

Shareholders should carefully review the risk factors which are set out in Part III (*Risk Factors*) of this document for a discussion of factors that could cause the Company's actual results to differ materially from those expected before making a decision. In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements in this document and/or the information incorporated by reference into this document may not occur.

For the avoidance of doubt, nothing in this paragraph constitutes a qualification of the working capital statement set out in paragraph 12 of Part VI (*Additional Information*) of this document.

### **Industry and market data**

Unless the source is otherwise stated, the market, economic and industry data in this document constitutes the Directors' estimates, using underlying data that has been sourced from independent third parties. Market data and certain industry data and forecasts included in this document have been obtained from internal company surveys, consultant surveys, market research, publicly available information, reports of government agencies and industry publications and surveys. Where information in this document has been sourced from third parties, the source of such information has been clearly stated adjacent to the reproduced information.

Where information contained in this document has been sourced from a third party, the Company confirms that such information has been accurately reproduced and, so far as the Company is aware and

able to ascertain from information published by third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. The Company has not independently verified any of the data from third-party sources, nor ascertained the underlying economic assumptions relied upon therein and the accuracy and completeness of such information is not guaranteed. Similarly, internal surveys, industry forecasts and market research, which the Company believes to be reliable based on the Directors' knowledge of the industry, have not been independently verified. Statements as to the Group's and, following Completion, the Continuing Group's market positions are based on recently available data.

## **Documents**

Any Shareholder, person with information rights or other person to whom this document is sent may request a copy of each of the documents incorporated by reference into this document as set out in Part VII (*Documents Incorporated by Reference*) of this document. Hard copies will only be sent where valid requests are received from such persons.

Requests for copies of any such document should be directed to the following address: Carr's Group plc, Old Croft, Stanwix, Carlisle, Cumbria, United Kingdom, CA3 9BA or by telephoning on 01228 554600 (or +44 1228 556400 if telephoning from outside the United Kingdom). All valid requests will be dealt with as soon as possible and hard copies mailed by no later than two Business Days following such request.

## **Website**

The documents listed in paragraph 16 of Part VI (*Additional Information*) of this document are available in 'read-only' format and can be printed from the Company's website at the following address: <https://www.carrsgroup.com/> and are also available for inspection as provided in such section.

Unless otherwise specified in this document, neither the content of the Company's website (<https://www.carrsgroup.com>), nor the content of any website accessible from hyperlinks on the Company's website, is incorporated into, or forms part of, this document, such content has not been scrutinised or approved by the FCA and Shareholders should not rely on them.

## **No profit forecasts or estimates**

Nothing in this document is intended as a profit forecast or estimate for any period and no statement in this document should be interpreted to mean that earnings or earnings per share or dividend per share for the Company for the current or future financial years would necessarily match or exceed the historical published earnings or earnings per share or dividend per share for the Company.

## **No offer or solicitation**

This document is not a prospectus and does not constitute or form part of any offer or invitation to purchase, acquire, subscribe for, sell, dispose of or issue, or any solicitation of any offer to purchase, acquire, subscribe for, sell, dispose of or issue, any security.

## **General notice**

This document is for your information only. Nothing contained in this document is intended to constitute investment, legal, tax, accounting or other professional advice. You should consult with an appropriate professional for specific advice rendered on the basis of your situation.

## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Each of the times and dates in the table below is indicative only and may be subject to change. Please refer to the notes for this timetable set out below.<sup>(1)(2)(3)</sup>

|                                                                               |                                |
|-------------------------------------------------------------------------------|--------------------------------|
| Announcement of the Transaction                                               | 31 August 2022                 |
| Publication of this document and the Form of Proxy                            | 31 August 2022                 |
| Posting of this document and the Form of Proxy to Shareholders                | 1 September 2022               |
| Latest time and date for receipt of Forms of Proxy or electronic appointments | 9.30 a.m. on 15 September 2022 |
| Record time for entitlement to vote at the General Meeting                    | 6.00 p.m. on 15 September 2022 |
| <b>General Meeting</b>                                                        | 9.30 a.m. on 19 September 2022 |
| Announcement of the results of the General Meeting                            | 19 September 2022              |
| Expected date of Completion                                                   | By end of October 2022         |

Notes:

- (1) The times and dates set out in the expected timetable of principal events above and mentioned in this document and in any other document issued in connection with the Transaction are subject to change by the Company, in which event details of the new times and dates will be notified to the FCA and, where appropriate, to Shareholders.
- (2) References to times in this document are to London time.
- (3) If you have any queries on the procedure for completion and return of the Forms of Proxy you should contact Link Group on +44 (0) 371 664 0300. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9.00 a.m. and 5.30 p.m. (London time), Monday to Friday excluding public holidays in England and Wales. Please note that Link Group cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

## DIRECTORS, COMPANY SECRETARY, REGISTERED OFFICE AND ADVISERS

|                                                        |                                                                                                                                                                                          |
|--------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Directors of Carr's</b>                             | Peter Page ( <i>Executive Chairman</i> )<br>Neil Austin ( <i>Chief Financial Officer</i> )<br>Ian Wood ( <i>Non-Executive Director</i> )<br>John Worby ( <i>Non-Executive Director</i> ) |
| <b>Company Secretary</b>                               | Matthew Ratcliffe                                                                                                                                                                        |
| <b>Registered office</b>                               | Old Croft<br>Stanwix<br>Carlisle<br>Cumbria<br>CA3 9BA                                                                                                                                   |
| <b>Sponsor and Financial Adviser to the Company</b>    | Investec Bank plc<br>30 Gresham Street<br>London<br>EC2V 7QP                                                                                                                             |
| <b>Financial Adviser to the Company</b>                | Lazard & Co., Limited<br>50 Stratton Street<br>London<br>W1J 8LL                                                                                                                         |
| <b>Legal Advisers to the Company</b>                   | Ashurst LLP<br>London Fruit & Wool Exchange<br>1 Duval Square<br>London<br>E1 6PW                                                                                                        |
| <b>Legal Advisers to the Sponsor</b>                   | Eversheds Sutherland (International) LLP<br>One Wood Street<br>London<br>EC2V 7WS                                                                                                        |
| <b>Registrar</b>                                       | Link Group<br>10th Floor<br>Central Square<br>29 Wellington Street<br>Leeds<br>LS1 4DL                                                                                                   |
| <b>Auditor and Reporting Accountant to the Company</b> | Grant Thornton UK LLP<br>30 Finsbury Square<br>London<br>EC2A 1AG                                                                                                                        |

## PART I

### LETTER FROM THE CHAIR OF CARR'S GROUP PLC

*(incorporated and registered in England and Wales with registered number 00098221)*

**Registered Office:**

Old Croft  
Stanwix  
Carlisle  
Cumbria  
CA3 9BA

**Directors**

Peter Page (*Executive Chairman*)  
Neil Austin (*Chief Financial Officer*)  
Ian Wood (*Non-Executive Director*)  
John Worby (*Non-Executive Director*)

31 August 2022

To: *Carr's Group plc Shareholders*

**PROPOSED DISPOSAL OF THE COMPANY'S INTERESTS IN THE CARR'S BILLINGTON  
AGRICULTURE BUSINESS  
AND  
NOTICE OF GENERAL MEETING**

**1. Introduction**

On 31 August 2022, the Board of Carr's announced that, in line with its strategic review announced on 18 January 2022, it had entered into a sale and purchase agreement with Edward Billington and Son Limited (the "**Purchaser**") pursuant to which the Company would dispose of its interests in the Agricultural Supplies Division to the Purchaser (the "**Disposal**").

The Agricultural Supplies Division comprises the Company's 51 per cent. interest in Carrs Billington Agriculture Sales (including Carrs Billington Agriculture Sales' 50 per cent. interest in Bibby Agriculture Limited) and the Company's 49 per cent. interest in Carrs Billington Agriculture Operations.

As part of the Transaction, the Company (through its relevant subsidiary) has entered into a put and call option deed with a group undertaking of the Purchaser relating to its leasehold interest in land at the Rosehill Industrial Estate (Carlisle), as well as right of first refusal agreements relating to the Company's interests in land at Barnard Castle, Hexham, Penrith and Milnathort.

The Company and the Purchaser formed the Carr's Billington Agriculture business in 1999 by bringing together the agricultural interests of both companies to establish a market leading brand in ruminant nutrition. Over the past 20 years, the business has successfully expanded to become one of the leading suppliers of farm inputs, machinery and fuel in the UK.

The Consideration in connection with the Disposal is payable by the Purchaser predominantly at Completion and comprises an initial purchase price of £43 million (on a debt free, cash free basis and subject to a retention amount and to adjustments for estimated net debt and estimated normalised working capital)<sup>1</sup> and contingent consideration of up to £1.5 million based on future performance (the "**Contingent Consideration**"), giving an aggregate Consideration of up to £44.5 million. This aggregate Consideration implies a multiple of 6.4 times 2021 adjusted

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<sup>1</sup> Subject to subsequent adjustment after Completion by way of a standard completion accounts mechanism.

EBITDA on the basis of combined adjusted EBITDA for the Agricultural Supplies Companies in FY 2021 of £13.8 million.

The initial purchase price of £43 million is expected to be reduced by estimated debt of approximately £19.2 million, increased by an estimated normalised working capital adjustment of approximately £6.5 million, and an amount to be paid on a deferred basis of at least £4 million (comprising a retention relating to debtors of approximately £1.35 million and a further deferred payment of £2.65 million). Initial cash proceeds are, therefore, expected to be £26.4 million.

A maximum of approximately £0.7 million of the Contingent Consideration is achievable within one year. The remaining approximate £0.8 million of Contingent Consideration, if earned, would fall due after more than one year. The deferred consideration arrangements comprise of (i) a retention against debtors of approximately £1.35 million, which is expected to be received in the second year following Completion, and (ii) a further payment by way of deferred consideration of an amount equal to £4 million minus the finally determined retention for debtors, which (assuming a positive amount) would fall due 12 months after Completion. On the basis that the full Contingent Consideration is paid, the deferred consideration amount is paid and the full debtor retention is paid, the total estimated cash proceeds are approximately £31.9 million. Transaction costs are estimated at approximately £1.9 million and the Company is committed to make a payment of £0.4 million to the Group's pension scheme following the removal of the relevant employers from the scheme through a 'Flexible Apportionment Arrangement', giving net cash proceeds from the Disposal of approximately £29.6 million (the "**Net Disposal Proceeds**").

In the event the put or call option under the Option Deed is exercised in connection with the Company's leasehold interest in land at the Rosehill Industrial Estate (Carlisle), a further £1.3 million is receivable. Additional proceeds may also be received in the event that Carr's elects to sell the Group's real estate interests at Barnard Castle, Hexham, Penrith and Milnathort and Billingtons exercises its rights under the Right of First Refusal Agreements.

Completion is expected to occur as soon as practicable following satisfaction of the conditions precedent to Completion as set out in the Sale and Purchase Agreement, which include the approval of Shareholders. The principal terms of the Sale and Purchase Agreement are described in Part II (*Principal Terms of the Transaction*) of this document.

The Transaction, because of its size in relation to the Company, is a Class 1 Transaction for the Company under the Listing Rules. Furthermore, the Transaction constitutes a Related Party Transaction for the purposes of the Listing Rules. The Purchaser is a Related Party of the Company by virtue of it being a 'substantial shareholder' (as defined in the Listing Rules) of a subsidiary undertaking. The Company holds a 51 per cent. interest in Carrs Billington Agriculture Sales, thereby resulting in Carrs Billington Agriculture Sales constituting a subsidiary undertaking of the Company. The Purchaser is a 'substantial shareholder' of this subsidiary undertaking as it is entitled to exercise more than 10 per cent. (49 per cent.) of the votes able to be cast at a general meeting of Carrs Billington Agriculture Sales. Therefore, the Transaction constitutes a Related Party Transaction under Chapter 11 of the Listing Rules. As such, the Transaction is conditional, *inter alia*, upon the approval by Shareholders who together represent a simple majority of the Ordinary Shares being voted (whether in person or by proxy) at the General Meeting.

Accordingly, notice of the General Meeting, to be held at Hotel Sofitel London Heathrow, Terminal 5 London Heathrow Airport, London TW6 2GD at 9.30 a.m. on 19 September 2022, is set out at the end of this document.

The Directors that hold Ordinary Shares intend to vote in favour of the Resolution at the General Meeting in respect of their respective individual shareholdings, being in aggregate 569,703 Ordinary Shares, representing approximately 0.61 per cent. of the Company's total issued ordinary share capital as at the Latest Practicable Date.

The purpose of this document is to explain the background to, and provide Shareholders with information on, the Transaction and to issue the Notice of General Meeting in relation to the

General Meeting to be held to consider, and if thought appropriate pass, the Resolution needed to complete the Transaction.

This document also explains why the Board believes the Transaction to be in the best interests of the Shareholders taken as a whole. **The Board unanimously recommends that Shareholders vote in favour of the Resolution.**

Shareholders should read the whole of this document and not rely solely on the summarised information contained in this Part I (*Letter from the Chair of Carr's Group plc*). Capitalised terms have the meaning ascribed to them in Part VIII (*Definitions*) of this document.

## 2. Carr's Group strategy

In January 2022, the Board announced a strategic review of all three of the Group's Divisions, (namely, the Agricultural Supplies Division, the Speciality Agriculture Division and the Engineering Division), with a particular focus on opportunities to increase Shareholder value. Each of the three Divisions is performing well and has a leading position in its respective market. However, the Board has determined that there are limited opportunities for synergy between the Divisions, varying levels of ownership and control of businesses, competing demands for capital investment and differing returns anticipated on future investments.

As the first step in a long-term strategy, the Board has decided to concentrate resources and investments on the Speciality Agriculture Division and the Engineering Division, principally because:

- (i) the Speciality Agriculture Division and the Engineering Division have consistently achieved higher profit margins and have the potential for better returns on capital employed than the Agricultural Supplies Division;
- (ii) the businesses making up the most significant parts of each of the Speciality Agriculture Division and the Engineering Division are wholly owned and under the complete control of the Company, whereas the Agricultural Supplies Division is jointly owned;
- (iii) the Speciality Agriculture Division and the Engineering Division each have recognised market leading brands supplying an international customer base, which combined with the anticipated market development for each business, gives greater opportunity for growth, whereas the Agricultural Supplies Division supplies a local customer base within a region of the UK, with limited opportunity to scale up in new geographies;
- (iv) the products manufactured and services supplied by the Speciality Agriculture Division and the Engineering Division are differentiated from their respective competitors with scope for development and extension in the future, whereas the Agricultural Supplies Division is a manufacturer and distributor of high volume, low margin compound feeds and fuels, and a retailer of third party brands and own label products; and
- (v) the Agricultural Supplies Division operates in a regional UK market that has limited expectations of volume or customer growth in the future in view of expected structural changes in the sector (as farm ownership becomes more concentrated and dairy cow numbers reduce) and therefore has less opportunity to improve margins as many of the inputs are commodity-based with comparable products available from competitors.

### (a) *Speciality Agriculture Division*

The Speciality Agriculture Division consists of market leading brands in the supply of nutritional supplements to beef, dairy, sheep and equine customers predominantly in the UK, Europe, North America and New Zealand, with manufacturing assets in the UK, Germany and the United States.

The Speciality Agriculture Division has considerable potential for growth in sales, being well positioned for between eight per cent. and 10 per cent. annual earnings growth, through increased market penetration in North America, Europe and New Zealand, product extension in its key markets and growth of equine product sales in all markets. Current trends in ruminant

agriculture, particularly growth in low input grass and pasture-based management systems, provide opportunities for the Company's brands, as they are proven to be effective in more extensive grass-based nutrition programmes rather than intensive, confined housing and total-mixed-ration regimes. These trends arise due to the increasing cost of cereals, soya and oilseeds required for total-mixed-rations, consumer demands for grass-fed and free-range food, and the scarcity of labour in livestock agriculture. To deliver this sales growth, the Board estimates investment in manufacturing facility upgrades and expansion, in the UK and internationally, of approximately £10 million is required over the next three years. Additionally, investment in product research and development and strengthened commercial capabilities will further support the Board's ambitions for the Speciality Agriculture Division.

The Speciality Agriculture Division provides opportunities for diversification in the products and services supplied to existing customers and potential customers of existing products thus enabling growth in markets where the Company is already well established. Four trends in ruminant agriculture will be addressed by technical solutions and new management systems, namely data as a management tool, the reduced use of antibiotics, reduced methane output, and improved productivity from less intensive grass-based systems to reduce cereal and soya consumption. The Company is exploring opportunities for investment and acquisition to add to its existing capabilities to build a group of businesses that will address the evolving needs of professional livestock farmers over the next 25 years.

(b) ***Engineering Division***

The Engineering Division consists of long-established, specialist companies with expertise and strong reputations in the nuclear energy and defence sectors, providing market leading capabilities in robotics, high specification fabrication and bespoke engineering solutions. The Board believes these capabilities will enable growth in revenues and profitability over the next three to five years, as government and private sector support for new nuclear power generation capacity, additional nuclear defence assets and ongoing decommissioning of older nuclear systems will provide substantial funding in markets that include the UK, the United States, Japan, Europe and south-east Asia. The Engineering Division will focus on core competencies and will invest in developing customer relationships where cross-selling provides additional opportunities.

The Board will support organic growth and development in the Engineering Division to increase Shareholder value in the future. The Engineering Division has a strong leadership team in place, a growing order book and a pipeline of pre-qualification work and tenders. Growth in the Engineering Division requires modestly increased liquidity and additional skilled employees to provide the capacity for larger and longer-term contracts that the Group is being invited to bid for by existing and potential new customers.

3. **Summary information on the Agricultural Supplies Division**

The Carr's Billington Agriculture business, forming the Group's Agricultural Supplies Division, has contributed to the growth of the Group's revenue and profitability since 1999, alongside the Speciality Agriculture Division and the Engineering Division.

From its beginnings as a ruminant feed manufacturing and distribution business, development of Carrs Billington Agriculture Sales extended activities to market leading brands of agricultural machinery, parts and service, fuel supply and distribution, and a chain of 32 retail stores supplying a full range of consumables and equipment for farm and rural customers. The Carr's Billington Agriculture business and Bibby Agriculture Limited are recognised brands in ruminant feed, farm machinery, fuels and retail, serving approximately 20,000 farmers and rural dwellers in the Midlands and north of England, Wales, and south and central Scotland.

The Carr's Billington Agriculture business operates as two separate entities. Carrs Billington Agriculture Sales manages the sales of feeds direct to farm, including 50 per cent. of the Bibby Agriculture Limited joint venture for feed sales in Wales, franchises for agricultural machinery sales and service, depots and distribution of fuel for farms and rural dwellers, and 32 retail stores in various locations across the United Kingdom. Carrs Billington Agriculture Sales is

headquartered in Carlisle. For HY 2022, Carrs Billington Agriculture Sales achieved £158.7 million in revenues and £2.0 million of operating profit (both unaudited).

Carrs Billington Agriculture Operations comprises raw materials purchasing, feed milling assets and distribution, manufacturing over 500,000 tonnes of finished product per year. Carrs Billington Agriculture Operations is headquartered in Lancaster. In HY 2022, Carrs Billington Agriculture Operations achieved £70.9 million (unaudited) in revenues and £1.6 million of operating profit (unaudited) (pre cloud configuration and customisation costs adjustments recognised at the Group level – see note 8 of the unaudited consolidated financial information of the Company for HY 2022).

As at 26 February 2022, the Agricultural Supplies Division had gross assets of £150.8 million (unaudited).

*Summary financial information of the Agricultural Supplies Division (unaudited)*

|                   | <b>FY 2019</b> | <b>FY 2020</b> | <b>FY 2021</b> | <b>HY 2022</b> |
|-------------------|----------------|----------------|----------------|----------------|
|                   | <b>£m</b>      | <b>£m</b>      | <b>£m</b>      | <b>£m</b>      |
| Total revenue     | 296.3          | 280.7          | 297.5          | 158.7          |
| Operating profit  | 5.3            | 4.5            | 4.9            | 2.6            |
| Profit before tax | 4.8            | 4.0            | 4.6            | 2.3            |
| Profit for period | 4.0            | 3.4            | 4.0            | 2.0            |

The above financial information has been extracted from the historical financial information set out in Part IV (*Historical Financial Information relating to the Agricultural Supplies Division*) of this document. Please see Part IV (*Historical Financial Information relating to the Agricultural Supplies Division*) of this document for details on the financial performance of the Group's Agricultural Supplies Division.

#### 4. **Summary information on the Purchaser**

The Purchaser is a privately owned company that began trading in the 1850s, with food and agriculture as the principal areas of activity. As at the Latest Practicable Date, the Purchaser employed 1400 people and in its financial year ending 29 August 2021, it had a total revenue of approximately £327 million. The Purchaser and the Group have worked together for over 20 years, with strong collaboration in building up the Carr's Billington Agriculture business from its initial focus on ruminant feed to the wide range of products and services now supplied and serviced under the jointly branded business.

It is the Board's opinion that the Purchaser is the most appropriate sole owner for the business in the future and, in line with the terms of the existing shareholder agreements, this led to extensive discussions that have concluded in the execution of the Sale and Purchase Agreement on 30 August 2022.

#### 5. **Background to and strategic rationale for the Transaction**

Following its decision to focus its strategy on the Speciality Agriculture Division and the Engineering Division, the Board initiated a thorough review of the options for the Agricultural Supplies Division with a view to optimising Shareholder value. The Board has concluded that, whilst the Agricultural Supplies Division has performed well since formation, and has been a key part of the development of the Company over the past 20 years, it is now of a scale and market position that a single owner and management team would be better placed to take the business forward through its next phase of development.

In addition, Group resources, both in terms of executive management and central corporate functions, are disproportionately consumed by the day-to-day management and operation of Carrs Billington Agriculture Sales, limiting the Group's ability to focus and drive growth in the Speciality Agriculture Division and the Engineering Division. In financial terms, the existing ownership structure of Carrs Billington Agriculture Sales means that the benefits and rewards of new initiatives and investment for growth return only a proportion of the benefit to Shareholders. Furthermore, the feed milling business of Carrs Billington Agriculture Operations is capital intensive and will soon require a high level of replacement capital investment at a rate

of return that will be lower than potential investments in the Speciality Agriculture Division and the Engineering Division. The forthcoming capital investment requirements could also potentially impact the Agricultural Supplies Companies' ability to pay dividends up to the Company.

In light of all circumstances, the Board determined that Shareholder value would be best achieved through an exit from the Agricultural Supplies Division.

By undertaking the Transaction, the desired exit will be achieved, the Group structure will be simplified, and increased focus will be given to the two remaining divisions (namely the Speciality Agriculture Division and the Engineering Division), both having attractive growth potential underpinned by a favourable outlook and strong market positions. The Group has full ownership of the larger companies within the Speciality Agriculture Division and the Engineering Division, giving autonomy in decision making by the executive management team and ensuring the return on growth initiatives is fully for the benefit of Shareholders.

The Transaction also addresses Shareholder and investor concerns that the structure of the Group's shareholding in the Agricultural Supplies Division is opaque, thus causing difficulty in determining a fair valuation of the individual divisions and overall Group.

## 6. Summary of the key terms of the Transaction

On 30 August 2022, Carr's entered into the Sale and Purchase Agreement, pursuant to which the Company agreed, on the terms and subject to the conditions of the Sale and Purchase Agreement, to sell its interests in the Carr's Billington Agriculture business, comprising its shares in both Carrs Billington Agriculture Sales (together with its 50 per cent. shareholding in Bibby Agriculture Limited) and Carrs Billington Agriculture Operations, to the Purchaser.

The aggregate consideration payable by the Purchaser in connection with the Disposal comprises:

- (i) an initial cash purchase price of £43 million on a debt free, cash free basis, subject to adjustments for estimated net debt and estimated normalised working capital, *minus*
- (ii) a retention and deferred consideration amount of £4 million,

which is payable at Completion and is subject to adjustments after Completion by way of a standard completion accounts mechanism, *plus*

- (iii) payment of up to the retention amount (estimated to be £1.35 million but ultimately being an amount (as at Completion) that reflects 50 per cent. of the increase in overdue debtors of the Agricultural Supplies Division as compared to FY 2021). The first payment from the retention shall fall due in the second week of FY 2024, with further payments due in each quarter of FY 2024 (and in each case representing a pass through of 50 pence on every £1 received by the Agricultural Supplies Division from the relevant overdue debtors during the relevant period). Should any amount of the retention remain payable after FY 2024, the Company shall be appointed debt collection agent on behalf of the Agricultural Supplies Division for the purposes of obtaining due payment of such overdue debts as equals the retention;
- (iv) payment of a lump sum by way of deferred consideration on the first anniversary of Completion, such amount to be equal to £4 million minus the retention against debtors (referred to in paragraph (iii) above) and to be finally determined by the completion accounts mechanism. For the avoidance of doubt, should the retention equal or exceed £4 million no such lump sum will be payable; and
- (v) the potential for a further £1.5 million of contingent consideration payable following the conclusion of FY 2022 and FY 2023, depending on the performance of the Agricultural Supplies Division against an agreed earn out criteria,

the net sum of which is the "**Consideration**".

Completion under the Sale and Purchase Agreement is subject to, and can only occur upon satisfaction (or waiver, where applicable) of certain outstanding conditions prior to the Long Stop Date, including:

- (i) approval of the Resolution by Shareholders, which is being proposed as an ordinary resolution at the General Meeting;
- (ii) drawdown by the Purchaser of funds made available to it by Barclays Bank plc pursuant to an acquisition funding facility agreement, in order to facilitate the Purchaser's payment of the initial cash consideration on Completion; and
- (iii) certain other conditions precedent which are customary for a transaction of this nature.

The Sale and Purchase Agreement contains warranties as to title, authority and capacity, solvency and anti-bribery and corruption in respect of both Carrs Billington Agriculture Operations and Carrs Billington Agriculture Sales given to the Purchaser by the Company.

The Sale and Purchase Agreement also contains a market standard set of general business warranties and a tax indemnity given to the Purchaser by the Company in respect of Carrs Billington Agriculture Sales and its business only. The Company's potential liability in respect of these warranties and the tax indemnity is limited in aggregate to £15 million and is further qualified by market standard seller liability limitations.

As part of the Transaction, for a limited time following Completion, Carr's and the Purchaser have agreed that the Company and its Group will provide certain transitional services to the Agricultural Supplies Division pursuant to the Transitional Services Agreement.

The Board expects that, subject to the satisfaction and/or waiver (where applicable) of the conditions precedent to the Transaction, Completion will occur before the end of October 2022.

On or around the date of the Sale and Purchase Agreement, the Company (through its relevant subsidiary) entered into a put and call option deed with a group undertaking of the Purchaser in relation to its leasehold interest in land at the Rosehill Industrial Estate (Carlisle) ("**Option Deed**"). The Option Deed grants Carr's a put option to sell to Billingtons the Company's leasehold interest in land at the Rosehill Industrial Estate (Carlisle), for a period of one year, commencing from the second anniversary of Completion, for a total cash consideration of £1.3 million (reflecting its independently assessed value). The Option Deed also grants Billingtons a call option (on the same terms) exercisable at any time before the second anniversary of Completion. The Option Deed contemplates Billingtons may, in the first six months following Completion, conduct environmental diligence on the Rosehill Industrial Estate (Carlisle) following which, should a material issue come to light, Billingtons may ultimately terminate the Option Deed.

Billingtons must pay a deposit of £130,000 during the option period in order to validly exercise its call option. The deposit is then deducted from the purchase price once the sale completes.

Completion of the sale is conditional upon the landlord providing its consent in the form of a deed, free from unreasonable conditions, or a declaration from a court that the landlord's consent is unreasonably withheld.

The sale of the property is subject to certain special conditions including in relation to matters affecting the property, environmental matters and apportionment of rent between Carr's and Billingtons. The sale of the property is otherwise subject to the standard commercial property conditions under Part 1 of the Standard Commercial Property Conditions (Third Edition).

As part of the Transaction, the Company (through its relevant subsidiary) has also entered into right of first refusal agreements (the "**Right of First Refusal Agreements**") with a group undertaking of the Purchaser in relation to the sale of the Group's real estate interests at Barnard Castle, Hexham, Penrith and Milnathort, all of which are leased to and currently in use within the Agricultural Supplies Division. The right of first refusal will require the Group to first offer these properties to a group undertaking of the Purchaser in the event the Group determines to dispose of them in the two year period following Completion.

The principal terms of the Sale and Purchase Agreement are described in more detail in Part II (*Principal Terms of the Transaction*) of this document.

## 7. **Use of proceeds and financial effects of the Transaction**

The Disposal is expected to generate Net Disposal Proceeds of approximately £29.6 million on the basis that the full Contingent Consideration is paid and that the full debtor retention is paid. The Board anticipates that the Transaction will produce a net cash position for the Group at Completion. The Group intends to utilise the Net Disposal Proceeds to invest in the Group in order to:

- (i) support international growth in the Speciality Agriculture Division through the investment of approximately £10 million in manufacturing capacity and plant upgrades between 2023 and 2025;
- (ii) enable growth in the Engineering Division by providing up to an additional £4 million of liquidity over the next three years to fund potential new larger and longer-term customer contracts; and
- (iii) fund carefully targeted acquisitions in the Speciality Agriculture Division to diversify activity within a market sector where the Group is already well-established.

Furthermore, following Completion, the Board intends to determine the benefits for Shareholders of arranging a full buy-out of the Group pension scheme, a legacy defined benefit pension scheme that, as at the Latest Practicable Date, is in surplus, thus securing all pension liabilities in the Group and eliminating future risk of further funding being required from the Company. The Directors understand this process would require approximately £4 million including the £0.4 million payment already committed to as described at paragraph 1 of this Part I (*Letter from the Chair of Carr's Group plc*).

The Transaction is expected to materially strengthen the Group's balance sheet and the Group is expected to move to a net cash position immediately following Completion prior to undertaking any further investments as set out above.

It is expected that the Disposal will have a dilutive effect on the earnings per Ordinary Share in the first full year following Completion.

In the event the put or call option under the Option Deed is exercised in connection with the Company's leasehold interest in land at the Rosehill Industrial Estate (Carlisle), a further £1.3 million is receivable.

Please see Part V (*Unaudited Pro Forma Financial Information*) of this document for further information on the pro forma financial effects of the Transaction.

## 8. **Current trading and future prospects of the Continuing Group**

On 5 August 2022 the Group announced a trading update for the 22-week period ended 30 July 2022, in which it was stated:

*"The Group's overall trading performance is in line with the Board's expectations for the full financial year.*

*In Speciality Agriculture, whilst raw material costs continued to rise significantly, sales margins were notably improved in all markets as price rises have been passed onto customers. Volumes in the UK and Ireland remained solid, supported by strong farmgate prices. However, USA volumes continued to be impacted adversely by a reduction in beef cattle herd size due to drought causing a shortage of grazing.*

*UK Agricultural Supplies traded well during the period, with continued high activity levels in retail and machinery and with the market absorbing the impact of cost inflation in fuels and feeds. Since the spring, dairy feed volumes have held up but there has been a reduction in volumes of beef and sheep feeds as customers limit expenditure on inputs.*

*Engineering continued to benefit from high levels of work supported by a strong order book. Financial performance however remained below management expectations due in part to supply chain delays for some components of orders for robotics, and the ongoing costs incurred to achieve completion of a key project in the engineering solutions business.*

*Working capital requirements have continued at higher levels as reported in April due to the inflationary impact from increased raw material costs and selling prices with the effect that debt levels continue to be higher than the prior year. Undrawn facilities at 25 June 2022 were £28.4m.*

*A second interim dividend of 1.175 pence per share will be paid on 30 September 2022 to shareholders on the register at close of business on 26 August 2022. The ex-dividend date will be 25 August 2022."*

On 30 June 2022, the Group's revolving credit facility of £25 million was extended to December 2024. Please see paragraph 10.1(g) of Part VI (*Additional Information*) of this document for further details.

**9. Risk factors**

Shareholders should consider fully the risk factors set out in Part III (*Risk Factors*) of this document.

**10. Class 1 Transaction and Related Party Transaction**

Due to the size of the Agricultural Supplies Division when compared with the Company as determined by the class tests under the Listing Rules, the Transaction is classified under the Listing Rules as a Class 1 Transaction and therefore requires the approval of Shareholders pursuant to Chapter 10 of the Listing Rules.

Furthermore, the Purchaser is a Related Party of the Company by virtue of it being a 'substantial shareholder' (as defined in the Listing Rules) of a subsidiary undertaking. The Company holds a 51 per cent. interest in Carrs Billington Agriculture Sales, thereby resulting in Carrs Billington Agriculture Sales constituting a subsidiary undertaking of the Company. The Purchaser is a 'substantial shareholder' of this subsidiary undertaking as it is entitled to exercise more than 10 per cent. (49 per cent.) of the votes able to be cast at a general meeting of Carrs Billington Agriculture Sales. Therefore, the Transaction constitutes a Related Party Transaction under Chapter 11 of the Listing Rules. As such, the approval of Shareholders is also required pursuant to Chapter 11 of the Listing Rules.

Under the Listing Rules, the Purchaser, as a Related Party, is precluded from voting on the Resolution. As at the Latest Practicable Date, neither the Purchaser, nor any of its associates (as such term is defined in the Listing Rules), owns any Ordinary Shares. The Purchaser is therefore not eligible to vote on the Resolution.

**11. General Meeting**

A notice convening a general meeting of the Company to be held at 9.30 a.m. on 19 September 2022 at Hotel Sofitel London Heathrow, Terminal 5 London Heathrow Airport, London TW6 2GD is set out at the end of this document. A Form of Proxy to be used in connection with the General Meeting is enclosed. The purpose of the General Meeting is to consider and, if thought fit, pass the Resolution as set out in full in the Notice of General Meeting.

The Resolution proposes that the Transaction be approved and that the Directors be authorised to take all such steps as may be necessary, expedient or desirable in relation to the Transaction.

The Resolution will be proposed as an ordinary resolution requiring a simple majority of votes in favour. The Resolution must be approved by Shareholders who together represent a simple majority of the Ordinary Shares being voted (whether in person or by proxy) at the General Meeting.

For further information in relation to the Resolution, see the Notice of General Meeting at the end of this document.

**12. Action to be taken**

A Form of Proxy for use in relation to the General Meeting which covers the Resolution accompanies this document. As an alternative to completing and returning the accompanying Form of Proxy, you may register the appointment of a proxy for the General Meeting by:

- (i) accessing the website [www.signalshares.co.uk](http://www.signalshares.co.uk); or
- (ii) if you hold Ordinary Shares in CREST, you may appoint a proxy by completing and transmitting a CREST Proxy Instruction in accordance with the procedures set out in the CREST Manual so that it is received by the Company's Registrar, Link Group, (under CREST participant ID RA10) by no later than 9.30 a.m. on 15 September 2022 (or, in the case of an adjournment, not later than 48 hours before the time fixed for the holding of the adjourned meeting (excluding any part of a day which is non-working)).

Guidance notes to assist you to complete the Form of Proxy or to register the appointment of a proxy electronically or to complete and transmit a CREST Proxy Instruction are set out in the Notice of General Meeting at the end of this document.

The Company may be required to change the arrangements for the General Meeting at short notice should government restrictions on public gatherings or other social distancing measures be reintroduced, for example in the event of a further outbreak of COVID-19. Any changes to the arrangements for the General Meeting (including any change to the location of the General Meeting) will be communicated to Shareholders in advance of the General Meeting through the Company's website (<https://www.carrsgroup.com>) and there will be an announcement via a Regulatory Information Service. Should the Company need to change the arrangements in this way, it is possible that the Company will not be in a position to accommodate Shareholders beyond the minimum required to hold a quorate meeting and, in such circumstances it may be necessary for the venue of the meeting to be moved to the Company's registered office. Owing to this uncertainty, we strongly encourage Shareholders to submit a proxy vote in advance of the General Meeting and to appoint the Chair of the General Meeting as their proxy, rather than a named person who, if circumstances change, may not be permitted to attend and vote at the General Meeting.

If you have any questions relating to this document and/or the completion and return of the Form of Proxy, please contact Link Group on +44 (0) 371 664 0300. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9.00 a.m. and 5.30 p.m. (London time), Monday to Friday excluding public holidays in England and Wales. Please note that Link Group cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

**13. Further information**

Your attention is drawn to the risk factors which are set out in Part III (*Risk Factors*) of this document, and to the information set out in the section entitled 'Important Information' on pages 4 to 6.

The results of the votes cast at the General Meeting will be announced as soon as possible once known through a Regulatory Information Service and on the Company's website (<https://carrsgroup.com/>). It is expected that this will be on 19 September 2022.

**14. Financial advice**

Investec has provided financial advice to the Board in relation to the Transaction. In providing its advice to the Board, Investec has taken into account the Board's commercial assessment of the Transaction.

Lazard has provided financial advice to the Board in relation to the Transaction. In providing its advice to the Board, Lazard has relied upon the Board's commercial assessment of the Transaction.

15. **Recommendation**

**The Board is of the opinion that the Transaction is fair and reasonable so far as the Shareholders are concerned and the Directors have been so advised by Investec as sponsor. In providing advice to the Board, Investec has taken into account the Board's commercial assessment of the Transaction.**

**The Board is also of the opinion that the Transaction and the Resolution are in the best interests of the Company and its Shareholders taken as a whole.**

**Accordingly, the Board unanimously recommends that Shareholders vote in favour of the Resolution, as all of the Directors intend to do (or procure to be done), in respect of the Ordinary Shares in which they are interested, or in relation to which they are otherwise able to control the exercise of the voting rights, held at the time of the General Meeting, amounting to 569,703 Ordinary Shares in aggregate as at the Latest Practicable Date (representing approximately 0.61 per cent. of the issued ordinary share capital of the Company).**

Yours sincerely

**Peter Page**  
*Executive Chairman*

## PART II

### PRINCIPAL TERMS OF THE TRANSACTION

#### 1. Parties to and structure of the Sale and Purchase Agreement

On 30 August 2022, the Company and Edward Billington and Son Limited (the "**Purchaser**"), entered into the Sale and Purchase Agreement, pursuant to which the Company agreed to sell its interests in the Carr's Billington Agriculture business, comprising its shares in both Carrs Billington Agriculture Sales (a shareholder of Bibby Agriculture Limited) and Carrs Billington Agriculture Operations (being the "**Agricultural Supplies Companies**") to the Purchaser.

Pursuant to the Sale and Purchase Agreement, the Company will sell its 51 per cent. interest in the issued share capital of Carrs Billington Agriculture Sales and its 49 per cent. interest in the issued share capital of Carrs Billington Agriculture Operations (together, the "**Agricultural Supplies Shares**"). Through the sale of the Agricultural Supplies Shares, the Company will transfer ownership of the Agricultural Supplies Companies to the Purchaser upon Completion.

#### 2. Consideration

The aggregate Consideration payable by the Purchaser in connection with the Disposal comprises:

- (i) an initial cash purchase price of £43 million on a debt free, cash free basis, subject to adjustments for estimated net debt and estimated normalised working capital, *minus*
- (ii) a retention and deferred consideration amount of £4 million,

which is payable at Completion and is subject to adjustments after Completion by way of a standard completion accounts mechanism, *plus*

- (iii) payment of up to the retention amount (estimated to be £1.35 million but ultimately being an amount (as at Completion) that reflects 50 per cent. of the increase in overdue debtors of the Agricultural Supplies Division as compared to FY 2021). The first payment from the retention shall fall due in the second week of FY 2024, with further payments due in each quarter of FY 2024 (and in each case representing a pass through of 50 pence on every £1 received by the Agricultural Supplies Division from the relevant overdue debtors during the relevant period). Should any amount of the retention remain payable after FY 2024, the Company shall be appointed debt collection agent on behalf of the Agricultural Supplies Division for the purposes of obtaining due payment of such overdue debts as equals the retention;
- (iv) payment of a lump sum by way of deferred consideration on the first anniversary of Completion, such amount to be equal to £4 million minus the retention against debtors (referred to in paragraph (iii) above) and to be finally determined by the completion accounts mechanism. For the avoidance of doubt, should the retention equal or exceed £4 million no such lump sum will be payable; and
- (v) the potential for a further £1.5 million of contingent consideration payable following the conclusion of FY 2022 and FY 2023, depending on the performance of the Agricultural Supplies Division against an agreed earn out criteria.

#### 3. Conditions

Completion is subject to, and can only occur upon, the passing of the Resolution at the General Meeting.

Completion is also subject to the drawdown by the Purchaser of funds made available to it by Barclays Bank plc pursuant to an acquisition funding facility agreement, in order to facilitate the Purchaser's payment of the initial cash consideration on Completion.

In addition, Completion is subject to various conditions precedent which are customary for a transaction of this nature.

4. **Conduct of the Agricultural Supplies Division between signing and Completion**

Each of the Company and the Purchaser have agreed to give each other the benefit of certain customary covenants in relation to the conduct of the Agricultural Supplies Division during the period between signing of the Sale and Purchase Agreement and Completion. Such obligations include ensuring the conduct of the Agricultural Supplies Division in the ordinary course of that business (as carried on in the 12 months prior to the Sale and Purchase Agreement), and refraining from taking certain actions in respect of the Agricultural Supplies Division. The covenants are, in each case, subject to certain customary exceptions, including where the other party has given its prior written consent to any action.

5. **Warranties and indemnities**

The Company has given warranties to the Purchaser that the Company owns the Agricultural Supplies Shares free and clear from any encumbrances and that the Company has the requisite power and authority to enter into and perform the Sale and Purchase Agreement and other Transaction Documents.

The Sale and Purchase Agreement also contains warranties given to the Purchaser by the Company as to solvency and anti-bribery and corruption matters in respect of both Carrs Billington Agriculture Operations and Carrs Billington Agriculture Sales.

The Company has also agreed to give the Purchaser the benefit of general warranties relating to the business conducted by Carrs Billington Agriculture Sales only. These warranties include statements regarding financial statements, material contracts, insolvency, licences, litigation and compliance with laws, intellectual property, information technology, property, environmental matters, employment and incentives, pensions, and tax affairs.

The Company has agreed to provide a tax indemnity for the benefit of the Purchaser in respect of the tax affairs of Carrs Billington Agriculture Sales only.

The Company will have the potential for ongoing liability for the general business warranties and the tax indemnity. However, the Company's potential liability in respect of the general business warranties and the tax indemnity is limited, in aggregate, to a maximum of £15 million (including any interest for late payment or claimant legal costs) and is further qualified by market standard seller liability limitations.

The Purchaser has given certain warranties to the Company that are customary for a transaction of this nature and size. These include, among other things, warranties that the Purchaser has the requisite power and authority to enter into and perform its obligations under the Sale and Purchase Agreement and other Transaction Documents.

In addition to certain indemnities provided by the Company that are customary for a transaction of this nature and size, the Company has indemnified the Purchaser against potential future liabilities in relation to ongoing claims by ex-employees capped at £200,000 (plus any interest and/or legal costs reasonably incurred by the Purchaser in pursuing a claim under the indemnity).

6. **Termination and liquidated damages**

The Sale and Purchase Agreement may be terminated if the conditions described in paragraph 3 above of this Part II (*Principal Terms of the Transaction*) are not satisfied or (if capable of waiver) waived on or before the Long Stop Date.

If either party fails to complete in circumstances where the conditions are satisfied or fails to comply with its completion obligations to obtain satisfaction of the conditions, a liquidated damages sum of £1 million shall be payable to the other party.

7. **Governing law**

The Sale and Purchase Agreement is governed by the laws of England and Wales.

## 8. **Other material Transaction Documents**

### 8.1 ***Transitional Services Agreement***

As part of the Transaction, the Company will provide certain IT, payroll and pension administration services (together, the "**Transitional Services**") to the Agricultural Supplies Companies. The Company will provide the Transitional Services for a period of 18 months from the date of Completion in respect of IT services which may be shortened or extended by six months, provided the Agricultural Supplies Companies give the Company six months' written notice. The Company will otherwise provide the payroll and pension administration services for a period of six months from the date of Completion.

The Company will provide the Transitional Services at the same level of service as provided by the Company to the Agricultural Supplies Companies during the 12 month period prior to Completion and subject to any third party supplier consents which may be required.

The Company will charge the Agricultural Supplies Companies for the relevant services provided on a monthly basis. The Company will only be able to charge fees equivalent to the costs incurred by the Company in providing the Transitional Services.

### 8.2 ***Distribution Agreements***

The Company, through its subsidiaries, Carrs Agriculture Limited and Animax Limited (as suppliers), has entered into distribution agreements with Carrs Billington Agriculture Sales (as distributor) for the non-exclusive supply and distribution of products manufactured by the suppliers for a term of five years (the "**Distribution Agreements**").

The suppliers shall continue supplying products to existing third party distributors, however they agree to not appoint any new distributors of the products during the term of the Distribution Agreements. Such restriction shall apply within a 30 mile radius of any distributor branches for the first two years of the term and shall be reduced to a 15 mile radius for the latter three years of the term. The restriction shall not prevent the promotion or sales of products online.

The distributor has agreed to purchase minimum volumes of the products for the duration of the term, based on the volume of products supplied during FY 2022 between the parties. The distributor has agreed to purchase products equivalent to 100 per cent. of the FY 2022 volumes for the first two years of the term and 50 per cent. of the FY 2022 volumes for the latter three years of the term. The distributor is obliged to 'catch-up' on orders in the following year of the term in the event it does not meet the minimum volume obligations in any given year.

The suppliers have agreed to supply the products on a 'most favoured customer' basis, such that, where the suppliers supply products to a third party distributor during any three month period in substantially similar volumes and for a lower price than that supplied to the distributor under the agreement, it must reduce the price of the product supplied to the distributor to that lower price for the period that price is available and refund such difference (as applicable) to the distributor.

Each party has also agreed not to solicit or entice any director or senior employee of any other party whose salary is in excess of £50,000 at the date of the Distribution Agreements (or was within in the 12 months prior to the date of the Distribution Agreements) for a period of 12 months.

### 8.3 ***Option Deed and Right of First Refusal Agreements***

On or around the date of the Sale and Purchase Agreement, the Company (through its relevant subsidiary) entered into the Option Deed with a group undertaking of the Purchaser relating to its leasehold interest in land at the Rosehill Industrial Estate (Carlisle). The Option Deed grants Carr's a put option to sell to Billingtons the Company's leasehold interest in land at the Rosehill Industrial Estate (Carlisle), for a period of one year, commencing from the second anniversary of Completion, for a total cash consideration of £1.3 million (reflecting its independently

assessed value). The Option Deed also grants Billingtons a call option (on the same terms) exercisable at any time before the second anniversary of Completion. The Option Deed contemplates Billingtons may, in the first six months following Completion, conduct environmental diligence on the Rosehill Industrial Estate (Carlisle) following which, should a material issue come to light, Billingtons may ultimately terminate the Option Deed.

Billingtons must pay a deposit of £130,000 during the option period in order to validly exercise its call option. The deposit is then deducted from the purchase price once the sale completes.

Completion of the sale is condition upon the landlord providing its consent in the form of a deed, free from unreasonable conditions, or a declaration from a court that the landlord's consent is unreasonably withheld.

The sale of the property is subject to certain special conditions including in relation to matters affecting the property, environmental matters and apportionment of rent between Carr's and Billingtons. The sale of the property is otherwise subject to the standard commercial property conditions under Part 1 of the Standard Commercial Property Conditions (Third Edition).

As part of the Transaction, the Company (through its relevant subsidiary) has also entered into the Right of First Refusal Agreements with a group undertaking of the Purchaser in relation to the sale of the Group's real estate interests at Barnard Castle, Hexham, Penrith and Milnathort, all of which are leased to and currently in use within the Agricultural Supplies Division. The right of first refusal will require the Group to first offer these properties to a group undertaking of the Purchaser in the event the Group determines to dispose of them in the two year period following Completion.

#### 8.4 *AminoMax® Arrangements*

The Company (through its relevant subsidiary) has agreed to lease to Carrs Billington Agriculture Operations the requisite equipment, and license to Carrs Billington Agriculture Operations the requisite intellectual property, needed to facilitate the continued manufacture of the AminoMax® bypass protein animal feed ingredient from the facilities of Carrs Billington Agriculture Operations at Lansil Way, Lancaster. The lease and licence arrangements extend until the date falling three years after Completion, unless terminated earlier in accordance with the terms of the agreement.

#### 8.5 *Deed of Restrictive Covenant*

The Company has entered into a deed of restrictive covenant with, among others, the Purchaser (the "**Deed of Restrictive Covenant**"), which shall remain in effect for a period of four years from the date of Completion, to restrict the activities of Carr's which compete with the Agricultural Supplies Companies insofar as they relate to:

- (i) compound feed manufacture and sales of ruminant livestock;
- (ii) sales and servicing of agricultural machinery of the kind currently sold by the Agricultural Supplies Companies;
- (iii) the operation of retail and agricultural sales; and
- (iv) the distribution of agricultural machinery fuels, oils and lubricants.

Carr's has also agreed to not solicit customers away from the Agricultural Supplies Companies or interfere with or entice suppliers of the Agricultural Supplies Companies.

The deed contains standard exceptions to these non-compete restrictions, such as where Carr's holds up to five per cent. of the securities of a listed entity engaged in such activities.

Carr's has also agreed to non-solicit and non-hire provisions to the effect that it must not seek to employ any director or senior employee of the Agricultural Supplies Companies earning a salary in excess of £50,000 in the preceding 12 months of the Deed of Restrictive Covenant.

The non-hire provisions are subject to a further restriction during the first 12 months of the term such that the standard exceptions to the non-hire restriction will not apply, such as where an employee responds to a general advertisement of Carr's. The standard exceptions will apply after the first 12 months of the term.

The Purchaser provides reciprocal non-solicit and non-hire provisions in respect of the Directors and senior employees of Carr's Group plc.

## PART III

### RISK FACTORS

*This Part III (Risk Factors) addresses the risks known to the Company and the Directors which are material risk factors to the proposed Transaction, will be material new risk factors to the Continuing Group as a result of the proposed Transaction, or are existing material risk factors to the Group which will be impacted by the proposed Transaction. The information given is as of the date of this document and, except as required by the FCA, the London Stock Exchange, the Listing Rules, or any other applicable law, will not be updated. Shareholders should consider carefully the risks and uncertainties described below, together with all other information contained in this document.*

*Additional risks and uncertainties currently unknown to the Company and the Directors, or which the Company and the Directors currently deem immaterial or deem material to the Company but which will not result from or be impacted by the proposed Transaction, may also have an adverse effect on the business, financial condition, operating results or prospects of the Continuing Group. In such cases, the market price of the Ordinary Shares may decline and investors may lose all or part of their investment.*

*Prior to voting on the Resolution at the General Meeting, Shareholders should carefully consider, together with all other information contained in this document, the specific risks and uncertainties described below.*

#### **1. RISKS RELATING TO THE TRANSACTION**

##### **1.1 The Transaction may be delayed or may not proceed to Completion**

Completion is subject to, and can only occur upon the satisfaction of the conditions precedent. The conditions precedent include, principally, the passing of the Resolution by Shareholders at the General Meeting and the drawdown by the Purchaser of funds pursuant to an acquisition funding facility agreement with Barclays Bank plc. Whilst the Company and the Purchaser have obligations in relation to the satisfaction of these conditions to the Transaction, there can be no assurance that the requisite approval from Shareholders will be obtained, nor any guarantee that the Purchaser will be able to finalise definitive financing documents with Barclays Bank plc to enable it to drawdown sufficient funding and pay the initial cash consideration amount on Completion. The Transaction may, therefore, be delayed or not complete at all.

Completion is also subject to the Company and the Purchaser having delivered certain deliverables prior to or on the date of Completion. Any failure on the part of the Company and/or the Purchaser to comply with any of the aforementioned obligations could result in the Transaction being delayed or not completing at all.

Having considered a range of options as part of the Company's strategic review, the Directors believe that the Transaction currently provides the best opportunity to maximise value for Shareholders and realise an attractive and certain value for the Agricultural Supplies Division. There can be no guarantee of another transaction involving the Agricultural Supplies Division on terms more favourable than, or equivalent to, the Transaction. In particular, the articles of association of each of Carrs Billington Agriculture Sales and Carrs Billington Agriculture Operations include pre-emption rights (to acquire the Agricultural Supplies Shares at a fair value of 3.5 times EBITDA) which have the effect of giving the Purchaser certain control rights over any proposed sale of the Agricultural Supplies Shares to a potential third party buyer.

If the Transaction does not proceed to Completion, the reputation of the Company and/or the Agricultural Supplies Division may be adversely impacted as a result of media attention in connection with the attempted Transaction. This could, in turn, have a material adverse effect on the business, financial condition, operating results or prospects of the Group, as well as the market price of the Ordinary Shares.

##### **1.2 If the Transaction does not complete, the Group would lose the benefits of the sale proceeds and incur transaction costs**

If the Transaction does not complete, the Group will not receive the cash proceeds from, nor realise any of the potential benefits of, the Transaction. In such circumstances, the transaction and other costs incurred by the Group in connection with the Transaction (including the costs of negotiating the Transaction Documents) would not be offset by such cash proceeds. This would then result in the Group having higher leverage and, therefore, potentially having less financial headroom in executing its strategy. Furthermore, in the event the Company satisfies its conditions but fails to complete the Transaction, a liquidated damages sum of £1 million would be payable. This liability would be additional to the loss of proceeds from the anticipated disposal under the Transaction.

Furthermore, the Company's ability to deliver Shareholder value may be prejudiced such that (i) the Company will not be able to deploy the proceeds from the Transaction, (ii) it may have an impact on other transactions in the pipeline, and (iii) it may impact the perceived value of the Agricultural Supplies Division to investors. This could have a material adverse effect on the business, financial condition, operating results or prospects of the Group, as well as the market price of the Ordinary Shares.

### **1.3 The Company may incur liability under the Sale and Purchase Agreement**

The Sale and Purchase Agreement contains customary warranties, indemnities and other contractual protections given by the Company in favour of the Purchaser, with further warranty and tax covenant protection provided in respect of Carrs Billington Agriculture Sales. Accordingly, the Company has ongoing exposure to the Purchaser in respect of such warranties and tax indemnity. The Company has limited its exposure by agreeing customary seller liability limitations with the Purchaser (including an aggregate maximum cap of £15 million). The Purchaser has also undertaken a customary due diligence and the Company has completed a disclosure exercise against the warranties as is market standard. However, the Company may nonetheless be liable to the Purchaser for payments pursuant to these warranties and/or the tax indemnity that it would not have had to pay absent the Transaction.

There is also the potential for other claims to be made against the Company under the Sale and Purchase Agreement, including in respect of a breach of contract claim, a breach of confidentiality claim or a claim under the commercial indemnities.

Any liability to make a payment arising from a successful claim by the Purchaser under any of the relevant provisions of the Sale and Purchase Agreement would reduce the Net Disposal Proceeds and could have an adverse effect on the business, financial condition, cash flow or prospects of the Group.

### **1.4 Pre-closing changes in the Agricultural Supplies Division**

During the period from the signing of the Sale and Purchase Agreement on 30 August 2022 to Completion, unforeseen events or developments may occur which could make the terms of the Sale and Purchase Agreement less attractive for the Group. Subject to the terms of the Sale and Purchase Agreement, the Company may be required to complete the Transaction, notwithstanding such events or developments. This may have an adverse effect on the business, financial condition, operating results or prospects of the Group. By means of example, the Company may become aware in the period between the date of the Sale and Purchase Agreement and Completion of a matter or circumstance which may result in a warranty claim being made by the Purchaser after completion which, if substantiated and subject to the limitations set out in the Sale and Purchase Agreement, could result in a payment being made by the Company to the Purchaser.

### **1.5 Third party interference with the Transaction**

The Company may receive unsolicited competing offers for all or part of the Agricultural Supplies Division prior to the date of the General Meeting. However, as noted in paragraph 1.1 above of this Part III (*Risk Factors*), the articles of association of each of Carrs Billington Agriculture Sales and Carrs Billington Agriculture Operations include pre-emption rights (to acquire the Agricultural Supplies Shares at a fair value of 3.5 times EBITDA) which have the

effect of giving the Purchaser certain control rights over any proposed sale of the Agricultural Supplies Shares to a potential third party buyer.

In addition, as a listed company, the Company could be exposed to approaches from third parties seeking to instigate a public takeover of the Company prior to the date of the General Meeting. In either circumstance and in accordance with their fiduciary duties, the Board might be required to amend or withdraw its recommendation in favour of the Resolution and the Transaction and/or to postpone or cancel the General Meeting, which may have an adverse effect on the business, financial condition, operating results or prospects of the Group.

## **2. MATERIAL NEW RISKS RELATING TO THE CONTINUING GROUP WHICH RESULT FROM OR ARE IMPACTED BY THE TRANSACTION**

### **2.1 The Company will be less diversified and its revenue stream will be reduced, which may be less attractive to investors following Completion**

The Transaction involves a material change to the Group's business and the Continuing Group will be smaller as a result. Following Completion the Continuing Group will be less diversified and will be more susceptible to adverse developments in the Divisions the Group continues to operate, being the Speciality Agriculture Division and the Engineering Division. There is no guarantee that the Continuing Group will utilise the proceeds received from the Transaction in a way that will result in an increase to the revenue achieved by the Speciality Agriculture Division and the Engineering Division. A material change in the trading, operations or outlook of the Speciality Agriculture Division or the Engineering Division may have an adverse effect on the business, financial condition, operating results or prospects of the Continuing Group.

This could have a significant impact on the Company's share price and may mean that the Company is less attractive to investors. This could also result in the Company being more vulnerable to a takeover approach, which may have adverse consequences for Shareholders (whether by reason of resulting share price fluctuation or a change in ownership of the Company on terms unfavourable or potentially unfavourable to existing Shareholders).

### **2.2 The Transaction may have a disruptive effect on the Company**

The Transaction has required, and will continue to require, substantial amounts of time and focus from the management team and employees of the Company and the central functions of the Group which could otherwise be spent operating the Group's business in the ordinary course. Key managers and employees may become distracted by the Transaction and, accordingly, decision-making by the Company may be delayed, deferred or otherwise impacted. In particular, the Company may delay or forego potential opportunities to enhance the Speciality Agriculture Division and the Engineering Division as a result of the Transaction. This disruption could be prolonged if the Transaction does not proceed to Completion. The circumstances described above may have an adverse effect on the business, financial condition, operating results or prospects of the Group.

### **2.3 Complexity of the separation of the Agricultural Supplies Division from the Continuing Group**

Pursuant to the Transitional Services Agreement, the Continuing Group has agreed to provide or procure the provision of certain services relating to the Agricultural Supplies Division for a period of up to 24 months following Completion whilst separation is taking place. Pursuant to the Distribution Agreements, the Agricultural Supplies Division has agreed to purchase certain minimum volumes of products from the Continuing Group and, pursuant to the AminoMax® Arrangements, the Agricultural Supplies Division has agreed to pay for equipment and intellectual property to facilitate its manufacture and supply of AminoMax® products. The Continuing Group could suffer loss in the event that the Purchaser (or its relevant subsidiary) fails to make payments due under the Transitional Services Agreement, the Distribution Agreements and/or the AminoMax® Arrangements for services in respect of which the Continuing Group has provided and incurred costs. There is also the possibility that the Continuing Group could suffer losses as a result of any claims brought by the Agricultural Supplies Division under or in respect of these agreements.

**2.4 There may be an adverse impact on the Group's reputation**

If the Transaction does not proceed, there may be an adverse impact on the reputation of the Group due to amplified investor, customer, supplier, employee and media scrutiny arising in connection with the attempted Transaction. Any such reputational risk could adversely affect the business, financial condition, operating results or prospects of the Group.

**3. EXISTING MATERIAL RISKS TO THE GROUP THAT WILL BE IMPACTED BY THE TRANSACTION**

**3.1 The Continuing Group's future business performance cannot be guaranteed**

There is no certainty and no representation or warranty is given by any person that the Continuing Group will be able to achieve any of its strategic aims or returns referred to in this document. The financial operations of the Continuing Group may be adversely affected by general economic conditions, by conditions within the global financial markets generally or by the particular financial condition of other parties doing business with the Continuing Group. For example, an economic downturn either globally, nationally or locally in any area in which the Continuing Group operates may have an adverse effect on the business, financial condition, operating results or prospects of the Continuing Group.

**3.2 The Continuing Group will be subject to proportionately higher currency risk**

Following completion of the Transaction, a greater proportion of the Continuing Group's revenue will be generated overseas, which will result in an increased currency risk with such revenues being translated into the Group's reporting currency of pounds sterling. Following completion of the Transaction, volatility in exchange rates and currency fluctuations could have a proportionately greater impact on the Continuing Group's consolidated income statement and consolidated balance sheet.

**3.3 Dependency on key executives and certain employees**

The Group is dependent upon the quality, ability and commitment of key personnel in order to sustain, develop and grow its business. There can be no assurance that these employees will remain with the Continuing Group and, consequently, the successful execution of the Continuing Group's strategy and the operation of the Continuing Group's business will depend upon its ability to attract, motivate, develop, integrate and retain key personnel.

A number of existing roles within the central functions of the Group may change significantly or no longer be required as a result of the Transaction, which may result in increased costs or reputational issues for, or disruption to, the Continuing Group's business.

The loss of key personnel or a substantial number of talented employees, or an inability to attract, motivate, develop and retain the calibre of employees the Continuing Group's business requires could cause disruption and such disruption, or the loss of experience, skills or client relationships of such personnel, could adversely affect the Continuing Group's business, reputation, expertise, results of operations or financial condition.

**3.4 The market price of Ordinary Shares may fluctuate on the basis of market sentiment surrounding the Transaction**

The value of an investment in the Ordinary Shares may go down as well as up and can be highly volatile. The price at which the Ordinary Shares may be quoted, the price which investors may realise for their Ordinary Shares and general liquidity in the market for the Ordinary Shares will be influenced by a large number of factors, some specific to the Continuing Group and its operations and some which may affect the industry, markets and segments in which the Group operates as a whole, other comparable companies or publicly traded companies as a whole. The sentiment of the stock market (both over the long and short-term) regarding the Transaction is one such factor which could lead to the market price of the Ordinary Shares going up or down as well as impacting liquidity in the Ordinary Shares. The other factors that may affect the Company's share price include, but are not limited to, (a) actual or anticipated fluctuations in the financial performance of the Continuing Group or its competitors, (b) market fluctuations,

(c) legislative or regulatory changes in the markets and segments in which the Continuing Group operates, and (d) the fluctuation in national and global political, economic and financial conditions (including the Ukraine-Russia conflict and the COVID-19 pandemic and any new variants).

## **PART IV**

### **HISTORICAL FINANCIAL INFORMATION RELATING TO THE AGRICULTURAL SUPPLIES DIVISION**

#### ***Introduction***

This Part IV (*Historical Financial Information relating to the Agricultural Supplies Division*) contains unaudited historical financial information relating to the Agricultural Supplies Division for FY 2019, FY 2020, FY 2021 and HY 2022.

The financial information contained in this Part IV (*Historical Financial Information relating to the Agricultural Supplies Division*) has been extracted without material adjustment from the consolidation schedules and supporting analysis that underlie the audited consolidated financial information of the Group for FY 2019, FY 2020 and FY 2021 and the consolidation schedules and supporting analysis that underlie the unaudited interim consolidated financial information of the Group for HY 2022.

The financial information in this Part IV (*Historical Financial Information relating to the Agricultural Supplies Division*) has been prepared using the accounting policies of the Group as adopted in the published consolidated financial statements for each of the financial years presented.

This financial information reflects, therefore, the Agricultural Supplies Division's contribution to the Group during FY 2019, FY 2020, FY 2021 and HY 2022, applying the relevant accounting policies.

The financial information contained in this Part IV (*Historical Financial Information relating to the Agricultural Supplies Division*) does not constitute statutory accounts within the meaning of section 434(3) of the Companies Act 2006. The consolidated statutory accounts of the Group in respect of FY 2019, FY 2020 and FY 2021 have been delivered to the UK registrar of companies.

KPMG LLP was the auditor of the Group in respect of FY 2019, FY 2020 and FY 2021. Grant Thornton UK LLP was appointed as auditor of the Group in respect of FY 2022 at the 2022 Annual General Meeting held on 18 January 2022.

Shareholders should read the whole of this document and not rely solely on the financial information contained in this Part IV (*Historical Financial Information relating to the Agricultural Supplies Division*).

**Unaudited income statement and statement of other comprehensive income for the Agricultural Supplies Division for FY 2019, FY 2020, FY 2021 and HY 2022**

|                                                                                  | <b>FY 2019</b>      | <b>FY 2020</b>         | <b>FY 2021</b>         | <b>HY 2022</b>         |
|----------------------------------------------------------------------------------|---------------------|------------------------|------------------------|------------------------|
|                                                                                  | <b>£'000</b><br>(1) | <b>£'000</b><br>(1)(2) | <b>£'000</b><br>(1)(2) | <b>£'000</b><br>(1)(2) |
| Revenue .....                                                                    | 296,284             | 280,732                | 297,500                | 158,719                |
| Revenue from sales to the Continuing Group.....                                  | 11                  | 8                      | 6                      | 4                      |
| Total revenue.....                                                               | 296,295             | 280,740                | 297,506                | 158,723                |
| Cost of sales .....                                                              | (275,245)           | (259,408)              | (276,476)              | (151,584)              |
| <b>Gross profit</b> .....                                                        | <b>21,050</b>       | <b>21,332</b>          | <b>21,030</b>          | <b>7,139</b>           |
| Operating expenses .....                                                         | (17,148)            | (18,230)               | (17,347)               | (5,184)                |
| Adjusted <sup>(3)</sup> share of post-tax results of associate .....             | 1,293               | 1,191                  | 1,525                  | 678                    |
| Adjusting items .....                                                            | (369)               | (202)                  | (694)                  | (261)                  |
| Share of post-tax results of associate.....                                      | 924                 | 989                    | 831                    | 417                    |
| Share of post-tax results of joint ventures .....                                | 432                 | 381                    | 429                    | 205                    |
| Adjusted <sup>(3)</sup> operating profit.....                                    | 5,858               | 5,860                  | 6,627                  | 3,821                  |
| Adjusting items .....                                                            | (600)               | (1,388)                | (1,684)                | (1,244)                |
| <b>Operating profit</b> .....                                                    | <b>5,258</b>        | <b>4,472</b>           | <b>4,943</b>           | <b>2,577</b>           |
| Net finance costs .....                                                          | (508)               | (492)                  | (316)                  | (258)                  |
| Adjusted <sup>(3)</sup> profit before taxation .....                             | 5,350               | 5,368                  | 6,311                  | 3,563                  |
| Adjusting items .....                                                            | (600)               | (1,388)                | (1,684)                | (1,244)                |
| <b>Profit before taxation</b> .....                                              | <b>4,750</b>        | <b>3,980</b>           | <b>4,627</b>           | <b>2,319</b>           |
| Taxation .....                                                                   | (704)               | (561)                  | (586)                  | (322)                  |
| Adjusted <sup>(3)</sup> profit for the period .....                              | 4,608               | 4,581                  | 5,537                  | 3,054                  |
| Adjusting items .....                                                            | (562)               | (1,162)                | (1,496)                | (1,057)                |
| <b>Profit for the period</b> .....                                               | <b>4,046</b>        | <b>3,419</b>           | <b>4,041</b>           | <b>1,997</b>           |
| <b>Other comprehensive income:</b>                                               |                     |                        |                        |                        |
| Actuarial (losses)/gains on retirement benefit asset.....                        | (88)                | 408                    | 578                    | —                      |
| Tax credit/(charge) on actuarial (losses)/gains on retirement benefit asset..... | 15                  | (96)                   | (144)                  | —                      |
| <b>Total comprehensive income</b> .....                                          | <b>3,973</b>        | <b>3,731</b>           | <b>4,475</b>           | <b>1,997</b>           |

*Notes:*

- (1) The income statements and other comprehensive incomes presented above are unaudited and have been extracted without material adjustment from the consolidation schedules and supporting analysis that support the Group's audited consolidated financial statements for the three financial periods ended 28 August 2021 and the unaudited consolidated financial statements for the 26 week period ended 26 February 2022.
- (2) The income statements for FY 2020, FY 2021 and HY 2022 include the impact of IFRS 16. The Agricultural Supplies Division transitioned to IFRS 16 on 1 September 2019 and adopted the modified retrospective approach. Accordingly, the income statement for FY 2019 has not been restated.
- (3) Adjusting items are items which are material by size and/or nature and are presented within their relevant income statement categories, but also highlighted separately on the face of the income statement. Adjusting items include restructuring/closure costs and ERP system implementation costs. The Board believes adjusted profit measures before these items provides a useful measure of business performance.

**Unaudited balance sheet of the Agricultural Supplies Division as at 28 August 2021 and 26 February 2022**

|                                    | As at<br>28 August 2021<br>£'000<br>(1) | As at<br>26 February 2022<br>£'000<br>(1) |
|------------------------------------|-----------------------------------------|-------------------------------------------|
| <b>NON-CURRENT ASSETS</b>          |                                         |                                           |
| Goodwill.....                      | 5,149                                   | 5,149                                     |
| Intangible assets.....             | 18                                      | 4                                         |
| Property, plant and equipment..... | 7,879                                   | 7,807                                     |
| Right-of-use assets.....           | 7,669                                   | 9,945                                     |
| Investment in associate.....       | 14,268                                  | 14,687                                    |
| Interest in joint ventures.....    | 2,384                                   | 2,589                                     |
| Other investments.....             | 45                                      | 45                                        |
| Deferred tax assets.....           | 351                                     | 351                                       |
|                                    | <b>37,763</b>                           | <b>40,577</b>                             |
| <b>CURRENT ASSETS</b>              |                                         |                                           |
| Inventories.....                   | 24,195                                  | 33,096                                    |
| Trade and other receivables.....   | 44,089                                  | 64,161                                    |
| Cash and cash equivalents.....     | 1,807                                   | 13,039                                    |
|                                    | <b>70,091</b>                           | <b>110,296</b>                            |
| <b>TOTAL ASSETS</b>                | <b>107,854</b>                          | <b>150,873</b>                            |
| <b>CURRENT LIABILITIES</b>         |                                         |                                           |
| <i>Financial liabilities.....</i>  |                                         |                                           |
| Borrowings.....                    | (2,456)                                 | (25,445)                                  |
| Leases.....                        | (1,566)                                 | (2,324)                                   |
| Trade and other payables.....      | (48,925)                                | (64,564)                                  |
| Current tax liabilities.....       | (447)                                   | (317)                                     |
|                                    | <b>(53,394)</b>                         | <b>(92,650)</b>                           |
| <b>NON-CURRENT LIABILITIES</b>     |                                         |                                           |
| <i>Financial liabilities.....</i>  |                                         |                                           |
| Leases.....                        | (6,060)                                 | (7,748)                                   |
|                                    | <b>(6,060)</b>                          | <b>(7,748)</b>                            |
| <b>TOTAL LIABILITIES.....</b>      | <b>(59,454)</b>                         | <b>(100,398)</b>                          |
| <b>NET ASSETS.....</b>             | <b>48,400</b>                           | <b>50,475</b>                             |

*Notes:*

- (1) The net asset statements presented above are unaudited and have been extracted without material adjustment from the consolidation schedules and supporting analysis that support the Group's audited consolidated financial statements for FY 2021 and the unaudited consolidated financial statements for HY 2022.

## PART V

### UNAUDITED PRO FORMA FINANCIAL INFORMATION

#### SECTION A: UNAUDITED *PRO FORMA* FINANCIAL INFORMATION

##### ***Introduction***

The unaudited *pro forma* income statement and statement of net assets of the Continuing Group (the "**Unaudited Pro Forma Financial Information**") provided below have been prepared in accordance with Annex 20 of the PR Regulation and on the basis of the notes set out below to illustrate the effect of the Transaction on: (i) the consolidated income statement of the Group as if the Transaction had occurred on 29 August 2021, and (ii) the consolidated statement of net assets of the Group as if the Transaction had occurred on 26 February 2022.

The Unaudited Pro Forma Financial Information has been prepared on the basis of the financial information of the Group for the 26 weeks ended 26 February 2022, the date to which the latest published unaudited financial information relating to the Group was prepared. The Unaudited Pro Forma Financial Information has been prepared pursuant to Listing Rule 13.3.3R in a manner consistent with the accounting policies of the Group applied in its unaudited interim financial statements for the 26 weeks ended 26 February 2022.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and, by its nature, addresses a hypothetical situation and does not, therefore, represent the Continuing Group's actual financial position or results. The Unaudited Pro Forma Financial Information does not purport to represent what the Continuing Group's financial position or results actually would have been if the Transaction had been completed on the dates indicated, nor does it purport to represent the results of operations for any future period or the financial condition at any future date.

The Unaudited Pro Forma Financial Information does not constitute financial statements within the meaning of section 434 of the Companies Act 2006.

Shareholders should read the whole of this document and not rely solely on the Unaudited Pro Forma Financial Information contained in this Section A of Part V (*Unaudited Pro Forma Financial Information*).

## Unaudited pro forma income statement

|                                                                     | HY 2022       | Disposal of<br>Agricultural<br>Supplies<br>Division | Profit/(loss)<br>on disposal | Disposal<br>adjustments | Pro forma<br>of the<br>Continuing<br>Group |
|---------------------------------------------------------------------|---------------|-----------------------------------------------------|------------------------------|-------------------------|--------------------------------------------|
|                                                                     | £'000<br>(1)  | £'000<br>(2)                                        | £'000<br>(3)                 | £'000<br>(4)            | £'000<br>(5)                               |
| Revenue.....                                                        | 222,706       | (158,719)                                           |                              | 4,271                   | 68,258                                     |
| Revenues from sales to the Continuing Group.....                    | -             | (4)                                                 |                              | 4                       | -                                          |
| Total revenue.....                                                  | 222,706       | (158,723)                                           | -                            | 4,275                   | 68,258                                     |
| Cost of sales.....                                                  | (198,972)     | 151,584                                             |                              | (4,137)                 | (51,525)                                   |
| <b>Gross profit</b> .....                                           | <b>23,734</b> | <b>(7,139)</b>                                      | -                            | <b>138</b>              | <b>16,733</b>                              |
| Operating expenses.....                                             | (15,135)      | 5,184                                               |                              | 24                      | (9,927)                                    |
| Adjusted <sup>(9)</sup> share of post-tax results of associate..... | 678           | (678)                                               | -                            | -                       | -                                          |
| Adjusting items.....                                                | (261)         | 261                                                 |                              |                         | -                                          |
| Share of post-tax results of associate .....                        | 417           | (417)                                               |                              |                         | -                                          |
| Share of post-tax results of joint ventures                         | 998           | (205)                                               |                              |                         | 793                                        |
| Adjusted <sup>(9)</sup> operating profit.....                       | 10,781        | (3,821)                                             | -                            | 162                     | 7,122                                      |
| Adjusting items.....                                                | (767)         | 1,244                                               |                              |                         | 477                                        |
| <b>Operating profit</b> .....                                       | <b>10,014</b> | <b>(2,577)</b>                                      | -                            | <b>162</b>              | <b>7,599</b>                               |
| Loss on disposal of Agricultural Supplies Division.                 | -             |                                                     | (2,007)                      |                         | (2,007)                                    |
| Net finance costs.....                                              | (530)         | 258                                                 |                              | (27)                    | (299)                                      |
| Adjusted <sup>(9)</sup> profit before taxation .....                | 10,251        | (3,563)                                             | -                            | 135                     | 6,823                                      |
| Adjusting items.....                                                | (767)         | 1,244                                               | (2,007)                      |                         | (1,530)                                    |
| <b>Profit before taxation</b> .....                                 | <b>9,484</b>  | <b>(2,319)</b>                                      | <b>(2,007)</b>               | <b>135</b>              | <b>5,293</b>                               |
| Taxation.....                                                       | (1,573)       | 322                                                 |                              | (35)                    | (1,286)                                    |
| Adjusted <sup>(9)</sup> profit for the period.....                  | 8,305         | (3,054)                                             | (2,007)                      | 100                     | 3,344                                      |
| Adjusting items.....                                                | (394)         | 1,057                                               |                              |                         | 663                                        |
| <b>Profit for the period</b> .....                                  | <b>7,911</b>  | <b>(1,997)</b>                                      | <b>(2,007)</b>               | <b>100</b>              | <b>4,007</b>                               |

### Notes:

- (1) The results of Carr's Group plc have been extracted, without material adjustment, from the unaudited income statement for the 26 weeks ended 26 February 2022 as published in the Company's interim results announcement dated 20 April 2022.
- (2) The results of the Agricultural Supplies Division have been extracted, without material adjustment, from the financial information within Part IV (*Historical Financial Information relating to the Agricultural Supplies Division*) of this document.
- (3) Profit/(loss) on disposal has been calculated as follows:

|                                               | £'000          |
|-----------------------------------------------|----------------|
| Initial cash consideration*                   | 26,382         |
| Deferred consideration                        | 2,650          |
| Overdue debtor retention payment              | 1,350          |
| Contingent consideration                      | 1,500          |
| Total consideration                           | 31,882         |
| Estimated transaction costs                   | (1,845)        |
| Net Disposal Proceeds                         | 30,037         |
| Net assets of Agricultural Supplies Division  | (50,475)       |
| Disposal adjustments arising on consolidation | 401            |
| Equity compensation reserve                   | 66             |
| Non-controlling interests                     | 17,964         |
| <b>Profit/(loss) on disposal</b>              | <b>(2,007)</b> |

\* Initial cash consideration is stated after estimated cash free/debt free and normalised working capital adjustments of £12,618,000 in aggregate, after the deduction of deferred consideration of £2,650,000, and after the deduction of an estimated retention for overdue debtors of £1,350,000.

- (4) Disposal adjustments reflect the following assumptions:
  - (a) adjustments in respect of intercompany eliminations on consolidation at a Group level for unrealised profit in inventories (£0.1 million) that will become realised on the disposal of the Agricultural Supplies Division. The adjustments were extracted without material adjustment from the accounting records of the Group as at 26 February 2022.

- (b) adjustments in respect of intercompany eliminations on consolidation at a Group level for assets leased from other Group companies was immaterial.
  - (c) an adjustment of £4.3 million has been made to revenue and cost of sales to reflect sales that would have been treated as though they were with external customers had the disposal occurred on 29 August 2021.
- (5) This column represents the sum of columns 1, 2, 3 and 4 inclusive to derive the unaudited pro forma income statement for the Continuing Group.
  - (6) The adjustments in Notes (2) and (4) above are expected to have a continuing impact on the Continuing Group.
  - (7) No adjustment has been made for any potential exercise of the Option Deed by Carr's or Billingtons, on the grounds that (i) there is no certainty that it will be exercised by either party, and (ii) it is only exercisable during a one year period commencing on the second anniversary of Completion.
  - (8) No adjustment has been made to reflect the financial results of the Group or the Agricultural Supplies Division since 26 February 2022.
  - (9) Adjusting items are items which are material by size and/or nature and are presented within their relevant income statement categories, but also highlighted separately on the face of the income statement. Adjusting items include restructuring/closure costs and ERP system implementation costs. The Board believes adjusted profit measures before these items provides a useful measure of business performance.

**Unaudited pro forma net assets statement**

|                                    | HY 2022          | Disposal of<br>Agricultural<br>Supplies<br>Division | Net proceeds  | Disposal<br>adjustments | Pro forma of<br>the<br>Continuing<br>Group |
|------------------------------------|------------------|-----------------------------------------------------|---------------|-------------------------|--------------------------------------------|
|                                    | £'000<br>(1)     | £'000<br>(2)                                        | £'000<br>(3)  | £'000<br>(4)            | £'000<br>(5)                               |
| <b>ASSETS</b>                      |                  |                                                     |               |                         |                                            |
| <b>NON-CURRENT ASSETS</b>          |                  |                                                     |               |                         |                                            |
| Goodwill.....                      | 31,634           | (5,149)                                             |               | (136)                   | 26,349                                     |
| Other intangible assets.....       | 4,656            | (4)                                                 |               |                         | 4,652                                      |
| Property, plant and equipment..... | 37,155           | (7,807)                                             |               | (2,565)                 | 26,783                                     |
| Right-of-use assets.....           | 15,816           | (9,945)                                             |               | 2,111                   | 7,982                                      |
| Investment property.....           | 149              |                                                     |               | 2,685                   | 2,834                                      |
| Investment in associate.....       | 14,687           | (14,687)                                            |               |                         | -                                          |
| Interest in joint ventures.....    | 8,445            | (2,589)                                             |               |                         | 5,856                                      |
| Other investments.....             | 72               | (45)                                                |               |                         | 27                                         |
| Contract assets.....               | 310              |                                                     |               |                         | 310                                        |
| Trade and other receivables.....   |                  |                                                     | 1,350         |                         | 1,350                                      |
| <i>Financial assets</i>            |                  |                                                     |               |                         |                                            |
| Non-current receivables.....       | 20               |                                                     | 800           |                         | 820                                        |
| Retirement benefit asset.....      | 9,964            |                                                     | 400           |                         | 10,364                                     |
| Deferred tax asset.....            | -                | (351)                                               |               | 351                     | -                                          |
|                                    | <b>122,908</b>   | <b>(40,577)</b>                                     | <b>2,550</b>  | <b>2,446</b>            | <b>87,327</b>                              |
| <b>CURRENT ASSETS</b>              |                  |                                                     |               |                         |                                            |
| Inventories.....                   | 51,926           | (33,096)                                            |               | 518                     | 19,348                                     |
| Contract assets.....               | 6,623            |                                                     |               |                         | 6,623                                      |
| Trade and other receivables.....   | 82,356           | (64,161)                                            | 700           | 6,270                   | 25,165                                     |
| Current tax assets.....            | 3,216            |                                                     |               | 317                     | 3,533                                      |
| <i>Financial assets</i>            |                  |                                                     |               |                         |                                            |
| Deferred consideration.....        |                  |                                                     | 2,650         |                         | 2,650                                      |
| Cash at bank and in hand.....      | 28,457           | (13,039)                                            | 24,137        |                         | 39,555                                     |
|                                    | <b>172,578</b>   | <b>(110,296)</b>                                    | <b>27,487</b> | <b>7,105</b>            | <b>96,874</b>                              |
| <b>TOTAL ASSETS.....</b>           | <b>295,486</b>   | <b>(150,873)</b>                                    | <b>30,037</b> | <b>9,551</b>            | <b>184,201</b>                             |
| <b>LIABILITIES</b>                 |                  |                                                     |               |                         |                                            |
| <b>CURRENT LIABILITIES</b>         |                  |                                                     |               |                         |                                            |
| <i>Financial liabilities</i>       |                  |                                                     |               |                         |                                            |
| Borrowings.....                    | (37,069)         | 25,445                                              |               |                         | (11,624)                                   |
| Leases.....                        | (3,301)          | 2,324                                               |               | (402)                   | (1,379)                                    |
| Contract liabilities.....          | (1,372)          |                                                     |               |                         | (1,372)                                    |
| Trade and other payables.....      | (74,054)         | 64,564                                              |               | (6,270)                 | (15,760)                                   |
| Current tax liabilities.....       | (254)            | 317                                                 |               | (317)                   | (254)                                      |
|                                    | <b>(116,050)</b> | <b>92,650</b>                                       | <b>-</b>      | <b>(6,989)</b>          | <b>(30,389)</b>                            |
| <b>NON-CURRENT LIABILITIES</b>     |                  |                                                     |               |                         |                                            |
| <i>Financial liabilities</i>       |                  |                                                     |               |                         |                                            |
| Borrowings.....                    | (21,246)         |                                                     |               |                         | (21,246)                                   |
| Leases.....                        | (11,982)         | 7,748                                               |               | (1,723)                 | (5,957)                                    |
| Deferred tax liabilities.....      | (5,560)          |                                                     |               | (438)                   | (5,998)                                    |
| Other non-current liabilities..... | (28)             |                                                     |               |                         | (28)                                       |
|                                    | <b>(38,816)</b>  | <b>7,748</b>                                        | <b>-</b>      | <b>(2,161)</b>          | <b>(33,229)</b>                            |
| <b>TOTAL LIABILITIES.....</b>      | <b>(154,866)</b> | <b>100,398</b>                                      | <b>-</b>      | <b>(9,150)</b>          | <b>(63,618)</b>                            |
| <b>NET ASSETS.....</b>             | <b>140,620</b>   | <b>(50,475)</b>                                     | <b>30,037</b> | <b>401</b>              | <b>120,583</b>                             |

**Notes:**

- (1) The net assets of Carr's Group plc have been extracted, without material adjustment, from the unaudited balance sheet as at 26 February 2022 as published in the Company's interim results announcement dated 20 April 2022.
- (2) This adjustment removes the net assets of the Agricultural Supplies Division which have been extracted, without material adjustment, from the financial information within Part IV (*Historical Financial Information relating to the Agricultural Supplies Division*) of this document. The eliminated net assets of approximately £50.5 million include approximately £18.0 million of non-controlling interests representing the 49 per cent. minority interest in Carrs Billington Agriculture Sales.

- (3) The initial purchase price of £43 million is expected to be reduced by an estimated aggregate debt free and normalised working capital adjustment of approximately £12.6 million and a retention relating to debtors of approximately £1.35 million. The initial purchase price of £43 million includes £2.65 million of non-interest bearing deferred consideration which is due 12 months after completion. Initial cash proceeds are, therefore, expected to be £26.4 million or £24.1 million net of estimated Transaction costs of approximately £1.9 million and a payment of £0.4 million to the Group's pension scheme following removal of the relevant employers from the scheme through a 'Flexible Apportionment Arrangement'. A maximum of approximately £0.7 million of the Contingent Consideration is achievable within one year. The remaining approximate £0.8 million of Contingent Consideration, if earned, would fall due after more than one year. The retention against debtors of approximately £1.35 million is expected to be received after more than one year. On the basis that the full Contingent Consideration is paid and that the full debtor retention is paid, the total expected net cash proceeds from the Disposal are approximately £30.0 million, or £29.6 million after the aforementioned payment to the Group pension scheme.
- (4) Disposal adjustments reflect the following assumptions:
- (a) the write off of goodwill of £0.1 million held on consolidation at a Group level relating to the Agricultural Supplies Division. The adjustment was extracted without material adjustment from the accounting records of the Group as at 26 February 2022.
  - (b) adjustments in respect of intercompany eliminations on consolidation at a Group level for unrealised profit in property, plant and equipment (£0.2 million) and unrealised profit in inventories (£0.5 million) that will become realised on the disposal of the Agricultural Supplies Division. The adjustments were extracted without material adjustment from the accounting records of the Group as at 26 February 2022.
  - (c) adjustments in respect of intercompany eliminations of £2.1 million on consolidation at a Group level for the net book value of assets leased from other Group companies, together with associated current lease liabilities of £0.4 million and non-current lease liabilities of £1.7 million. Adjustment has also been made for related deferred tax of £0.1 million. The adjustments were extracted without material adjustment from the accounting records of the Group as at 26 February 2022.
  - (d) adjustments in respect of the reclassification of owned property with a net book value of £2.7 million which on disposal of the Agricultural Supplies Division will become investment properties. The adjustments were extracted without material adjustment from the accounting records of the Group as at 26 February 2022.
  - (e) the reclassification of £0.4 million deferred tax assets and £0.3 million current tax liabilities which have been offset in the Group's balance sheet as at 26 February 2022. The adjustments were extracted without material adjustment from the accounting records of the Group as at 26 February 2022.
  - (f) an adjustment of £6.3 million has been made to trade and other receivables and trade and other payables to reflect the fact that intercompany accounts currently eliminated on consolidation will become external trading accounts following disposal.
- (5) This column represents the sum of columns 1, 2, 3 and 4 inclusive to derive the unaudited pro forma net asset statement for the Continuing Group.
- (6) No adjustment has been made for any potential exercise of the Option Deed by Carr's or Billingtons, on the grounds that (i) there is no certainty that it will be exercised by either party, and (ii) it is only exercisable during a one year period commencing on the second anniversary of Completion.
- (7) No adjustment has been made to reflect the change in financial position or financial results of the Group or the Agricultural Supplies Division since 26 February 2022.

## SECTION B: ACCOUNTANT'S REPORT ON UNAUDITED *PRO FORMA* INFORMATION

The Directors  
Carr's Group plc  
Old Croft, Stanwix  
Carlisle  
Cumbria  
CA3 9BA

31 August 2022

Dear Sir/Madam

### **Carr's Group plc (the "Company") and its subsidiaries (together the "Group") - Report on Pro Forma Financial Information**

We report on the pro forma financial information (the "**Pro Forma Financial Information**") set out in Section A of Part V of the Company's circular dated 31 August 2022 (the "**Circular**").

#### **Opinion**

In our opinion:

- a. the Pro Forma Financial Information has been properly compiled on the basis stated; and
- b. such basis is consistent with the accounting policies of the Company.

#### **Responsibilities**

It is the responsibility of the directors of the Company (the "**Directors**") to prepare the Pro Forma Financial Information in accordance with Annex 20 of the United Kingdom version of Regulation number 2019/980 of the European Commission, which is part of United Kingdom law by virtue of the European Union (Withdrawal) Act 2018 (as amended) (the "**PR Regulation**") as applied by rule 13.3.3R of the Listing Rules of the Financial Conduct Authority (the "**Listing Rules**").

It is our responsibility to form an opinion, as required by Section 3 of Annex 20 to the PR Regulation as applied by Listing Rule 13.3.3R, as to the proper compilation of the Pro Forma Financial Information and to report that opinion to you.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and which we may have to shareholders of the Company as a result of the inclusion of this report in the Circular, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Listing Rule 13.4.1R(6), consenting to its inclusion in the Circular.

No reports or opinions have been made by us on any financial information used in the compilation of the Pro Forma Financial Information. In providing this opinion we are not providing any assurance on any source financial information on which the Pro Forma Financial Information is based beyond the above opinion.

#### **Basis of Preparation**

The Pro Forma Financial Information has been prepared on the basis described in the notes to the Pro Forma Financial Information, for illustrative purposes only, to provide information about how the proposed disposal of the Group's 'Agricultural Supplies' division (which is formed of a number of legal entities) might have affected the financial information presented on the basis of the accounting policies adopted by the Company in preparing the Group condensed consolidated interim financial statements for the 26 week period ended 26 February 2022.

This report is required by Section 3 of Annex 20 of the PR Regulation as applied by Listing Rule 13.3.3R, and is given for the purpose of complying with that requirement and for no other purpose.

#### **Basis of Opinion**

We conducted our work in accordance with the Standards for Investment Reporting issued by the Financial Reporting Council ("**FRC**") in the United Kingdom. We are independent of the Group in accordance with relevant ethical requirements, which in the United Kingdom is the FRC's Ethical Standard as applied to Investment Circular Reporting Engagements, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro Forma Financial Information with the Directors.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro Forma Financial Information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America or other jurisdictions and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Yours faithfully

**GRANT THORNTON UK LLP**

## PART VI

### ADDITIONAL INFORMATION

#### 1. Responsibility

The Company and the Directors, whose names appear on page 8 and in paragraph 3.1 below of this Part VI (*Additional Information*), accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Company and the Directors (each of whom has taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

#### 2. Corporate history

2.1 The Company was incorporated in England and Wales on 3 June 1908 under the Companies Act 1900 as a private company limited by shares, with registered number 00098221 and with the name Carr's Flour Mills Limited.

2.2 On 31 March 1950, the Company changed its name to Carr's Milling Industries Limited.

2.3 On 17 May 1972, the Ordinary Shares were admitted to listing on the Official List and to trading on the London Stock Exchange's main market for listed securities.

2.4 On 5 March 1982, the Company was re-registered as a public company limited by shares and changed its name to Carr's Milling Industries plc.

2.5 On 2 April 2015, the Company changed its name to Carr's Group plc.

2.6 The legal entity identifier ("LEI") number of the Company is 213800HTIKPQV98RA653.

2.7 The Company's registered office and principal place of business is at Old Croft, Stanwix, Carlisle, Cumbria, United Kingdom, CA3 9BA. The Company's website address is <https://www.carrsgroup.com>. The information on the website does not form part of this document unless it is incorporated by reference.

#### 3. Directors and Senior Manager

3.1 The Directors are:

| Name               | Position                | Date appointed  |
|--------------------|-------------------------|-----------------|
| <b>Peter Page</b>  | Executive Chairman      | 1 November 2019 |
| <b>Neil Austin</b> | Chief Financial Officer | 1 May 2013      |
| <b>Ian Wood</b>    | Non-Executive Director  | 1 October 2015  |
| <b>John Worby</b>  | Non-Executive Director  | 1 April 2015    |

3.2 The business address of each of the Directors (in such capacity) is the Company's registered office.

3.3 As announced by the Company on 8 June 2022, Shelagh Hancock and Stuart Lorimer have each been appointed as independent non-executive directors who will join the Board on 1 September 2022.

3.4 The Senior Manager is:

| Name                     | Position                                   | Date appointed   |
|--------------------------|--------------------------------------------|------------------|
| <b>Matthew Ratcliffe</b> | Group Legal Director and Company Secretary | 25 November 2016 |

#### 4. Directors' interests

- 4.1 As at the Latest Practicable Date, the interests in the share capital of the Company of each of the Directors (all of which, unless otherwise stated, are beneficial or are interests (so far as is known to them or could with reasonable diligence be ascertained by them) of a person closely associated (within the meaning of MAR) with a Director) were as follows:

| Name               | Number of Ordinary Shares | Percentage of issued Ordinary Share capital |
|--------------------|---------------------------|---------------------------------------------|
| <b>Peter Page</b>  | 124,500                   | 0.13%                                       |
| <b>Neil Austin</b> | 382,703                   | 0.41%                                       |
| <b>Ian Wood</b>    | 30,000                    | 0.03%                                       |
| <b>John Worby</b>  | 32,500                    | 0.03%                                       |

- 4.2 As at the Latest Practicable Date, the interests under the Share Plans of each of the Directors (all of which, unless otherwise stated, are beneficial or are interests (so far as is known to them or could with reasonable diligence be ascertained by them) of a person closely associated (within the meaning of MAR) with a Director) were as follows:

| Name               | Scheme under which the award was made | Date of grant of award | Number of Ordinary Shares in the award | Exercise price (if applicable) | Exercise period         |
|--------------------|---------------------------------------|------------------------|----------------------------------------|--------------------------------|-------------------------|
| <b>Neil Austin</b> | LTIP                                  | 11.11.2019             | 147,859                                | Nil cost options               | 10 years from award     |
|                    |                                       | 23.11.2020             | 200,800                                |                                |                         |
|                    |                                       | 10.12.2021             | 169,550                                |                                |                         |
|                    | DBSP                                  | 23.11.2020             | 7,612                                  | Nil cost options               | 10 years from award     |
|                    |                                       | 20.12.2021             | 39,067                                 |                                |                         |
|                    | Sharesave Scheme                      | 04.01.2021             | 17,647                                 | £1.02                          | 6 months after maturity |

#### 5. Senior Manager's interests

- 5.1 As at the Latest Practicable Date, the interests in the share capital of the Company of the Senior Manager (all of which, unless otherwise stated, are beneficial or are interests (so far as is known to him or could with reasonable diligence be ascertained by him) of a person closely associated (within the meaning of MAR) with the Senior Manager) were as follows:

| Name                     | Number of Ordinary Shares | Percentage of issued Ordinary Share capital |
|--------------------------|---------------------------|---------------------------------------------|
| <b>Matthew Ratcliffe</b> | 26,354                    | 0.03%                                       |

- 5.2 As at the Latest Practicable Date, the interests under the Share Plans of the Senior Manager (all of which, unless otherwise stated, are beneficial or are interests (so far as is known to him or could with reasonable diligence be ascertained by him) of a person closely associated (within the meaning of MAR) with the Senior Manager) were as follows:

| Name                     | Scheme under which the award was made | Date of grant of award | Number of Ordinary Shares in the award | Exercise price (if applicable) | Exercise period         |
|--------------------------|---------------------------------------|------------------------|----------------------------------------|--------------------------------|-------------------------|
| <b>Matthew Ratcliffe</b> | LTIP                                  | 11.11.2019             | 31,849                                 | Nil cost options               | 10 years from award     |
|                          |                                       | 23.11.2020             | 38,986                                 |                                |                         |
|                          |                                       | 10.12.2021             | 39,736                                 |                                |                         |
|                          | Sharesave Scheme                      | 04.01.2021             | 17,647                                 | £1.02                          | 6 months after maturity |

## 6. Employee share plans

Carr's operates the Carr's Group plc Long Term Incentive Plan 2013 (the "**LTIP**"), the Carr's Group plc 2018 Deferred Bonus Share Plan (the "**DBSP**") and the Carr's Group plc Sharesave Scheme 2016 (the "**Sharesave Scheme**").

### 6.1 **LTIP**

The LTIP is a discretionary scheme under which nil cost awards of Ordinary Shares are made to employees (including executive directors) specified by the Company's Remuneration Committee. Awards are subject to performance conditions which are generally measured over three years. Awards over 1,349,519 Ordinary Shares remain outstanding.

### 6.2 **DBSP**

The DBSP allows for the grant of conditional awards of Ordinary Shares, nil-cost options, cash awards or any other form of award decided by the Company's Remuneration Committee. An award may only be made to an employee (including executive directors) who has participated in the Company's bonus plan for the preceding financial year. The Company's Remuneration Committee has discretion to determine the proportion of a participant's bonus that must be deferred into Ordinary Shares, although the general rule under the DBSP is that 25 per cent. of a participant's bonus must be deferred. Awards vest two years from grant. Awards over 74,645 Ordinary Shares remain outstanding.

### 6.3 **Sharesave Scheme**

The Sharesave Scheme is a tax-advantaged all-employee share option scheme which must be offered to all UK-based employees, including full-time directors who satisfy a period of continuous employment specified by the Company's Remuneration Committee. Participants make monthly contributions from net salary into a savings account for a period of three or five years. At the end of the savings period, the aggregate savings are used to pay the exercise price of the option. Options over 1,768,622 Ordinary Shares remain outstanding.

## 7. Director service contracts and appointment letters

Carr's has entered into the following contracts and letters with its executive and non-executive directors:

### 7.1 **Service contract of Neil Austin**

Neil Austin has entered into a service contract with the Company. Details of this service contract are set out below:

| Director    | Date of service agreement | Date of first appointment to the Board | Expiry/notice period | Basic annual salary for FY 2021 (£) | Annual bonus for FY 2021 (£) |
|-------------|---------------------------|----------------------------------------|----------------------|-------------------------------------|------------------------------|
| Neil Austin | 3 January 2013            | 1 May 2013                             | 12 months            | 256,020                             | 242,000                      |

Neil Austin is eligible to receive the following additional benefits pursuant to his service contract: private health insurance, an income protection plan, membership of the Company's pension scheme, membership of the Company's life assurance scheme, 25 working days' holiday (in addition to all bank and public holidays normally observed in the UK), and up to a maximum of 26 weeks' sick leave in any 12 month period. As announced by the Company on 5 August 2022, Neil Austin has informed the Board of his intention to stand down as a Director of the Company at the next annual general meeting of the Company, scheduled for January 2023.

## 7.2 *Non-executive director appointment letters*

The non-executive directors have entered into letters of appointment with the Company. Details of these appointment letters are set out below:

| Director           | Date of appointment letter | Date of first appointment to the Board | Expiry/notice period | Basic annual fee for FY 2021 (£) | Annual bonus payment for FY 2021 (£) |
|--------------------|----------------------------|----------------------------------------|----------------------|----------------------------------|--------------------------------------|
| <b>Peter Page*</b> | 1 September 2021           | 1 November 2019                        | 6 months             | 91,800                           | N/A                                  |
| <b>Ian Wood</b>    | 1 September 2021           | 1 October 2015                         | 3 months             | 41,021.76                        | N/A                                  |
| <b>John Worby</b>  | 1 September 2021           | 1 April 2015                           | 3 months             | 41,021.76                        | N/A                                  |

\*Peter Page has acted as Executive Chairman since 11 October 2021. Fees at the rate stated in the table above were payable during the period from 1 September 2021 to 11 October 2021. Since then, Peter Page has been subject to interim arrangements which entitle him to a salary of £340,000 per annum. Save for this increased salary, Peter Page is not entitled to any additional benefits in his role of Executive Chairman. As announced by the Company on 5 August 2022, Peter Page will remain appointed as Executive Chairman until the appointment of a non-executive chairperson, at which point Peter Page will be appointed to the role of Chief Executive Officer of the Company.

## 7.3 *Shelagh Hancock and Stuart Lorimer appointment letters*

Shelagh Hancock has executed an appointment letter with the Company dated 8 June 2022. Pursuant to this letter, Shelagh Hancock will be appointed as a non-executive director on 1 September 2022. Her appointment may be terminated by the provision of six months' notice by either party. Shelagh will be paid an annual fee of £41,021.76 (which is subject to adjustment as part of the Company's usual remuneration review process).

Stuart Lorimer has executed an appointment letter with the Company dated 7 June 2022. Pursuant to this letter, Stuart Lorimer will be appointed as a non-executive director on 1 September 2022. His appointment may be terminated by the provision of four months' notice by either party. Stuart will be paid an annual fee of £41,021.76 (which is subject to adjustment as part of the Company's usual remuneration review process).

Save as mentioned above in this paragraph 7 of this Part VI (*Additional Information*), there are no existing or proposed services agreements between any Director and the Company or any of its subsidiaries providing for benefits upon termination of employment.

## 8. **Significant Shareholders and interests and dealings**

So far as is known to the Company by virtue of notifications made pursuant to the Companies Act 2006 and/or Chapter 5 of the Disclosure Guidance and Transparency Rules, as at the Latest Practicable Date, the following persons were interested, directly or indirectly, in three per cent. or more of the Company's issued share capital or voting rights:

| <b>Name</b>                                       | <b>Number of Ordinary Shares</b> | <b>Percentage of issued Ordinary Share capital</b> |
|---------------------------------------------------|----------------------------------|----------------------------------------------------|
| <b>Heygate &amp; Sons Limited</b>                 | 13,025,120                       | 13.86%                                             |
| <b>Fidelity Management &amp; Research Co. LLC</b> | 9,400,153                        | 10.00%                                             |
| <b>Artemis Investment Management LLP</b>          | 5,759,006                        | 6.13%                                              |
| <b>Rights &amp; Issue Investment Trust Plc</b>    | 4,750,000                        | 5.05%                                              |
| <b>Interactive Investor Limited</b>               | 3,909,574                        | 4.16%                                              |
| <b>Hargreaves Lansdown Asset Management</b>       | 3,668,575                        | 3.90%                                              |
| <b>Charles Stanley &amp; Co. Limited</b>          | 3,029,584                        | 3.22%                                              |

9. **Key individuals to the Agricultural Supplies Division**

- 9.1 The following individuals are deemed by the Company to be key to the operations of Carrs Billington Agriculture Sales:

| <b>Name</b>      | <b>Position</b>                         |
|------------------|-----------------------------------------|
| Mark Cole        | Managing Director                       |
| Andrew Limmer    | Finance Director                        |
| Ian Gate         | Machinery Director                      |
| Ian Leach        | Head of Commercial                      |
| Mark Tasker-Wood | Head of Agricultural and Rural Supplies |
| Diane Martin     | Head of Business Delivery and Estates   |
| Stuart Reilly    | Commercial Manager – Fuel               |
| Neil Thomas      | Commercial Manager - Safety             |

- 9.2 The following individuals are deemed by the Company to be key to the operations of Carrs Billington Agriculture Operations:

| <b>Name</b>    | <b>Position</b>            |
|----------------|----------------------------|
| Sam Wilkinson  | Managing Director          |
| Paul Steeples  | Director                   |
| Peter Marsland | Operations Manager (South) |
| Tim Fawcett    | Operations Manager (North) |
| Peter Gorst    | Raw Material Manager       |
| Hannah Buckley | Financial Controller       |

10. **Material contracts**

10.1 ***Continuing Group***

The following is a summary of each contract (not being a contract entered into in the ordinary course of business) to which the Company or any other member of the Continuing Group is or has been a party: (i) within the two years immediately preceding the date of this document which is, or may be, material; or (ii) at any time, which contains provisions under which any member of the Continuing Group has any obligation or entitlement which is material to the Continuing Group as at the date of this document:

(a) ***Sale and Purchase Agreement***

On 30 August 2022, Carr's entered into the Sale and Purchase Agreement, pursuant to which the Company agreed, on the terms and subject to the conditions of the Sale and Purchase Agreement, to sell its interests in the Carr's Billington Agriculture business, comprising its shares in both Carrs Billington Agriculture Sales (together with its 50 per cent. shareholding in Bibby Agriculture Limited) and Carrs Billington Agriculture Operations, to the Purchaser.

The aggregate Consideration payable by the Purchaser in connection with the Disposal comprises:

- (i) an initial cash purchase price of £43 million on a debt free, cash free basis, subject to adjustments for estimated net debt and estimated normalised working capital, *minus*
- (ii) a retention and deferred consideration amount of £4 million,

which is payable at Completion and is subject to adjustments after Completion by way of a standard completion accounts mechanism, *plus*

- (iii) payment of up to the retention amount (estimated to be £1.35 million but ultimately being an amount (as at Completion) that reflects 50 per cent. of the increase in overdue debtors of the Agricultural Supplies Division as compared to FY 2021). The first payment from the retention shall fall due in the second week of FY 2024, with further payments due in each quarter of FY 2024 (and in each case representing a pass through of 50 pence on every £1 received by the Agricultural Supplies Division from the relevant overdue debtors during the relevant period). Should any amount of the retention remain payable after FY 2024, the Company shall be appointed debt collection agent on behalf of the Agricultural Supplies Division for the purposes of obtaining due payment of such overdue debts as equals the retention;
- (iv) payment of a lump sum by way of deferred consideration on the first anniversary of Completion, such amount to be equal to £4 million minus the retention against debtors (referred to in paragraph (iii) above) and to be finally determined by the completion accounts mechanism. For the avoidance of doubt, should the retention equal or exceed £4 million no such lump sum will be payable; and
- (v) the potential for a further £1.5 million of contingent consideration payable following the conclusion of FY 2022 and FY 2023, depending on the performance of the Agricultural Supplies Division against an agreed earn out criteria.

Completion under the Sale and Purchase Agreement is subject to, and can only occur upon satisfaction (or waiver, where applicable) of certain outstanding conditions prior to the Long Stop Date, including:

- (i) approval of the Resolution by Shareholders, which is being proposed as an ordinary resolution at the General Meeting;
- (ii) drawdown by the Purchaser of funds made available to it by Barclays Bank plc pursuant to an acquisition funding facility agreement, in order to facilitate the Purchaser's payment of the initial cash consideration on Completion; and
- (iii) certain other conditions precedent which are customary for a transaction of this nature.

The Sale and Purchase Agreement contains warranties as to title, authority and capacity, solvency and anti-bribery and corruption in respect of both Carrs Billington Agriculture Operations and Carrs Billington Agriculture Sales given to the Purchaser by the Company. The Sale and Purchase Agreement also contains a market standard set of general business warranties and a tax indemnity given to the Purchaser by the Company in respect of Carrs Billington Agriculture Sales and its business only. The Company's potential liability in respect of these warranties and the tax indemnity is limited in aggregate to £15 million and is further qualified by market standard seller liability limitations.

(b) *Transitional Services Agreement*

The Company, Carrs Billington Agriculture Sales and Carrs Billington Agriculture Operations have entered into the Transitional Services Agreement. As part of the Transaction, the Company will provide Transitional Services to the Agricultural Supplies Companies for a period of 18 months from the date of Completion in respect of IT services, which may be shortened or extended by six months, provided the Agricultural Supplies Companies give the Company six

months' written notice. The Company will otherwise provide the payroll and pension administration services for a period of six months from the date of Completion.

The Company will provide the Transitional Services at the same level of service as provided by the Company to the Agricultural Supplies Companies during the 12 month period prior to Completion and subject to any third party supplier consents which may be required.

The Company will charge the Agricultural Supplies Companies for the relevant services provided on a monthly basis. The Company will only be able to charge fees equivalent to the costs incurred by the Company in providing the Transitional Services.

(c) *Distribution Agreements*

The Company, through its subsidiaries, Carrs Agriculture Limited and Animax Limited (as suppliers), has entered into the Distribution Agreements with Carrs Billington Agriculture Sales (as distributor) for the non-exclusive supply and distribution of products manufactured by the suppliers for a term of five years.

The suppliers shall continue supplying products to existing third party distributors, however they agree to not appoint any new distributors of the products during the term of the Distribution Agreements. Such restriction shall apply within a 30 mile radius of any distributor branches for the first two years of the term and shall be reduced to a 15 mile radius for the latter three years of the term. The restriction shall not prevent the promotion or sales of products online.

The distributor has agreed to purchase minimum volumes of the products for the duration of the term, based on the volume of products supplied during FY 2022 between the parties. The distributor has agreed to purchase products equivalent to 100 per cent. of the FY 2022 volumes for the first two years of the term and 50 per cent. of the FY 2022 volumes for the latter three years of the term. The distributor is obliged to 'catch-up' on orders in the following year of the term in the event it does not meet the minimum volume obligations in any given year.

The suppliers have agreed to supply the products on a 'most favoured customer' basis, such that, where the suppliers supply products to a third party distributor during any three month period in substantially similar volumes and for a lower price than that supplied to the distributor under the agreement, it must reduce the price of the product supplied to the distributor to that lower price for the period that price is available and refund such difference (as applicable) to the distributor.

Each party has also agreed not to solicit or entice any director or senior employee of any other party whose salary is in excess of £50,000 at the date of the Distribution Agreements (or was within in the 12 months prior to the date of the Distribution Agreements) for a period of 12 months.

(d) *Option Deed and Right of First Refusal Agreements*

On or around the date of the Sale and Purchase Agreement, the Company (through its relevant subsidiary) entered into the Option Deed with a group undertaking of the Purchaser relating to its leasehold interest in land at the Rosehill Industrial Estate (Carlisle). The Option Deed grants Carr's a put option to sell to Billingtons the Company's leasehold interest in land at the Rosehill Industrial Estate (Carlisle), for a period of one year, commencing from the second anniversary of Completion, for a total cash consideration of £1.3 million (reflecting its independently assessed value). The Option Deed also grants Billingtons a call option (on the same terms) exercisable at any time before the second anniversary of Completion. The Option Deed contemplates Billingtons may, in the first six months following Completion, conduct environmental diligence on the Rosehill Industrial Estate (Carlisle) following which, should a material issue come to light, Billingtons may ultimately terminate the Option Deed.

Billingtons must pay a deposit of £130,000 during the option period in order to validly exercise its call option. The deposit is then deducted from the purchase price once the sale completes.

Completion of the sale is condition upon the landlord providing its consent in the form of a deed, free from unreasonable conditions, or a declaration from a court that the landlord's consent is unreasonably withheld.

The sale of the property is subject to certain special conditions including in relation to matters affecting the property, environmental matters and apportionment of rent between Carr's and Billingtons. The sale of the property is otherwise subject to the standard commercial property conditions under Part 1 of the Standard Commercial Property Conditions (Third Edition).

As part of the Transaction, the Company (through its relevant subsidiary) has also entered into the Right of First Refusal Agreements with a group undertaking of the Purchaser in relation to the sale of the Group's real estate interests at Barnard Castle, Hexham, Penrith and Milnathort, all of which are leased to and currently in use within the Agricultural Supplies Division. The right of first refusal will require the Group to first offer these properties to a group undertaking of the Purchaser in the event the Group determines to dispose of them in the two year period following Completion.

(e) *AminoMax® Arrangements*

The Company (through its relevant subsidiary) has agreed to lease to Carrs Billington Agriculture Operations the requisite equipment and license to Carrs Billington Agriculture Operations the requisite intellectual property needed to facilitate the continued manufacture of the AminoMax® bypass protein animal feed ingredient from the facilities of Carrs Billington Agriculture Operations at Lansil Way, Lancaster. The lease and licence arrangements extend until the date falling three years after Completion, unless terminated earlier in accordance with the terms of the agreement.

(f) *Deed of Restrictive Covenant*

The Company has entered into the Deed of Restrictive Covenant with, among others, the Purchaser, which shall remain in effect for a period of four years from the date of Completion, to restrict the activities of Carr's which compete with the Agricultural Supplies Companies insofar as they relate to:

- (i) compound feed manufacture and sales of ruminant livestock;
- (ii) sales and servicing of agricultural machinery of the kind currently sold by the Agricultural Supplies Companies;
- (iii) the operation of retail and agricultural sales; and
- (iv) the distribution of agricultural machinery fuels, oils and lubricants.

Carr's has also agreed to not solicit customers away from the Agricultural Supplies Companies or interfere with or entice suppliers of the Agricultural Supplies Companies.

The deed contains standard exceptions to these non-compete restrictions, such as where Carr's holds up to five per cent. of the securities of a listed entity engaged in such activities.

Carr's has also agreed to non-solicit and non-hire provisions to the effect that it must not seek to employ any director or senior employee of the Agricultural Supplies Companies earning a salary in excess of £50,000 in the preceding 12 months of the Deed of Restrictive Covenant.

The non-hire provisions are subject to a further restriction during the first 12 months of the term such that the standard exceptions to the non-hire restriction will not apply, such as where an employee responds to a general advertisement of Carr's. The standard exceptions will apply after the first 12 months of the term.

The Purchaser provides reciprocal non-solicit and non-hire provisions in respect of the Directors and senior employees of Carr's Group plc.

(g) *Company Facility Agreement*

The Company and certain of its subsidiaries are borrowers and guarantors under a facility agreement with Clydesdale Bank plc (trading as Virgin Money) ("**Virgin Money**") dated 6 November 2018 as amended and restated on 28 June 2019 and as further amended on 9 July 2021 and 29 June 2022 (the "**Company Facility Agreement**").

The Company Facility Agreement includes a revolving credit facility of £25 million maturing in December 2024 which is utilised for general corporate purposes. Prior to the cessation of LIBOR in 2021, interest on draw downs denominated in pounds sterling was payable on a quarterly basis at LIBOR plus 1.7 per cent. per annum. Since the cessation of LIBOR, interest is payable on these draw downs quarterly at Bank of England base rate (the "**Base Rate**") plus 1.7 per cent. per annum less a static adjustment of 0.03 per cent. per annum to reflect the differential between the Base Rate and LIBOR on the transition date. On draw downs denominated in Euros, interest is payable on a quarterly basis at EURIBOR plus 1.7 per cent. per annum.

As at the Latest Practicable Date, the withdrawn balance of the revolving credit facility was £21.6 million.

The Company Facility Agreement also covers a term loan with a termination date of 30 June 2024. The amount outstanding on this term loan at the end of July 2022 was £2.4 million. Interest on the term loan is as per the revolving credit facility for pound sterling draw downs with the exception that the margin before static adjustment is 1.8 per cent. per annum. The term loan was for the purpose of financing acquisitions of subsidiaries. The Company Facility Agreement contains various representations, warranties, covenants and events of default customary for transactions of this nature.

In addition the Company and certain subsidiaries have an overdraft facility with Virgin Money for £2.5 million which is renewable on an annual basis. As at the Latest Practicable Date, the utilised overdraft balance was nil.

The financial covenants under the Company Facility Agreement are as follows:

- (i) *Interest cover*: the ratio of profit before net interest and tax ("**PBIT**") of the Group to net interest charges of the Group shall not at any time be less than 4.0.
- (ii) *Leverage*: the ratio of the aggregate net financial indebtedness of the Group to EBITDA of the Group shall not exceed 3.0:1.
- (iii) *Net assets*: the net assets of the obligors (being a borrower or a guarantor under the facility), excluding two intercompany loans with US subsidiaries not party to the facility agreement and the retirement benefit asset/obligation, when taken together shall not at any time be less than £80 million.

The financial covenants are tested on a quarterly basis. The financial covenants exclude the impact of IFRS 16 'Leases' such that PBIT, net interest, EBITDA and net assets are adjusted to remove the effects of capitalisation of operating leases which would, in accordance with GAAP in force prior to 1 January 2019, have been expensed to the income statement.

## 10.2 ***Agricultural Supplies Division***

The following is a summary of each contract (not being a contract entered into in the ordinary course of business) to which the Agricultural Supplies Division is or has been a party: (i) within the period of two years immediately preceding the date of this document, which are or may be material to the Agricultural Supplies Division; or (ii) at any time, which contain any provisions under which the Agricultural Supplies Division has any obligation or entitlement which is, or may be, material to the Agricultural Supplies Division as at the date of this document:

### (a) ***Transitional Services Agreement***

Carrs Billington Agriculture Sales, Carrs Billington Agriculture Operations and the Company have entered into the Transitional Services Agreement. As part of the Transaction, the Company will provide Transitional Services to the Agricultural Supplies Companies for a period of 18

months from the date of Completion in respect of IT services, which may be shortened or extended by six months, provided the Agricultural Supplies Companies give the Company six months' written notice. The Company will otherwise provide the payroll and pension administration services for a period of six months from the date of Completion.

The Company will provide the Transitional Services at the same level of service as provided by the Company to the Agricultural Supplies Companies during the 12 month period prior to Completion and subject to any third party supplier consents which may be required.

The Company will charge the Agricultural Supplies Companies for the relevant services provided on a monthly basis. The Company will only be able to charge fees equivalent to the costs incurred by the Company in providing the Transitional Services.

(b) *Distribution Agreements*

Carrs Billington Agriculture Sales (as distributor) and the Company, through its subsidiaries, Carrs Agriculture Limited and Animax Limited (as suppliers), have entered into the Distribution Agreements for the non-exclusive supply and distribution of products manufactured by the suppliers for a term of five years.

The suppliers shall continue supplying products to existing third party distributors, however they agree to not appoint any new distributors of the products during the term of the Distribution Agreements. Such restriction shall apply within a 30 mile radius of any distributor branches for the first two years of the term and shall be reduced to a 15 mile radius for the latter three years of the term. The restriction shall not prevent the promotion or sales of products online.

The distributor has agreed to purchase minimum volumes of the products for the duration of the term, based on the volume of products supplied during FY 2022 between the parties. The distributor has agreed to purchase products equivalent to 100 per cent. of the FY 2022 volumes for the first two years of the term and 50 per cent. of the FY 2022 volumes for the latter three years of the term. The distributor is obliged to 'catch-up' on orders in the following year of the term in the event it does not meet the minimum volume obligations in any given year.

The suppliers have agreed to supply the products on a 'most favoured customer' basis, such that, where the suppliers supply products to a third party distributor during any three month period in substantially similar volumes and for a lower price than that supplied to the distributor under the agreement, it must reduce the price of the product supplied to the distributor to that lower price for the period that price is available and refund such difference (as applicable) to the distributor.

Each party has also agreed not to solicit or entice any director or senior employee of any other party whose salary is in excess of £50,000 at the date of the Distribution Agreements (or was within in the 12 months prior to the date of the Distribution Agreements) for a period of 12 months.

(c) *Agricultural Supplies Division Facility Agreement*

Carrs Billington Agriculture Sales has a facility agreement with The Royal Bank of Scotland plc which provides for an invoice discounting facility and a facility agreement which provides for a revolving credit facility (together, the "**Agricultural Supplies Division Facilities Agreements**").

The invoice discounting facility matures at the end of August 2023. The amount of any prepayment under this arrangement cannot exceed either 80 per cent. of the eligible debts or the prepayment review level. Following a variation to the agreement on 3 May 2022, the prepayment review level is £38 million for the period 3 May 2022 to 31 October 2022 (inclusive) and £33 million for the period 1 November 2022 to 31 December 2022 (inclusive) at which point the agreement will revert to £27 million for the months of July to January (inclusive) and £33 million for the months of February to June (inclusive). The interest payable is the Base Rate plus 1.15 per cent. per annum.

The revolving credit facility is for £2 million and matures in December 2023. Interest is payable at a rate of 1.8 per cent. per annum over SONIA.

The Agricultural Supplies Division Facilities Agreements contain various representations, warranties, covenants and events of default customary for transactions of this nature. The obligations under the facilities are secured by an unlimited intercompany guarantee and legal charges over properties and other assets.

As at the Latest Practicable Date, the withdrawn balance of the invoice discounting facility was £30.3 million and the withdrawn balance of the revolving credit facility was nil.

**11. Legal or arbitration proceedings**

**11.1 *Continuing Group***

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) during a period covering at least the previous 12 months preceding the date of this document which may have, or have had in the recent past, a significant effect on the Company's and/or the Continuing Group's financial position or profitability.

**11.2 *Agricultural Supplies Division***

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) during a period covering at least the previous 12 months preceding the date of this document which may have, or have had in the recent past, a significant effect on the Agricultural Supplies Division's financial position or profitability.

**12. Working capital**

The Company is of the opinion that, following Completion and taking into account the bank facilities available to the Continuing Group and the Net Disposal Proceeds, the working capital available to the Continuing Group is sufficient for its present requirements, that is for at least 12 months following the date of this document.

**13. Significant change**

**13.1 *Continuing Group***

There has been no significant change in the financial position or financial performance of the Continuing Group since 26 February 2022, being the end of the last financial period for which financial information has been published (being the Company's most recent unaudited consolidated interim financial statements).

**13.2 *Agricultural Supplies Division***

There has been no significant change in the financial position or financial performance of the Agricultural Supplies Division since 26 February 2022, being the end of the last financial period for which the Agricultural Supplies Division financial information has been published.

**14. Related party transactions**

**14.1 Save as disclosed:**

- (a) in note 36 of the audited consolidated financial statements of the Company for FY 2019;
- (b) in note 36 of the audited consolidated financial statements of the Company for FY 2020;
- (c) in note 35 of the audited consolidated financial statements of the Company for FY 2021;
- (d) in note 17 of the unaudited consolidated financial information of the Company for HY 2022; and

- (e) in this document with regard to the Transaction,  
  
the Company has not, during the period covered by the Historical Financial Information, entered into any related party transactions (which, for these purposes, are those set out in Applicable Accounting Standards).
- 14.2 In respect of the period from 27 February 2022 to the Latest Practicable Date, the Company's only related party transactions were the payment of salary and benefits to its Directors.
- 15. **Consents**
  - 15.1 Investec has given, and has not withdrawn, its written consent to the inclusion in this document of the references to its name in the form and context in which it is included.
  - 15.2 Lazard has given, and has not withdrawn, its written consent to the inclusion in this document of the references to its name in the form and context in which it is included.
  - 15.3 Grant Thornton has given, and has not withdrawn, its written consent to the inclusion in this document of its report on the Unaudited *Pro Forma* Financial Information set out in Section B of Part V (*Unaudited Pro Forma Financial Information*) of this document, in the form and context in which it is included. This consent is required by item 13.4.1R(6) of the Listing Rules and is given for the purpose of complying with that provision and for no other purpose.
- 16. **Documents available for inspection**
  - 16.1 Copies of the following documents will be available for inspection during normal business hours on any business day during the period beginning with (and including) the date of this document and ending on (and including) the date of the General Meeting, at the Company's registered office at Old Croft, Stanwix, Carlisle, Cumbria, CA3 9BA:
    - (a) the memorandum and articles of association of the Company;
    - (b) the Company's 2019 Annual Report and Accounts;
    - (c) the Company's 2020 Annual Report and Accounts;
    - (d) the Company's 2021 Annual Report and Accounts;
    - (e) the Company's unaudited consolidated financial information for HY 2022;
    - (f) the report of Grant Thornton set out in Section B of Part V (*Unaudited Pro Forma Financial Information*) of this document;
    - (g) the written consents of Investec, Lazard and Grant Thornton;
    - (h) this document;
    - (i) the Form of Proxy; and
    - (j) the Sale and Purchase Agreement.
  - 16.2 Copies of the above documents (other than the Sale and Purchase Agreement) will also be published on the Company's website at <https://www.carrsgroup.com/>.

## PART VII

### DOCUMENTS INCORPORATED BY REFERENCE

The table below sets out the documents of which certain parts are incorporated by reference into, and form part of, this document. Only the parts of the documents identified in the table below are incorporated into, and form part of, this document. The parts of these documents which are not incorporated by reference are either not relevant for Shareholders or are covered elsewhere in this document.

Any statement contained in a document which is deemed to be incorporated by reference into this document shall be deemed to be modified or superseded for the purpose of this document to the extent that a statement contained in this document (or in a later document which is incorporated by reference into this document) modifies or supersedes such earlier statement (whether expressly, by implication or otherwise).

Copies of the documents which are incorporated by reference in this document are available in "read-only" format and can be printed from the Company's website at the following address: <https://carrsgroup.com/>. The documents are also available as provided in paragraph 16 of Part VI (*Additional Information*) of this document.

| Reference document              | Information incorporated by reference into this document                               | Page numbers |
|---------------------------------|----------------------------------------------------------------------------------------|--------------|
| 2019 Annual Report and Accounts | Note 36 of the audited consolidated financial statements of the Company for FY 2019    | 129 - 130    |
| 2020 Annual Report and Accounts | Note 36 of the audited consolidated financial statements of the Company for FY 2020    | 135 - 136    |
| 2021 Annual Report and Accounts | Note 35 of the audited consolidated financial statements of the Company for FY 2021    | 153 - 154    |
| 2022 Interim Report             | Note 8 of the unaudited consolidated financial information of the Company for HY 2022  | 13           |
|                                 | Note 17 of the unaudited consolidated financial information of the Company for HY 2022 | 18           |

## PART VIII

### DEFINITIONS

The following definitions apply in this document unless the context otherwise requires:

|                                                               |                                                                                                                                                                                                                                                           |
|---------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>"2019 Annual Report and Accounts"</b>                      | the annual report and annual financial statements prepared by the Company for FY 2019                                                                                                                                                                     |
| <b>"2020 Annual Report and Accounts"</b>                      | the annual report and annual financial statements prepared by the Company for FY 2020                                                                                                                                                                     |
| <b>"2021 Annual Report and Accounts"</b>                      | the annual report and annual financial statements prepared by the Company for FY 2021                                                                                                                                                                     |
| <b>"2022 Interim Report"</b>                                  | the interim report and unaudited financial statements prepared by the Company for HY 2022                                                                                                                                                                 |
| <b>"Agricultural Supplies Companies"</b>                      | Carrs Billington Agriculture Sales (including its 50 per cent. shareholding in Bibby Agriculture Limited) and Carrs Billington Agriculture Operations                                                                                                     |
| <b>"Agricultural Supplies Division"</b>                       | the Carr's Billington Agriculture business, comprising the Agricultural Supplies Companies                                                                                                                                                                |
| <b>"Agricultural Supplies Division Facilities Agreements"</b> | the facilities agreements between Carrs Billington Agriculture Sales and The Royal Bank of Scotland plc, which include an invoice discounting facility and a revolving credit facility                                                                    |
| <b>"Agricultural Supplies Shares"</b>                         | the Company's 51 per cent. interest in the issued share capital of Carrs Billington Agriculture Sales and the Company's 49 per cent. interest in the issued share capital of Carrs Billington Agriculture Operations                                      |
| <b>"AminoMax® Arrangements"</b>                               | the arrangements summarised in paragraph 8.4 of Part II ( <i>Principal Terms of the Transaction</i> ) of this document                                                                                                                                    |
| <b>"APM"</b>                                                  | alternative performance measure                                                                                                                                                                                                                           |
| <b>"Applicable Accounting Standards"</b>                      | as applicable, the accounting standards adopted: (i) according to Regulation (EC) No. 1606/2002 for financial years beginning before 1 January 2021; and (ii) according to the UK IAS Regulation for financial years beginning on or after 1 January 2021 |
| <b>"Base Rate"</b>                                            | the Bank of England base rate                                                                                                                                                                                                                             |
| <b>"Billingtons"</b>                                          | the Purchaser and/or its relevant group undertaking (as the case may be)                                                                                                                                                                                  |
| <b>"Board"</b>                                                | the board of directors of the Company                                                                                                                                                                                                                     |
| <b>"Business Day"</b>                                         | a day on which the London Stock Exchange is open for business                                                                                                                                                                                             |
| <b>"Carr's" or the "Group"</b>                                | the Company and its subsidiary undertakings from time to time                                                                                                                                                                                             |
| <b>"Carrs Billington Agriculture Operations"</b>              | Carrs Billington Agriculture (Operations) Limited                                                                                                                                                                                                         |

|                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|-----------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>"Carrs Billington Agriculture Sales"</b>         | Carrs Billington Agriculture (Sales) Limited                                                                                                                                                                                                                                                                                                                                                                                                        |
| <b>"Company"</b>                                    | Carr's Group plc                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| <b>"Class 1 Transaction"</b>                        | has the meaning given to such term in the Listing Rules                                                                                                                                                                                                                                                                                                                                                                                             |
| <b>"Company Facility Agreement"</b>                 | the facility agreement between the Company and certain subsidiaries and Virgin Money dated 6 November 2018 as amended and restated on 28 June 2019 and as further amended on 9 July 2021 and 29 June 2022                                                                                                                                                                                                                                           |
| <b>"Completion"</b>                                 | the completion of the Transaction in accordance with the terms of the Transaction Documents                                                                                                                                                                                                                                                                                                                                                         |
| <b>"Consideration"</b>                              | has the meaning given to such term in paragraph 6 of Part I ( <i>Letter from the Chair of Carr's Group plc</i> ) of this document                                                                                                                                                                                                                                                                                                                   |
| <b>"Contingent Consideration"</b>                   | has the meaning given to such term in paragraph 1 of Part I ( <i>Letter from the Chair of Carr's Group plc</i> ) of this document                                                                                                                                                                                                                                                                                                                   |
| <b>"Continuing Group"</b>                           | the Group excluding the Agricultural Supplies Companies                                                                                                                                                                                                                                                                                                                                                                                             |
| <b>"CREST"</b>                                      | the system for the paperless settlement of trades in securities and the holding of uncertificated securities operated by Euroclear in accordance with the CREST Regulations                                                                                                                                                                                                                                                                         |
| <b>"CREST Manual"</b>                               | the rules governing the operation of CREST, consisting of the CREST Reference Manual, CREST International Manual, CREST Central Counterparty Service Manual, CREST Rules; Registrars Service Standards, Settlement Discipline Rules, CCSS Operations Manual, Daily Timetable, CREST Application Procedure and CREST Glossary of Terms (all as defined in the CREST Glossary of Terms promulgated by Euroclear on 15 July 1996 and as amended since) |
| <b>"CREST Member"</b>                               | a person who has been admitted by Euroclear as a system member (as defined in the CREST Regulations)                                                                                                                                                                                                                                                                                                                                                |
| <b>"CREST Personal Member"</b>                      | a CREST member admitted to CREST as a personal member                                                                                                                                                                                                                                                                                                                                                                                               |
| <b>"CREST Proxy Instruction"</b>                    | the CREST message in order to make a valid proxy appointment or instruction                                                                                                                                                                                                                                                                                                                                                                         |
| <b>"CREST Regulations"</b>                          | the UK Uncertificated Securities Regulations 2001 (as amended)                                                                                                                                                                                                                                                                                                                                                                                      |
| <b>"CREST Sponsor"</b>                              | a CREST participant admitted to CREST as a CREST sponsor                                                                                                                                                                                                                                                                                                                                                                                            |
| <b>"CREST Sponsored Member"</b>                     | a CREST member admitted to CREST as a sponsored member                                                                                                                                                                                                                                                                                                                                                                                              |
| <b>"DBSP"</b>                                       | the Company's 2018 Deferred Bonus Share Plan                                                                                                                                                                                                                                                                                                                                                                                                        |
| <b>"Deed of Restrictive Covenant"</b>               | the deed of restrictive covenant between the Company, the Purchaser, Carrs Billington Agriculture Sales and Carrs Billington Agriculture Operations                                                                                                                                                                                                                                                                                                 |
| <b>"Directors"</b>                                  | the directors of the Company and <b>"Director"</b> means any one of them                                                                                                                                                                                                                                                                                                                                                                            |
| <b>"Disclosure Guidance and Transparency Rules"</b> | the disclosure guidance and transparency rules of the FCA made pursuant to Part VI of FSMA                                                                                                                                                                                                                                                                                                                                                          |

|                                           |                                                                                                                                                                                                                                                                                                           |
|-------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>"Disposal"</b>                         | the proposed disposal of the Agricultural Supplies Shares on the terms and subject to the conditions set out in the Sale and Purchase Agreement                                                                                                                                                           |
| <b>"Distribution Agreements"</b>          | the distribution agreement between Carrs Agriculture Limited (as supplier) and Carrs Billington Agriculture Sales (as distributor) and the distribution agreement between Animax Limited (as supplier) and Carrs Billington Agriculture Sales (as distributor)                                            |
| <b>"Divisions"</b>                        | the Agricultural Supplies Division, the Speciality Agriculture Division and the Engineering Division                                                                                                                                                                                                      |
| <b>"EBITDA"</b>                           | earnings before interest, tax, depreciation, amortisation, profit/(loss) on the disposal of non-current assets and before share of post-tax results of the associate and joint ventures                                                                                                                   |
| <b>"Engineering Division"</b>             | the Company's engineering division, comprising the Company's businesses across the UK, Europe and the United States which manufacture complex equipment and remote handling products, and supply specialist technical services to customers predominantly in nuclear, defence, and oil and gas industries |
| <b>"EURIBOR"</b>                          | the Euro Inter-Bank Offered Rate                                                                                                                                                                                                                                                                          |
| <b>"Euroclear"</b>                        | Euroclear UK & International Limited                                                                                                                                                                                                                                                                      |
| <b>"FCA"</b>                              | the Financial Conduct Authority                                                                                                                                                                                                                                                                           |
| <b>"Form of Proxy"</b>                    | the form of proxy accompanying this document for use at the General Meeting                                                                                                                                                                                                                               |
| <b>"FRC"</b>                              | the Financial Reporting Council in the UK                                                                                                                                                                                                                                                                 |
| <b>"FSMA"</b>                             | the Financial Services and Markets Act 2000, as amended                                                                                                                                                                                                                                                   |
| <b>"FY 2019"</b>                          | the 52 week period ended 31 August 2019                                                                                                                                                                                                                                                                   |
| <b>"FY 2020"</b>                          | the 52 week period ended 29 August 2020                                                                                                                                                                                                                                                                   |
| <b>"FY 2021"</b>                          | the 52 week period ended 28 August 2021                                                                                                                                                                                                                                                                   |
| <b>"FY 2022"</b>                          | the 53 week period ending 3 September 2022                                                                                                                                                                                                                                                                |
| <b>"FY 2023"</b>                          | the 52 week period ending 2 September 2023                                                                                                                                                                                                                                                                |
| <b>"FY 2024"</b>                          | the 52 week period ending 31 August 2024                                                                                                                                                                                                                                                                  |
| <b>"GAAP"</b>                             | Generally Accepted Accounting Practice in the UK, being the body of accounting standards published by the FRC                                                                                                                                                                                             |
| <b>"General Meeting"</b>                  | the general meeting of the Company to be held at 9.30 a.m. on 19 September 2022, or any adjournment thereof, to consider and, if thought fit, to approve the Resolution, notice of which is set out at the end of this document                                                                           |
| <b>"Grant Thornton"</b>                   | Grant Thornton UK LLP                                                                                                                                                                                                                                                                                     |
| <b>"Historical Financial Information"</b> | the historical financial information set out in Part IV ( <i>Historical Financial Information relating to the Agricultural Supplies Division</i> ) of this document                                                                                                                                       |

|                                    |                                                                                                                                                                                                                                                                                        |
|------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>"HY 2022"</b>                   | the 26 weeks ended 26 February 2022                                                                                                                                                                                                                                                    |
| <b>"IFRS"</b>                      | as applicable, either (i) International Financial Reporting Standards as adopted by the European Union for financial years beginning before 1 January 2021, or (ii) United Kingdom adopted international accounting standards for financial years beginning on or after 1 January 2021 |
| <b>"Investec" or "Sponsor"</b>     | Investec Bank plc                                                                                                                                                                                                                                                                      |
| <b>"Latest Practicable Date"</b>   | 30 August 2022, being the latest practicable date prior to the publication of this document                                                                                                                                                                                            |
| <b>"Lazard"</b>                    | Lazard & Co., Limited                                                                                                                                                                                                                                                                  |
| <b>"LEI"</b>                       | legal entity identifier                                                                                                                                                                                                                                                                |
| <b>"LIBOR"</b>                     | the London Inter-Bank Offered Rate                                                                                                                                                                                                                                                     |
| <b>"Listing Rules"</b>             | the listing rules of the FCA made pursuant to Part VI of FSMA                                                                                                                                                                                                                          |
| <b>"London Stock Exchange"</b>     | London Stock Exchange plc                                                                                                                                                                                                                                                              |
| <b>"Long Stop Date"</b>            | the date falling 60 days after the date of the Sale and Purchase Agreement, or such later date as agreed in writing by the Company and the Purchaser                                                                                                                                   |
| <b>"LTIP"</b>                      | the Company's Long Term Incentive Plan 2013                                                                                                                                                                                                                                            |
| <b>"MAR"</b>                       | the United Kingdom version of Regulation no 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse, which is part of United Kingdom law by virtue of the European Union (Withdrawal) Act 2018 (as amended)                                            |
| <b>"Net Disposal Proceeds"</b>     | has the meaning give to such term in paragraph 1 of Part I ( <i>Letter from the Chair of Carr's Group plc</i> ) of this document                                                                                                                                                       |
| <b>"Notice of General Meeting"</b> | the notice of the General Meeting set out at the end of this document                                                                                                                                                                                                                  |
| <b>"Official List"</b>             | the official list of the FCA                                                                                                                                                                                                                                                           |
| <b>"Option Deed"</b>               | the put and call option deed between Carr's and a group undertaking of the Purchaser in relation to its leasehold interest in land at the Rosehill Industrial Estate (Carlisle)                                                                                                        |
| <b>"Ordinary Shares"</b>           | ordinary shares of 2.5 pence each in the capital of the Company                                                                                                                                                                                                                        |
| <b>"PBIT"</b>                      | profit before net interest and tax                                                                                                                                                                                                                                                     |
| <b>"PR Regulation"</b>             | the United Kingdom version of Regulation no. 2019/980 of the European Commission, which is part of United Kingdom law by virtue of the European Union (Withdrawal) Act 2018 (as amended)                                                                                               |
| <b>"PRA"</b>                       | the Prudential Regulation Authority                                                                                                                                                                                                                                                    |
| <b>"Purchaser"</b>                 | Edward Billington and Son Limited                                                                                                                                                                                                                                                      |
| <b>"Registrar"</b>                 | Link Group, which is the trading name of Link Market Services Limited and Link Market Services Trustees Limited,                                                                                                                                                                       |

|                                                    |                                                                                                                                                                                                                            |
|----------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                    | having its registered office at 10th Floor, Central Square, 29 Wellington Street, Leeds LS1 4DL                                                                                                                            |
| <b>"Regulatory Information Service"</b>            | a regulatory information service as defined in the Listing Rules                                                                                                                                                           |
| <b>"Related Party"</b>                             | has the meaning given to such term in the Listing Rules                                                                                                                                                                    |
| <b>"Related Party Transaction"</b>                 | has the meaning given to such term in the Listing Rules                                                                                                                                                                    |
| <b>"Resolution"</b>                                | the resolution to be proposed at the General Meeting which is set out in the Notice of General Meeting at the end of this document                                                                                         |
| <b>"Right of First Refusal Agreements"</b>         | has the meaning given to such term in paragraph 6 of Part I ( <i>Letter from the Chair of Carr's Group plc</i> ) of this document                                                                                          |
| <b>"Sale and Purchase Agreement"</b>               | the sale and purchase agreement between the Company and the Purchaser as described in paragraph 1 of Part II ( <i>Principal Terms of the Transaction</i> ) of this document                                                |
| <b>"Senior Manager"</b>                            | Matthew Ratcliffe                                                                                                                                                                                                          |
| <b>"Shareholder"</b>                               | a holder of Ordinary Shares                                                                                                                                                                                                |
| <b>"Share Plans"</b>                               | the DBSP, the LTIP and the Sharesave Scheme                                                                                                                                                                                |
| <b>"Sharesave Scheme"</b>                          | the Company's Sharesave Scheme 2016                                                                                                                                                                                        |
| <b>"SONIA"</b>                                     | the Sterling Overnight Index Average                                                                                                                                                                                       |
| <b>"Speciality Agriculture Division"</b>           | the Company's speciality agriculture division, comprising feed blocks, mineral supplements and animal health businesses in the UK, Europe, North America, and New Zealand                                                  |
| <b>"Transaction"</b>                               | together, all of the transactions described in paragraph 6 of Part I ( <i>Letter from the Chair of Carr's Group plc</i> ) and Part II ( <i>Principal Terms of the Transaction</i> ) of this document                       |
| <b>"Transaction Documents"</b>                     | the Sale and Purchase Agreement, the Transitional Services Agreement, the Distribution Agreements, the Option Deed, the Right of First Refusal Agreements, the AminoMax® Arrangements and the Deed of Restrictive Covenant |
| <b>"Transitional Services"</b>                     | certain IT, payroll and pension administration services to be provided by the Company to the Agricultural Supplies Companies in accordance with the terms of the Transitional Services Agreement                           |
| <b>"Transitional Services Agreement"</b>           | the agreement between the Company, Carrs Billington Agriculture Sales and Carrs Billington Agriculture Operations relating to the Transitional Services                                                                    |
| <b>"Unaudited Pro Forma Financial Information"</b> | the unaudited pro forma income statement and statement of net assets of the Continuing Group set out in Section A of Part V ( <i>Unaudited Pro Forma Financial Information</i> ) of this document                          |
| <b>"Virgin Money"</b>                              | Clydesdale Bank plc (trading as Virgin Money)                                                                                                                                                                              |

# NOTICE OF GENERAL MEETING

## CARR'S GROUP PLC

*(incorporated and registered in England and Wales with registered number 00098221)*

**NOTICE IS HEREBY GIVEN** that a general meeting of Carr's Group plc (the "**Company**") will be held at Hotel Sofitel London Heathrow, Terminal 5 London Heathrow Airport, London TW6 2GD at 9.30 a.m. on 19 September 2022 for the purposes of considering and, if thought fit, passing the following resolution as an ordinary resolution.

1. **THAT**

(i) the proposed disposal by the Company of its interests in the Carr's Billington Agriculture business, comprising Carrs Billington Agriculture (Sales) Limited and Carrs Billington Agriculture (Operations) Limited, to Edward Billington and Son Limited (the "**Purchaser**"), (ii) the proposed grant to the Company (through its relevant subsidiary) of a put option to sell, and proposed grant to the Purchaser (through its relevant subsidiary) of a call option to acquire, the Company's leasehold interest in land at the Rosehill Industrial Estate (Carlisle), (iii) the proposed grant to a group undertaking of the Purchaser of a right of first refusal relating to the acquisition of the Company's interests in land at Barnard Castle, Hexham, Penrith and Milnathort, and (iv) the entry by the Company into a deed of restrictive covenant with the Purchaser (the "**Deed of Restrictive Covenant**") which shall restrict certain activities of the Company and its group which compete with Carrs Billington Agriculture (Sales) Limited and Carrs Billington Agriculture (Operations) Limited ((i), (ii), (iii) and (iv) together being the "**Transaction**") as described in the circular to shareholders of the Company dated 31 August 2022 of which the notice convening this general meeting forms part, a copy of which has been produced to the meeting and initialled by the chair of the meeting for the purposes of identification only (the "**Circular**"), on the terms and subject to the conditions of a sale and purchase agreement dated 30 August 2022 between the Company and the Purchaser (the "**Sale and Purchase Agreement**"), an option deed between the Company (through its relevant subsidiary) and a group undertaking of the Purchaser (the "**Option Deed**"), a series of right of first refusal agreements between the Company (through its relevant subsidiary) and a group undertaking of the Purchaser (the "**Right of First Refusal Agreements**"), the Deed of Restrictive Covenant and the associated and ancillary documents, be and is hereby approved for the purposes of Chapters 10 and 11 of the Listing Rules of the Financial Conduct Authority, and any and all of the directors of the Company (the "**Directors**") (or a duly constituted committee thereof) be and are hereby authorised to:

- (a) take all such steps, execute all such agreements, and make all such arrangements as they may consider necessary, expedient, desirable or appropriate to complete, implement and to give effect to, or otherwise in connection with, this resolution, the Transaction, the Sale and Purchase Agreement, the Option Deed, the Right of First Refusal Agreements and any associated and ancillary matters and documents relating thereto; and
- (b) agree and make any such modifications, variations, revisions, waivers, amendments or extensions in relation to any of the foregoing as they may consider necessary, expedient, desirable or appropriate, provided such modifications, variations, revisions, waivers, amendments or extensions do not materially change the terms of the proposed Transaction for the purposes of the Financial Conduct Authority's Listing Rule 10.5.2.

By Order of the Board.  
**Matthew Ratcliffe**  
Company Secretary  
31 August 2022

**Registered office**  
Old Croft  
Stanwix  
Carlisle  
Cumbria  
CA3 9BA

## Notes:

### Entitlement to attend and vote

1. Only those Shareholders registered in the Company's register of members at 6.00 pm on 15 September 2022 (or, if the General Meeting is adjourned, at 6.00 pm on the day two days prior to the adjourned meeting (excluding non-working days)) shall be entitled to attend, speak and vote at the General Meeting. Changes to the register of members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the General Meeting.
2. Voting on the Resolution will be conducted at the General Meeting by way of a poll. The Company will publish the outcome of the voting on the Resolution, and the results of the proxy votes cast in advance of the General Meeting, as soon as is reasonably practicable following the General Meeting.
3. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the Resolution. If no voting indication is given, your proxy will vote or abstain from voting at his, her or its discretion. Your proxy will vote (or abstain from voting) as he, she or it thinks fit in relation to any other matter which is put before the General Meeting.

### Appointment of proxies

4. Shareholders entitled to attend and vote at the General Meeting are entitled to appoint a proxy or proxies to exercise all or any of their rights to attend, speak and vote in their place at the General Meeting. A Shareholder may appoint more than one proxy in relation to the General Meeting provided that each proxy is appointed to exercise the rights attached to a different Ordinary Share(s) held by that Shareholder. A proxy need not be a Shareholder of the Company. However, Shareholders are strongly encouraged to appoint the Chair of the General Meeting as their proxy rather than a named person who may not be permitted to attend and vote at the General Meeting in the event that new restrictions on physical gatherings and non-essential travel are imposed by the UK Government in response to the COVID-19 pandemic.
5. A Form of Proxy, which may be used to make such appointment and give proxy instructions, accompanies this Notice of General Meeting and instructions for its use are shown on the Form of Proxy. The appointment of a proxy does not preclude members from attending the General Meeting and voting if they so wish, however, if they do attend and vote at the General Meeting any proxy appointment will be treated as revoked. A Shareholder may only appoint a proxy:
  - (a) by completing and returning the Form of Proxy accompanying this notice to the Company's Registrar, Link Group, at 10th Floor, Central Square, 29 Wellington Street, Leeds LS1 4DL in accordance with the instructions contained therein; or
  - (b) by logging on to the share portal: [www.signalshares.com](http://www.signalshares.com) and following the instructions.

To be valid, the proxy appointment must be received by not later than 9.30 a.m. on 15 September 2022.

### CREST proxy voting

6. CREST Members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the General Meeting and any adjournment thereof by using the procedures described in the CREST Manual. CREST Personal Members or other CREST Sponsored Members, and those CREST Members who have appointed a voting service provider(s) should refer to their CREST Sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
7. In order for a proxy appointment, or instruction, made by means of CREST to be valid, the appropriate CREST message (a "**CREST Proxy Instruction**") must be properly authenticated in accordance with Euroclear UK & International Limited's ("**Euroclear**") specifications and must contain the information required for such instructions, as described in the CREST Manual. The message regardless of whether it relates to the appointment of a proxy or to an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA10) by the latest time(s) for receipt of proxy appointments specified in note 5 above. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5) of the CREST Regulations. CREST Members and, where applicable, their CREST Sponsors or voting service providers should note that Euroclear does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is therefore the responsibility

of the CREST Member concerned to take (or, if the CREST Member is a CREST Personal Member or CREST Sponsored Member or has appointed a voting service provider(s), to procure that his or her CREST Sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST Members and, where applicable, their CREST Sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

### **Nominated persons**

8. The right to appoint a proxy does not apply to persons whose Ordinary Shares are held on their behalf by another person and who have been nominated to receive communications from the Company in accordance with section 146 of the Companies Act 2006 ("**nominated persons**"). Nominated persons may have a right under an agreement with the registered Shareholder who holds the shares on their behalf to be appointed (or to have someone else appointed) as proxy. Alternatively, if nominated persons do not have such a right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the person holding the Ordinary Shares as to the exercise of voting rights. The statement of the rights of Shareholders in relation to the appointment of proxies in notes 4 and 5 does not apply to nominated persons. The rights described in these paragraphs can only be exercised by Shareholders of the Company.
9. If you have been nominated to receive general Shareholder communications directly from the Company, it is important to remember that your main contact in terms of your investment remains as it was (i.e. the registered shareholder, or perhaps custodian or broker, who administers the investment on your behalf). Therefore, any changes or queries relating to your personal details and holding (including any administration thereof) must continue to be directed to your existing contact at your investment manager or custodian. The Company cannot guarantee dealing with matters that are directed to it in error. The only exception to this is where the Company, in exercising one of its powers under the Companies Act 2006, writes to you directly for a response.

### **Corporate representative**

10. Any body corporate which is a Shareholder can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member, provided that no more than one corporate representative exercises powers over the same share. Any such representative should bring to the General Meeting written evidence of their appointment, such as a certified copy of a board resolution of, or a letter from, the body corporate concerned confirming the appointment.

### **Issued share capital and voting rights**

11. As at 6.00 p.m. on 30 August 2022, the Company's issued share capital comprised 93,999,596 ordinary shares of 2.5 pence each. Each ordinary share carries the right to one vote at a general meeting of the Company. The Company holds no shares in treasury.

### **Shareholder questions**

12. Any member has the right to ask questions. The Company will answer any question you ask relating to the business being dealt with at the General Meeting unless:
  - (a) answering the question would interfere unduly with the preparation for the General Meeting or involve the disclosure of confidential information;
  - (b) the answer has already been given on a website in the form of an answer to a question; or
  - (c) it is undesirable in the interests of the Company or the good order of the General Meeting that the question be answered.

### **Shareholders enquiries**

13. Except as provided above, Shareholders who have general queries about the General Meeting should call 01228 554600.

### **Use of electronic address**

14. You may not use any electronic address provided either:
  - (a) in this Notice of General Meeting; or
  - (b) any related documents (including the Form of Proxy),

to communicate with the Company for any purposes other than those expressly stated.

**Website**

15. Information regarding the General Meeting, including the information required by section 311A of the Companies Act 2006, can be found at [www.carrsgroup.com](http://www.carrsgroup.com).