

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. IF YOU ARE IN ANY DOUBT ABOUT THE ACQUISITION, THE CONTENTS OF THIS DOCUMENT OR WHAT ACTION YOU SHOULD TAKE, YOU ARE RECOMMENDED TO SEEK YOUR OWN PERSONAL FINANCIAL ADVICE IMMEDIATELY FROM YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER INDEPENDENT FINANCIAL ADVISER AUTHORISED UNDER THE FINANCIAL SERVICES AND MARKETS ACT 2000 (AS AMENDED), IF YOU ARE RESIDENT IN THE UNITED KINGDOM, OR, IF NOT, FROM ANOTHER APPROPRIATELY AUTHORISED INDEPENDENT FINANCIAL ADVISER IN THE RELEVANT JURISDICTION.**

Terms beginning with a capital letter that are used in this letter (and its terms and conditions) are defined in the Glossary at the end.

**To all participants under the rules of the CareTech Holdings PLC Long Term Incentive Plan (the "CareTech LTIP").**

**Recommended Cash Offer for CareTech Holdings PLC ("CareTech") by Amalfi Bidco Limited (a newly formed company indirectly owned by joint offerors Sheikh Holdings Group (Investments) Limited, Belgravia Investments Limited and Kensington Capital Limited, funds managed by THCS IV GP S.à r.l. and TH Management IV S.à r.l. as advised by THCP Advisory Limited) ("Bidco")**

**URGENT ACTION REQUIRED – PLEASE DO NOT IGNORE THIS COMMUNICATION**

***It is recommended that you review the advantages and disadvantages set out in this letter in relation to accepting the Alternative LTIP Proposal, the Exercise Proposal or the Part Exercise Proposal before taking any action.***

**You need to take action if you want to exercise your Option(s) or cancel your Option(s) in exchange for Replacement Awards or choose each in part. None of these three alternative proposals set out in this letter will happen automatically.**

**If you want to cancel your Option(s) under the Alternative LTIP Proposal to receive Replacement Awards or exercise your Option(s) under the Exercise Proposal (as defined below) or choose each in part, you must complete, sign and submit the Form of Instruction via DocuSign as soon as possible and in any event by no later than 5 p.m. (UK time) on 15 August 2022.**

**We recommend you take action as soon as possible. If you are leaving employment, please refer to the part of this letter headed "*What happens if I leave employment?*" which are also relevant for you and may mean you have different opportunities to exercise your Option(s).**

From CareTech Holdings PLC and Amalfi Bidco Limited

**25 July 2022**

Dear Colleague

## **1. What is this letter about?**

On 27 June 2022, the CareTech Independent Board and the Bidco Board announced that they had reached agreement on the terms of a recommended Cash Offer for CareTech by Bidco (a newly formed company indirectly owned by joint offerors Sheikh Holdings Group (Investments) Limited, Belgravia Investments Limited and Kensington Capital Limited, funds managed by THCS IV GP S.à r.l. and TH Management IV S.à r.l. as advised by THCP Advisory Limited), under which Bidco will acquire the entire issued and to be issued ordinary share capital of CareTech (the "**Acquisition**").

The purpose of this letter is to explain:

- the effect of the Acquisition on the Option(s) granted to you under the CareTech LTIP;
- the alternative LTIP proposal which Bidco is making to Option holders (the "**Alternative LTIP Proposal**"), as further set out below;
- the exercise proposal which Bidco is making to Option holders (the "**Exercise Proposal**"), as further set out below;
- the proposal which Bidco is making to Option holders to accept the Alternative LTIP Proposal in part and the Exercise Proposal in part (the "**Part Exercise Proposal**"), as further set out below; and
- the steps you should take if you want to accept one of the Proposals for your Option(s), and other action you can take.

This letter should be read together with the Scheme Document, which was sent to shareholders on 25 July 2022 and which contains the full details of the Scheme.

The full terms of the Acquisition and the Scheme are set out in the Scheme Document, which can be found at <https://www.caretech-uk.com/offer-sheikh-holdings-group-investments-limited>. A copy of this letter can also be found on this website.

## **2. How and when will the Acquisition take effect?**

It is intended that the Acquisition will be implemented by way of the Scheme.

Provided that the Scheme is approved by CareTech Shareholders, that all other conditions are satisfied or waived and that the Court sanctions the Scheme (which is currently expected to occur on 23 September 2022 (the "**Court Sanction Date**")), it is expected that Bidco will become the owner of CareTech two business days after the Court Sanction Date (the "**Effective Date**").

On the Effective Date, Bidco will buy all CareTech Shares subject to the Acquisition under the terms of the Scheme.

At this stage, we cannot be more precise as to the Court Sanction Date and Effective Date. When these are known, we will update you with the relevant dates and the relevant consequences for your Option(s) (if any).

The CareTech Shares acquired under the Scheme will automatically be bought by Bidco for **750 pence** each in cash ("**Cash Offer**"), but please note the below in respect of the Partial Alternative Offer.

You will see from the Scheme Document that there is an alternative proposal (which is described as the "**Partial Alternative Offer**") to receiving cash consideration under the Scheme and that an eligible CareTech Shareholder may elect to receive rollover non-voting ordinary shares in the capital of the indirect parent of Bidco, Amalfi Topco Limited ("**Topco**") having the rights of "**Rollover Securities**" set out in the articles of association of Topco (as amended from time to time) (the "**Rollover Securities**") in exchange for their holding of CareTech Shares at a ratio of 7.5 Rollover Securities for each CareTech Share subject to the terms and conditions of the Partial Alternative Offer (detailed in Part VIII of the Scheme Document). You are only able to accept the Partial Alternative Offer if you accept the Exercise Proposal, as explained in further detail below.

### **3. Partial Alternative Offer Advantages and Disadvantages**

If you are considering the Partial Alternative Offer your attention is drawn to certain risk factors and other investment considerations relevant to the Rollover Securities. These are included in Part VIII of the Scheme Document.

Your attention is also drawn to the estimated valuation letter contained in Part X of the Scheme Document.

### **4. How does the Acquisition affect my Option(s)?**

The Remuneration Committee of CareTech have determined that your Option(s) shall become exercisable in full as a result of the Acquisition. In particular, the Remuneration Committee have determined that the performance conditions attached to your Option(s) shall be met in full and that the Option(s) shall not be reduced on a time pro-rated basis to reflect the reduced vesting period. This has been agreed with Bidco.

This means that the entirety of your Option(s) over CareTech shares can be exercised under the Exercise Proposal or rolled over under the Alternative LTIP Proposal (or you may choose each in part).

### **5. The Proposals in respect of the Option(s):**

#### **A. Alternative LTIP Proposal**

Bidco has agreed to allow holders of Option(s) over CareTech Shares under the Rules of the CareTech LTIP to cancel these in exchange for a conditional cash bonus ("**Replacement Awards**") under a new LTIP ("**Amalfi LTIP**"). The Replacement Awards will pay out at the end of a three year performance period, commencing for the financial year ending 30 September 2022 and ending for the financial year ending 30 September 2025, subject to the rules of the Amalfi LTIP and a revised

performance condition based on Group EBITDA (as defined below). The Replacement Awards will not provide any interest in the share capital or voting rights of CareTech, Bidco or Topco.

The Replacement Awards give participants the right to receive a cash bonus at the end of the performance period, equal in value to 1.3x the "**LTIP Value**".

"**LTIP Value**" is defined as the gross amount Amalfi LTIP participants could have received had they exercised their existing Options in connection with the Exercise Proposal. For the avoidance of doubt, this includes dividend equivalents on CareTech Shares which would have paid out in respect of the original Options.

The cash bonus received will be subject to all applicable deductions of income tax and employee NIC contributions and Social and Health Care Levies.

The Replacement Awards will be governed by the rules of the LTIP under which they were originally granted, amended so as to reflect the new ownership of CareTech by Bidco. The following additional amendments will be made to the terms of the Amalfi LTIP, primarily so that the terms applicable to the Replacement Awards are relevant to Topco (the indirect owner of Bidco), which is a private company, as opposed to CareTech, which is a publicly listed company, and to reflect the commercial basis of the Replacement Awards, which is to pay out a cash bonus rather than result in an equity interest following vesting:

1. The three-year vesting period will apply to the Replacement Awards but will instead commence for the Financial Year ending September 2022 and end in the Financial Year ending September 2025 (the "**performance period**").
2. The Replacement Awards will only be cash-settled only.
3. To effectively mirror the EPS performance target for a private company, the proposal is to implement an audited Group EBITDA performance target. The "**Group EBITDA**" target shall be the audited figure for earnings before interest, taxes, depreciation, and amortization for CareTech and its subsidiaries. The performance period for Group EBITDA will commence from the Financial Year ending September 2022 in respect of the replacement of both the 2020 and 2021 Option grants under the CareTech LTIP and will end in the Financial Year ending September 2025 (i.e. a 3 year performance period for all Replacement Awards). The Group EBITDA target will be tested at the end of the performance period (i.e. after the audited accounts are published for the Financial Year ending September 2025). The Group EBITDA performance schedule is as follows:

Percentage increase in underlying EBITDA	% of Award that may Vest
Less than 15%	0%
More than 15%	100%

4. The good and bad leaver provisions in the Amalfi LTIP will directly mirror those in the CareTech LTIP. The definition of "**Good Leaver**" will remain the same as per the CareTech LTIP. The board of Topco may permit earlier vesting of Replacement Awards on termination of employment as a Good Leaver. Performance conditions will continue

to apply for Good Leavers but will be tested at the point of vesting (whether on an accelerated basis or at the normal time, which is at the discretion of the board of Topco).

5. On a change of control of Topco, as defined in the articles of association of Topco, the Replacement Awards shall vest earlier, subject to the earlier testing of the performance target by the board of Topco.
6. The board of Topco, or anyone whom they delegate authority to, can take decisions in respect of the Amalfi LTIP, including testing performance.
7. No holding period applies in respect of the cash received for the Replacement Awards.
8. No future dividend equivalents will accrue in respect of the cash-based Replacement Awards, as the Replacement Awards are not linked to the equity in CareTech, Bidco, or Topco.
9. The same malus and clawback provisions which apply under the CareTech LTIP will continue to apply to the Replacement Awards.

The Alternative LTIP Proposal is conditional upon the Court approving the Scheme and your remaining in employment.

The Alternative LTIP Proposal can be accepted in respect of all or a proportion of the CareTech Shares under the Option(s) you hold. This can be implemented on the Form of Instruction by completing the "**Part Exercise Proposal**" section.

### **B. Exercise Proposal**

The Exercise Proposal is that you give an instruction that, if the Scheme is approved by the Court and any other remaining conditions are met, your Option(s) will then be immediately exercised after the Court Sanction Date over the maximum number of CareTech Shares you can receive.

When you exercise your Option(s) by completing the section entitled "**Exercise Proposal**" on the Form of Instruction, you will receive the full number of CareTech Shares in relation to the LTIP Value to which you are entitled. Those CareTech Shares will then automatically be sold on your behalf at the Offer Price of 750 pence per CareTech Share under the Scheme, and you will receive the sale proceeds for your CareTech Shares, less any deductions for income tax and employee National Insurance contributions. The net amount due to you will then be paid to you through payroll.

The Form of Instruction also allows you to elect for receipt of the Rollover Securities under the Partial Alternative Offer in relation to all or part of your holding of CareTech Shares derived from your Option(s).

**Please note that you are able to accept both the Partial Alternative Offer and the Alternative LTIP Proposal (in part) by accepting the "Part Exercise Proposal" on the Form of Instruction.**

If you elect to receive the Partial Alternative Offer, you will receive the Rollover Securities following the Scheme becoming effective, which is currently expected to occur on 27 September 2022. Please

note that if you do not elect to receive sufficient cash consideration to discharge your income tax and employee National Insurance liabilities, these liabilities may be deducted from your salary.

### **C. Part Exercise Proposal**

The Part Exercise Proposal is that you give an instruction that, if the Scheme is approved by the Court and any other remaining conditions are met, your Option(s) will then be immediately exercised after the Court Sanction Date over the number of CareTech Shares you have elected to receive on the Form of Instruction (i.e. in part based on the number of CareTech Shares under Option(s) you have indicated).

It also means that you give an instruction, conditional upon Court approval of the Scheme and your remaining in employment, that your Option(s) will be cancelled in exchange for Replacement Awards over the number of CareTech Shares you have elected to receive on the Form of Instruction (i.e. in part based on the number of CareTech Shares under Option(s) you have indicated).

### **Procedure**

You should decide which of the three Proposals you wish to accept and then access the Form of Instruction via DocuSign to complete and sign it. You should submit the Form of Instruction (by following the prompts within DocuSign) so as to arrive NO LATER THAN 5 P.M. (UK TIME) ON 15 AUGUST 2022.

Before you complete the Form of Instruction, please read carefully the explanatory notes. If you have lost your option certificate(s) or have any other queries (not requiring the giving of financial or investment advice), you should contact Fahrina Maharaj at [centurion.participants@caretech-uk.com](mailto:centurion.participants@caretech-uk.com) without delay.

You can only accept one of the Proposals by 5 p.m. (UK time) on 15 August 2022. The reason we are asking you to take action now and imposing a deadline for acceptance of one of the Proposals some time in advance of the expected Court Sanction Date is that it takes time to process all elections and we want to be prepared for the Court Sanction Date so that there is no rush to process relevant acceptances.

### **What if I am a PDMR or on an insider list?**

If you are a Person Discharging Managerial Responsibilities ("PDMR") or an insider under the CareTech Group-Wide Dealing Policy (the "**Dealing Code**"), or you have otherwise been told the Dealing Code applies to you, you do not need to obtain permission under the Dealing Code to accept the Proposal as general clearance has been given. However, if you want to exercise your Option(s) in any other way or sell or otherwise transfer any CareTech Shares, you must contact Fahrina Maharaj at [centurion.participants@caretech-uk.com](mailto:centurion.participants@caretech-uk.com) for clearance in advance.

### **What are the tax consequences of exercising my Option(s)?**

A general description of the taxation consequences of the courses of action open to you is set out in Appendix 1 to this letter.

### **What if I leave?**

If you leave or have left employment or give or have been given notice to end employment, this is likely to affect your ability to exercise your Option(s) and accept the Proposal, and you may need to take other action. You may lose your Option(s), even if you have accepted the Proposal already.

### **Is there any other action that I can take?**

If your Option(s) are already exercisable as a result of your becoming a good leaver earlier, you do not have to wait until the Court Sanction Date to exercise your Option(s) and receive CareTech Shares or accept the Proposal to do this.

If you are able to exercise your Option(s) before the Court Sanction Date, please contact Fahrina Maharaj at [centurion.participants@caretech-uk.com](mailto:centurion.participants@caretech-uk.com). You need to do this by the Court Sanction Date (or such other date as the Company may notify you). You should also read the section above under "*What if I am a PDMR or on an insider list?*".

After the Court Sanction Date, if you have not already taken action to buy CareTech Shares, you may choose to buy CareTech Shares under your Option(s) in the period up to one month after the Effective Date (or the expiry date of your Option(s) if earlier). Your CareTech Shares would in this case automatically be sold to Bidco for 750 pence for each CareTech Share but it may take some time for you to receive payment and there will be a separate process for this. You will not be able to accept the Alternative LTIP Proposal or accept the Exercise Proposal and elect to receive Rollover Securities under the Partial Alternative Offer. If you would like to do this, please contact Fahrina Maharaj at [centurion.participants@caretech-uk.com](mailto:centurion.participants@caretech-uk.com).

### **What happens if I do nothing?**

If the Scheme is approved by the Court and takes effect, your Option(s) will lapse and cease to be exercisable one month after the Effective Date. If this happens and you have not already taken action, you will not be able to exercise your Option(s) and they will be worthless.

You will only be able to exercise your Option(s) to receive consideration in cash (equivalent to that which you would have received under the Cash Offer) during this one month period.

The Partial Alternative Offer and Alternative LTIP Proposal will no longer be open for your acceptance if you do not complete and submit the Form of Instruction by 5 p.m. on 15 August 2022.

It is therefore very important that you read this letter carefully and decide what to do, including taking any relevant action (as set out in the paragraph below headed "**ACTION REQUIRED**").

### **When will I receive the cash for my CareTech Shares?**

If you accept the Exercise Proposal and do not elect to receive the Partial Alternative Offer, you will receive the cash due to you for your CareTech Shares as soon as possible once your CareTech Shares have been acquired by Bidco and the Acquisition Value has been received from Bidco on your behalf. Payment will be made through the payroll of your employer into the bank account into which

your salary is (or was) normally paid, after deduction of any applicable tax liabilities and exercise price.

### **ACTION REQUIRED**

If you wish to exercise your Option(s) using one of the Proposals, you should do this by submitting the Form of Instruction via DocuSign as soon as possible and in any event by 5 p.m. (UK time) on 15 August 2022.

### **Advantages of accepting the Alternative LTIP Proposal over the Exercise Proposal:**

- There is the potential for an increased payment to 1.3x the LTIP value, which would be in excess of the Cash Offer if the Group EBITDA performance target is satisfied.

### **Disadvantages of accepting the Alternative LTIP Proposal over the Exercise Proposal:**

- Any payment under the Replacement Award will be made following the end of the performance period in September 2025 (unless there is an earlier exit event), compared to the Cash Offer which would be paid following the Scheme becoming effective.
- Any payment under the Replacement Award is subject to the Group EBITDA performance criteria being met. There is therefore a risk that if CareTech does not meet the Group EBITDA performance criteria during the performance period that the Amalfi LTIP holder would receive no cash payment.
- Any payment under the Replacement Award is also subject to either continued employment or, in the event that the Replacement Award holder leaves employment during the performance period, being deemed to be a Good Leaver.

You should, consider your own personal circumstances, including your tax position, when deciding whether to accept the Alternative LTIP Proposal or the Exercise Proposal (and if accepting the Exercise Proposal whether or not to accept the Cash Offer or the Partial Alternative Offer) or each in part.

The CareTech Independent Board, which has been so advised by Panmure Gordon (UK) Limited ("**Panmure**") and Numis Securities Limited ("**Numis**") as to the financial terms of the Alternative LTIP Proposal and the Exercise Proposal, considers both the Alternative LTIP Proposal and the Exercise Proposal set out in this letter for Option(s) to be fair and reasonable in the context of the Acquisition. In providing their advice to the CareTech Independent Board, Panmure and Numis have taken into account the commercial assessments of the CareTech Independent Board. Panmure and Numis are providing independent financial advice to the CareTech Independent Board for the purposes of Rule 15(b) of the Takeover Code.

**Please note that the CareTech Independent Board considers the Cash Offer to be fair and reasonable. In considering the terms of the Partial Alternative Offer, the CareTech**



**Independent Directors, Panmure Gordon and Numis have considered the details of the Partial Alternative Offer and the Rollover Securities.**

**Panmure Gordon and Numis are unable to advise the CareTech Independent Directors as to whether or not the terms of the Partial Alternative Offer are fair and reasonable. This is because of the significant and variable impact of the disadvantages and advantages of the Partial Alternative Offer for individual CareTech Shareholders.**

**Accordingly, the CareTech Independent Directors cannot form an opinion as to whether or not the terms of the Partial Alternative Offer are fair and reasonable and are not making any recommendation to CareTech Shareholders as to whether or not they should elect for the Partial Alternative Offer.**

**CareTech Shareholders should also ascertain whether acquiring or holding Rollover Securities is affected by the laws of the relevant jurisdiction in which they are resident and consider whether Rollover Securities are a suitable investment in light of their own personal circumstances and are, therefore, strongly recommended to seek their own independent financial, tax and legal advice in light of their own particular circumstances and investment objectives before deciding whether to elect for the Partial Alternative Offer. Any decision to elect for the Partial Alternative Offer should be based on independent financial, tax and legal advice.**

**Whilst the CareTech Independent Directors consider both the Alternative LTIP Proposal and the Exercise Proposal to be fair and reasonable in the context of Rule 15 of the Takeover Code, due to the advantages and disadvantages of the Replacement Awards set out on page 9 above, the CareTech Independent Directors are not making any recommendation to Options holders as to whether or not they should elect for the Alternative LTIP Proposal or the Exercise Proposal or each in part. It is recommended that Option holders consider the advantages and disadvantages of the Replacement Awards and consider their own personal circumstances before electing for the Alternative LTIP Proposal or the Exercise Proposal or each in part.**

***If you do not elect for one of these proposals, your Options will lapse one month after the Scheme effective date.***

#### **What if you have questions?**

If you have any questions about the Scheme and your Option(s) under the CareTech LTIP, please contact Fahrina Maharaj at [centurion.participants@caretech-uk.com](mailto:centurion.participants@caretech-uk.com).

#### **Important notes**

Nothing in this letter or its appendices constitutes financial advice to any holder of shares, share awards or share Option(s) in CareTech.

Please note that none of CareTech, Topco, Bidco or any of their employees can give you investment or tax advice. If you are in any doubt as to the contents of this document or what action you should take, you are recommended to seek your own personal financial advice immediately from your stockbroker, bank manager, solicitor, accountant, or other independent financial adviser authorised

under the Financial Services and Markets Act 2000 (as amended), if you are resident in the United Kingdom, or, if not, from another appropriately authorised independent financial adviser.

If you have received this letter electronically, you may request a hard copy of this letter, free of charge, by contacting Fahrina Maharaj at [centurion.participants@caretech-uk.com](mailto:centurion.participants@caretech-uk.com). You may also request that all future documents, announcements, and information to be sent to you in relation to the Acquisition should be in hard copy form.

Yours faithfully,

Yours faithfully,

Jamie Cumming

Marco Anatriello

Non-Executive Director

Director

For and on behalf of

For and on behalf of

the CareTech Independent Board

Amalfi Bidco Limited

## Glossary

**"Acquisition"** has the definition given to it in the section of the letter above entitled "*What is this letter about?*".

**"Acquisition Value"** means the 750 pence to be paid by Bidco for each CareTech Share under the Acquisition.

**"Amalfi LTIP"** means the Amalfi Topco Limited Long Term Incentive Plan.

**"Bidco"** means Amalfi Bidco Limited.

**"Bidco Board"** means the board of directors of Bidco as at the date of this letter.

**"CareTech"** means CareTech Holdings PLC.

**"CareTech Directors"** means the directors of CareTech.

**"CareTech Independent Board"** means the independent committee of the board of CareTech consisting of the CareTech Independent Directors.

**"CareTech Independent Directors"** means Jamie Cumming, Dr Moira Livingston and Adrian Stone, or such other director of CareTech which CareTech considers to be independent from Bidco from time to time.

**"CareTech LTIP"** means the CareTech Holdings PLC Long Term Incentive Plan.

**"CareTech Shareholders"** means the registered holders of CareTech Shares from time to time.

**"CareTech Shares"** means the ordinary shares of 0.5 pence each in the capital of CareTech from time to time.

**"Cash Offer"** has the meaning given to it in paragraph 2 of this letter.

**"Court"** means the High Court of Justice in England and Wales.

**"Court Sanction"** means the Court sanctioning the Scheme under section 899 of the Companies Act 2006.

**"Court Sanction Date"** has the meaning given to it in the section of the letter above entitled, "*How and when will the Acquisition take effect?*".

**"Exercise Proposal"** means the proposal set out in section B of paragraph 5 of this letter.

**"Dealing Code"** means the CareTech Group-Wide Dealing Policy.

**"Effective Date"** has the meaning given to it in the section of the letter above entitled, "*How and when will the Acquisition take effect?*".

**"Form of Instruction"** means the form accessed via DocuSign by which an LTIP participant should indicate which of the Proposals they wish to accept.

**"gain"** has the meaning given to it in Appendix 1 of this letter.

**"Good Leaver"** has the meaning given to it in section A of paragraph 5 of this letter.

**"Group EBITDA"** has the meaning given to it in section A of paragraph 5 of this letter.

**"LTIP Proposal"** means the proposal set out in Section A of paragraph 5 of this letter.

**"LTIP Value"** has the meaning given to it in section A of paragraph 5 of this letter.

**"NICs"** has the meaning given to it in Appendix 1 of this letter.

**"Numis"** means Numis Securities Limited.

**"Option(s)"** means a right which has been granted to acquire CareTech Shares under the CareTech LTIP.

**"Panmure"** means Panmure Gordon (UK) Limited.

**"Part Exercise Proposal"** means the proposal set out in section C of paragraph 5 of this letter.

**"Partial Alternative Offer"** has the meaning given to it in paragraph 2 of this letter.

**"PDMR"** has the meaning given to it in the section of the letter above entitled "*What if I am a PDMR or on an insider list?*".

**"performance period"** has the meaning given to it in section A of paragraph 5 of this letter.

**"Proposals"** means the Exercise Proposal, the Alternative LTIP Proposal and the Part Exercise Proposal, which are set out in paragraph 5 of this letter.

**"Replacement Award"** means the right to a conditional cash bonus, subject to performance conditions, at the end of a 3 year performance period which you are able to receive in exchange for the cancellation of Option(s).

**"Remuneration Committee"** means the remuneration committee of the board of directors of CareTech or such other committee comprising a majority of non-executive directors of CareTech to which the directors delegate responsibility for the operation of the CareTech LTIP.

**"Rollover Securities"** has the meaning given to it in paragraph 2 of this letter.

**"Scheme"** means the scheme of arrangement under Part 26 of the Companies Act 2006 which is the procedure by which Bidco will become the holder of the entire issued and to be issued ordinary share capital of CareTech.

**"Scheme Document"** means the document setting out the terms of the Scheme dated 25 July 2022 sent to CareTech Shareholders and which can be found at <https://www.caretech-uk.com/offer-sheikh-holdings-group-investments-limited>.

**"Scheme Record Time"** means 6:00 p.m. (UK time) on the business day immediately after the Court Sanction Date.

**"Takeover Code"** means the City Code on Takeovers and Mergers, as issued from time to time by or on behalf of the Panel.

**"Topco"** has the meaning given to it in paragraph 2 of this letter.

## **APPENDIX 1**

### **United Kingdom Taxation – CareTech LTIP**

**The following is a summary of the likely UK tax implications in relation to the exercise of your CareTech LTIP option(s) and acceptance of the Proposal. The precise taxation consequences for you will depend on your particular circumstances. The information in this Appendix is intended as a general guide only and is not a full description of all the circumstances in which a tax liability may occur and nor does it constitute advice to you. If you are in any doubt as to the tax implications for your situation and, in particular, if you are subject to tax in any jurisdiction other than the UK, you are advised to seek independent professional advice before taking any action in connection with this letter. The following assumes that you are tax resident in the UK and have been so resident from the date of grant of your CareTech LTIP option(s) up to the date of exercise.**

**The following is based on current legislation and published HM Revenue & Customs guidance.**

#### **Alternative LTIP Proposal**

If you accept the Alternative LTIP Proposal, your Replacement Award, which is simply a cash bonus, will be subject to income tax and employee national insurance contributions ("**NICs**") and Social and Health Care Levies at the time of pay out (i.e. at the end of the three year performance period).

#### **Exercise Proposal**

You will have to pay income tax on the market value of the CareTech Shares at the date of exercise (the "**gain**"). HMRC is likely to agree that the market value of a CareTech Share at the date of exercise is the acquisition price of 750 pence.

The amount of the gain will also be treated as part of your earnings for NICs purposes.

Any income tax due must be accounted for by your employing company under PAYE. Your employing company must also account for any employee's NICs due, Social and Health Care Levies and for any employer's NICs which you have agreed to pay. The amount due will be recovered by withholding and disposing of sufficient of the CareTech Shares to which you are entitled at exercise.

## Notes

The distribution of this document and/or the accompanying documents (in whole or in part) in or into jurisdictions other than the United Kingdom may be restricted by the laws of those jurisdictions and therefore persons into whose possession this document comes should inform themselves about, and observe, any such restrictions. Any failure to comply with any such restrictions may constitute a violation of the securities laws of any such jurisdiction.

In providing their advice to the CareTech Independent Board, Panmure and Numis have taken into account the commercial assessments of the CareTech Independent Board.

Each of Panmure and Numis has given and not withdrawn its written consent to the issue of this document with the inclusion of the references to its name in the form and context in which they appear.

Panmure, which is authorised and regulated by the Financial Conduct Authority in the United Kingdom, is acting for CareTech and no one else in connection with the Acquisition and the matters set out in this document and will not be responsible to anyone other than CareTech for providing the protections afforded to clients of Panmure or its affiliates, or for providing advice in connection with matters referred to in this document.

Numis, which is authorised and regulated by the Financial Conduct Authority in the United Kingdom, is acting exclusively for CareTech and no one else in connection with the Acquisition and the matters set out in this document and will not be responsible to anyone other than CareTech for providing the protections afforded to clients of Numis or its affiliates, nor for providing advice in connection with matters referred to in this document.

Neither this letter nor any of the accompanying documents do or are intended to constitute or form part of any offer or invitation to purchase, otherwise acquire, subscribe for, sell, or otherwise dispose of, any securities or the solicitation of any vote or approval pursuant to the Acquisition or otherwise, in any jurisdiction in which such offer, invitation or solicitation is unlawful.

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