THIS DOCUMENT AND ANY ACCOMPANYING DOCUMENTS ARE IMPORTANT AND REQUIRE YOUR IMMEDIATE ATTENTION. If you are in any doubt as to what action you should take, you are recommended to seek immediately your own financial advice from your stockbroker, bank manager, solicitor, accountant, fund manager or other appropriate independent financial adviser, who is authorised under the Financial Services and Markets Act 2000 (as amended) (*FSMA*) if you are resident in the United Kingdom or, if not, from another appropriately authorised independent financial adviser.

This document comprises (i) a circular prepared in accordance with the Listing Rules of the Financial Conduct Authority (***FCA***) made under section 73A of the FSMA and (ii) a prospectus relating to Stobart Group Limited prepared in accordance with the Prospectus Regulation Rules of the FCA made under section 73A of the FSMA. This document has been approved by the FCA (as competent authority under Regulation (EU) 2017/1129) in accordance with section 85 of the FSMA. The FCA only approves this document as meeting the standards of completeness, comprehensibility and consistency imposed by Regulation (EU) 2017/1129, and such approval should not be considered as an endorsement of the issuer that is, or the quality of the securities that are, the subject of this document. Investors should make their own assessment as to the suitability of investing in the Shares.

This document has been filed with the FCA in accordance with the Prospectus Regulation Rules and will be made available to the public in accordance with Prospectus Regulation Rule 3.2 by the same being made available, free of charge, at www.stobartgroup.co.uk/investors.

If you sell or have sold or have otherwise transferred all of your Existing Shares (other than ex-entitlement) held in certificated form before 8.00 a.m. (London time) on 5 June 2020 (the ***Ex-Entitlement Date***) please send this document, together with any Application Form, if and when received, at once to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for delivery to the purchaser or transferee except that such documents should not be sent to any jurisdiction where to do so might constitute a violation of local securities laws or regulations, including but not limited to the United States or Australia, Canada, Hong Kong, Japan, the People's Republic of China and the Republic of South Africa (the ***Excluded Territories***). If you sell or have sold or otherwise transferred only part of your holding of Existing Shares (other than ex-entitlement) held in certificated form before the Ex-Entitlement Date, please retain these documents and consult the stockbroker, bank or other agent through whom the sale or transfer was effected.

The Company and the directors of the Company (the ***Directors***), whose names and principal functions appear on page 41 of this document, accept responsibility for the information contained in this document. To the best of the knowledge of the Company and the Directors, the information contained in this document is in accordance with the facts and this document makes no omission likely to affect its import.

The distribution of this document and any accompanying documents in or into jurisdictions other than the United Kingdom may be restricted by law and therefore persons into whose possession this document and any accompanying documents come 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 or regulations of such jurisdictions. In particular, subject to certain exceptions, this document and any accompanying documents should not be distributed, forwarded to or transmitted in or into the United States, any of the Excluded Territories or any other jurisdictions where the extension and availability of the Capital Raise would breach any applicable law.

Stobart Group Limited

(a limited liability company incorporated and registered in Guernsey, registered number 39117)

Placing and Open Offer of 49,953,688 New Shares and Firm Placing of 200,046,312 New Shares, both at 40 pence per New Share

Notice of General Meeting

Joint Sponsors, Joint Global Co-ordinators and Joint Bookrunners

---

A Notice of General Meeting of the Company, to be held at 10.00 a.m. on 25 June 2020, is set out at the end of this document. Due to the circumstances surrounding the COVID-19 pandemic, the Board is assuming that it will not be possible for Shareholders to attend the General Meeting in person, and so it is necessary to make some adjustments to how the General Meeting would have otherwise been conducted. Shareholders may attend the meeting electronically by either downloading the dedicated "Lumi AGM" app or by accessing the Lumi AGM website at https://web.lumiagm.com. Further detail about how to access the General Meeting is included in the Notice of General Meeting.

Whether or not you intend to log into the General Meeting, if you hold your Shares directly you are asked to submit your proxy electronically by accessing the Registrar's website at www.signalshares.com. To be valid, the electronic submission must be registered by not later than 10.00 a.m. on 23 June 2020 (or, in the case of an adjournment, not later than 48 hours before the time fixed for the holding of the adjourned meeting). To vote online you will need to log in to your Signal Shares account or register for Signal Shares if you have not done so previously. Your investor code will be required for this. Once registered, you will be able to vote immediately.

Instead of voting online, you may request a hard copy form of proxy directly from the Registrar, Link Asset Services, by calling 0371 664 0321 (or +44 (0) 371 664 0321 if calling from outside the United Kingdom). 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.—5.30 p.m., Monday to Friday excluding public holidays in England and Wales. If you request a hard copy form of proxy, you must complete and return it in accordance with the instructions printed on it as soon as possible and, in any event, so as to be received by the Registrar, Link Asset Services, PXS, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, United Kingdom, by not later than 10.00 a.m. on 23 June 2020 (or, in the case of an adjournment, not later than 48 hours before the time fixed for the holding of the adjourned meeting).

CREST members may also choose to utilise the CREST electronic proxy appointment service in accordance with the procedures set out in the Notice of General Meeting at the end of this document, as soon as possible and in any event no later than 10.00 a.m. on 23 June 2020 (or, in the case of an adjournment, not later than 48 hours before the time fixed for the holding of the adjourned meeting).

The Board is keen to ensure that Shareholders are able to exercise their right to vote and, accordingly, strongly recommends that Shareholders vote by way of proxy. As no persons other than those required to form a legal quorum will be permitted entry to the General Meeting in breach of the "Stay At Home" rules, the Board strongly encourages Shareholders to appoint the Chairman of the meeting, rather than any other person, as their proxy to exercise their right to vote at the General Meeting in accordance with their instructions.

For the avoidance of doubt, it will <u>not</u> be possible to vote in person at the General Meeting.

The Existing Shares are listed on the premium listing segment of the Official List and traded on the main market for listed securities of London Stock Exchange plc (the ***London Stock Exchange***). Applications will be made to the FCA and to the London Stock Exchange for the New Shares to be admitted to the premium listing segment of the Official List and to trading on the main market for listed securities of the London Stock Exchange. It is expected that Admission will become effective and that dealings on the London Stock Exchange in the New Shares will commence at 8.00 a.m. on 29 June 2020.

Your attention is drawn to the letter of recommendation from the Chair which is set out in Part I—Letter from the Chair of Stobart Group Limited. Your attention is also drawn to the section headed "Risk Factors" at the beginning of this document which sets out certain risks and other factors that should be considered by Shareholders when deciding on what action to take in relation to the Capital Raise, and by others when deciding whether or not to purchase New Shares. Notwithstanding this, you should read the entire document and any documents incorporated by reference.

Canaccord Genuity Limited (***Canaccord***) is authorised and regulated in the United Kingdom by the FCA. UBS AG London Branch (***UBS***, together with Canaccord, the ***Underwriters***) is authorised in the United Kingdom by the Prudential Regulation Authority (***PRA***) and regulated in the United Kingdom by the FCA and the PRA. The Underwriters are acting exclusively for the Company and are acting for no one else in connection with the Capital Raise and will not regard any other person as a client in relation to the Capital Raise and will not be responsible to anyone other than the Company for

providing the protections afforded to their respective clients, nor for providing advice in connection with the Capital Raise or any other matter, transaction or arrangement referred to in this document.

The Underwriters and their respective affiliates, acting as investors for their own account, may, in accordance with applicable legal and regulatory provisions and subject to the Placing Agreement, engage in transactions in relation to the New Shares or related instruments for their own account in connection with the Capital Raise or otherwise. Accordingly, references in this document to the New Shares being issued, offered, subscribed, acquired or placed or otherwise dealt in should be read as including any issue or offer to, or subscription, acquisition, placing or dealing by, the Underwriters and any of their respective affiliates acting as investors for their own account. Except as required by applicable law or regulation, the Underwriters do not propose to make any public disclosure in relation to such transactions. In addition, the Underwriters may enter into financing arrangements (including swaps or contracts for difference) with investors in connection with which the Underwriters or their respective affiliates may from time to time acquire, hold or dispose of the New Shares.

Apart from the responsibilities and liabilities, if any, which may be imposed on the Underwriters by the FSMA or the regulatory regime established thereunder, or under the regulatory regime of any jurisdiction where exclusion of liability under the relevant regulatory regime would be illegal, void or unenforceable, none of the Underwriters, nor any of their respective affiliates, directors, officers, employees or advisers, accepts any responsibility whatsoever for, or makes any representation or warranty, express or implied, as to the contents of this document, including its accuracy, completeness or verification, or for any other statement made or purported to be made by it, or on its behalf, in connection with the Company, the New Shares or the Capital Raise. The Underwriters and their respective affiliates, directors, officers, employees and advisers accordingly disclaim to the fullest extent permitted by law any and all liability whatsoever, whether arising in tort, contract or otherwise, which they might otherwise have in respect of this document or any such statement.

The contents of this document are not to be construed as legal, business or tax advice. Each prospective investor should consult their own legal, financial or tax adviser in connection with the purchase of the New Shares. In making an investment decision, each investor must rely on their own examination, analysis and enquiry of the Company and the terms of the Capital Raise, including the merits and risks involved.

The investors also acknowledge that: (i) they have not relied on the Underwriters or any person affiliated with the Underwriters in connection with any investigation of the accuracy of any information contained in this document or their investment decision; and (ii) they have relied only on the information contained in this document and that no person has been authorised to give any information or to make any representation concerning the Company or its subsidiaries or the New Shares (other than as contained in this document) and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Company or the Underwriters.

The latest time and date for acceptance and payment in full for the Open Offer Shares under the Open Offer is 11.00 a.m. on 24 June 2020. The procedures for acceptance and payment are set out in Part III—Terms and Conditions of the Capital Raise and, where relevant, in the Application Form. Qualifying Non-CREST Shareholders will be sent an Application Form. Qualifying CREST Shareholders (who will not receive an Application Form) will receive a credit to their appropriate stock accounts in CREST in respect of their Open Offer Entitlements and Excess Open Offer Entitlements, which is expected to be enabled for settlement on 8 June 2020.

Applications under the Open Offer may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a *bona fide* market claim arising out of a sale or transfer of Shares prior to the date on which the Shares were marked 'ex' the entitlement by the London Stock Exchange. Qualifying CREST Shareholders who are CREST sponsored members should refer to their CREST sponsors regarding the action to be taken in connection with this document and the Open Offer. The Application Form is personal to Qualifying Shareholders and cannot be transferred, sold, or assigned except to satisfy *bona fide* market claims. Holdings of Shares in certificated and uncertificated form will be treated as separate holdings for the purpose of calculating entitlements under the Open Offer.

The Underwriters may arrange for the offer of Firm Placed Shares and any Open Offer Shares not taken up in the Open Offer in the United States only to persons reasonably believed to be "qualified institutional buyers" (***QIBs***) within the meaning of Rule 144A under the United States Securities Act of

1933, as amended (the ***Securities Act***) (***Rule 144A***) in reliance on an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The New Shares, Open Offer Entitlements and Excess Open Offer Entitlements offered outside the United States are being offered in reliance on Regulation S under the Securities Act (***Regulation S***).

In addition, until 40 days after the commencement of the Capital Raise, an offer, sale or transfer of the New Shares within the United States by a dealer (whether or not participating in the Capital Raise) may violate the registration requirements of the Securities Act.

All Shareholders and any person (including, without limitation, a nominee or trustee) who has a contractual or legal obligation to forward this document or any Application Form or other document, if and when received, to a jurisdiction outside the United Kingdom should read the information set out in paragraph 8 of Part III—Terms and Conditions of the Capital Raise.

Notice to Overseas Shareholders

This document does not constitute an offer of New Shares to any person with a registered address, or who is located, in the United States or the Excluded Territories or in any other jurisdiction in which such an offer or solicitation is unlawful. The New Shares and the Application Form have not been and will not be registered or qualified for distribution to the public under the relevant laws of any state, province or territory of the United States or any Excluded Territory and may not be offered, sold, taken up, exercised, resold, transferred or delivered, directly or indirectly, within the United States or any Excluded Territory or in any other jurisdictions where the extension and availability of the Capital Raise would breach any applicable law, except pursuant to an applicable exemption. See "*Notice to Investors in the United States of America*" in the section titled "*Important Information*".

The New Shares, Open Offer Entitlements and Excess Open Offer Entitlements have not been and will not be registered under the Securities Act, or under any securities laws of any state or other jurisdiction of the United States, and may not be offered, sold, taken up, exercised, resold, transferred or delivered, directly or indirectly, within the United States except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States. There will be no public offer of the New Shares, Open Offer Entitlements or Excess Open Offer Entitlements in the United States.

The New Shares, Open Offer Entitlements and Excess Open Offer Entitlements have not been approved or disapproved by the United States Securities and Exchange Commission, any state's securities commission in the United States or any US regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the New Shares, Open Offer Entitlements and Excess Open Offer Entitlements or the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence.

The New Shares, Open Offer Entitlements and Excess Open Offer Entitlements have not been and will not be registered or qualified for distribution to the public under the securities laws of any Excluded Territory and may not be offered, sold, taken up, exercised, resold, transferred or delivered, directly or indirectly, within any Excluded Territory or in any other jurisdiction where the extension and availability of the Capital Raise would breach any applicable law, except pursuant to an applicable exemption from, and in compliance with, any applicable securities laws. There will be no public offer in any of the Excluded Territories or in any other jurisdiction where the extension and availability of the Capital Raise would breach any applicable law.

This document is being communicated in or from Switzerland to a small number of selected Shareholders only. Each copy of this document and/or the Application Form is addressed to a specifically named recipient and may not be copied, reproduced, distributed or passed on to others without the Company's prior written consent. The New Shares, Open Offer Entitlements and Excess Open Offer Entitlements may not be publicly offered, sold or advertised, directly or indirectly, in or from Switzerland and will not be listed on the SIX Swiss Exchange (***SIX***) or on any other stock exchange or regulated trading facility in Switzerland. This document has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under art. 27 ff. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to the New Shares, Open Offer Entitlements and Excess Open Offer Entitlements or the offering may be publicly distributed or

otherwise made publicly available in Switzerland. Neither this document nor any other offering or marketing material relating to the Capital Raise, the Company, the New Shares, the Open Offer Entitlements and the Excess Open Offer Entitlements have been or will be filed with or approved by any Swiss regulatory authority. In particular, this document will not be filed with, and the offer of the New Shares, Open Offer Entitlements and Excess Open Offer Entitlements will not be supervised by, the Swiss Financial Market Supervisory Authority FINMA.

Notice to all investors

Any reproduction or distribution of this document, in whole or in part, and any disclosure of its contents or use of any information contained in this document for any purpose other than considering an investment in the New Shares is prohibited. By accepting delivery of this document, each offeree of the New Shares agrees to the foregoing.

The distribution of this document, the Application Form and/or the transfer of the New Shares, Open Offer Entitlements or Excess Open Offer Entitlements into jurisdictions other than the United Kingdom may be restricted by law. This document does not constitute an offer of Open Offer Entitlements, Excess Open Offer Entitlements or New Shares in any jurisdiction in which such offer or solicitation is unlawful. Persons into whose possession these documents come should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. In particular, such documents should not be distributed, forwarded to or transmitted in or into the United States, any Excluded Territory or in any other jurisdictions where the extension and availability of the Capital Raise would breach any applicable law. The New Shares, Open Offer Entitlements, Excess Open Offer Entitlements and Application Form are not transferable, except in accordance with, and the distribution of this document is subject to, the restrictions set out in paragraph 8 of Part III—Terms and Conditions of the Capital Raise. No action has been taken by the Company or by the Underwriters that would permit an offer of the New Shares or possession or distribution of this document or any other offering or publicity material or the Application Form in any jurisdiction where action for that purpose is required, other than in the United Kingdom.

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 upon as having been authorised by the Company or by the Underwriters. Neither the delivery of this document nor any subscription or sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Group since the date of this document or that the information in this document is correct as at any time subsequent to its date.

Unless explicitly incorporated by reference herein, the contents of the websites of the Group do not form part of this document. Capitalised terms have the meanings ascribed to them, and certain technical terms are explained, in Part XI—Definitions and Glossary.

Solely for the purposes of the product governance requirements contained within: (a) EU Directive 2014/65/EU on markets in financial instruments, as amended (***MiFID II***); (b) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II; and (c) local implementing measures (together, the ***MiFID II Product Governance Requirements***), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any "manufacturer" (for the purposes of the MiFID II Product Governance Requirements) may otherwise have with respect thereto, the New Shares have been subject to a product approval process, which has determined that the New Shares are: (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II; and (ii) eligible for distribution through all distribution channels as are permitted by MiFID II (the ***Target Market Assessment***). Notwithstanding the Target Market Assessment, distributors should note that: the price of the New Shares may decline and investors could lose all or part of their investment; the New Shares offer no guaranteed income and no capital protection; and an investment in the New Shares is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Capital Raise. Furthermore, it is noted that, notwithstanding the Target Market Assessment, the Joint Bookrunners will only procure investors who meet the criteria of professional clients and eligible counterparties.

For the avoidance of doubt, the Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of MiFID II; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the New Shares.

WHERE TO FIND HELP

Part II—Some Questions and Answers about the Placing and Open Offer and Firm Placing of this document answers some of the questions most often asked by shareholders about placings and open offers and firm placings. If you have further questions, please call Link Asset Services on 0371 664 0321 (or +44 (0) 371 664 0321 if calling from outside the United Kingdom). 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.—5.30 p.m., Monday to Friday excluding public holidays in England and Wales. Please note that Link Asset Services cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes. Please note that, for legal reasons Link Asset Services is only able to provide information contained in this document and information relating to the Company's register of members and is unable to give advice on the merits of the Capital Raise.

This document is dated 5 June 2020.

CONTENTS

	Page
SUMMARY	7
RISK FACTORS	14
IMPORTANT INFORMATION	31
CAPITAL RAISE STATISTICS	39
EXPECTED TIMETABLE FOR THE CAPITAL RAISE	40
DIRECTORS, COMPANY SECRETARY AND ADVISERS	41
PART I—LETTER FROM THE CHAIR OF STOBART GROUP LIMITED	43
PART II—SOME QUESTIONS AND ANSWERS ABOUT THE PLACING AND OPEN OFFER AND FIRM PLACING	61
PART III—TERMS AND CONDITIONS OF THE CAPITAL RAISE	68
PART IV—BUSINESS OVERVIEW OF THE GROUP	93
PART V—OPERATING AND FINANCIAL REVIEW	113
PART VI—FINANCIAL INFORMATION OF THE GROUP	141
PART VII—UNAUDITED PRO FORMA FINANCIAL INFORMATION	217
PART VIII—TAXATION	221
PART IX—ADDITIONAL INFORMATION	228
PART X—DOCUMENTATION INCORPORATED BY REFERENCE	286
PART XI—DEFINITIONS AND GLOSSARY	287
NOTICE OF GENERAL MEETING	297

SUMMARY

A. INTRODUCTION AND WARNINGS

A.1.1 *Name and international securities identifier number (ISIN) of the securities*

Ordinary shares: ISIN code GB00B03HDJ73

Open Offer Entitlements: ISIN code GG00BMWJ7B89

Excess Open Offer Entitlements: ISIN code GG00BMWJ7C96

A.1.2 *Identity and contact details of the issuer, including its Legal Entity Identifier (LEI)*

The Company's legal name is Stobart Group Limited (the ***Company***). The commercial name is "Stobart Group". The Company's registered address is PO Box 286, Floor 2, Trafalgar Court, Les Banques, St Peter Port Guernsey, GY1 4LY, and its telephone number is +44 (0) 1481 742742. The Company's legal entity identifier is 213800BINQVRZFKA3E89.

A.1.3 *Identity and contact details of the competent authority approving the prospectus*

This document has been approved by the FCA, as competent authority, with its head office at 12 Endeavour Square, London, E20 1JN, and telephone number: +44 20 7066 1000, in accordance with Regulation (EU) 2017/1129.

A.1.4 *Date of approval of the prospectus*

This document was approved on 5 June 2020.

A.1.5 *Warning*

This summary has been prepared in accordance with Article 7 of Regulation (EU) 2017/1129 and should be read as an introduction to this document (this document). Any decision to invest in the Shares should be based on a consideration of this document as a whole by the investor. Any investor could lose all or part of their invested capital and, where any investor's liability is not limited to the amount of the investment, it could lose more than the invested capital. Where a claim relating to the information contained in this document is brought before a court, the plaintiff investor might, under national law, have to bear the costs of translating this document before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary, including any translation thereof, but only where the summary is misleading, inaccurate or inconsistent when read together with the other parts of this document or where it does not provide, when read together with the other parts of this document, key information in order to aid investors when considering whether to invest in the Shares.

B. KEY INFORMATION ON THE ISSUER

B.1 *Who is the issuer of the securities?*

B.1.1 *Domicile, legal form, jurisdiction of incorporation, country of operation and legal entity identifier*

The Company was incorporated and registered in Guernsey on 10 January 2002 as a non-cellular company limited by shares under the Companies (Guernsey) Law, 1994 to 1996 (as amended) with the name The Westbury Property Fund Limited and with registered number 39117. The Company's name was changed to Stobart Group Limited on 28 September 2007. Its LEI number is 213800BINQVRZFKA3E89.

B.1.2 *Principal activities*

Stobart Group is a UK infrastructure group with operations across the United Kingdom in the aviation, biomass energy and civil engineering industries. The Group's operations are organised across two core and three non-core operating divisions. The Group's core operating divisions are Stobart Aviation and Stobart Energy, and the Group's non-core operating divisions are Stobart Rail & Civils, Stobart Investments and Stobart Infrastructure.

B.1.3 *Major shareholders*

Insofar as is known to the Company, the name of each person who, directly or indirectly, has an interest in 3.0 per cent. or more of the Company's issued share capital, and the amount of such person's interest, as at 29 May 2020 (being the latest practicable date prior to the publication of this document) are as follows:

	Shares	
Name	**No.**	**%**
Toscafund	89,640,562	23.93
Invesco	42,031,347	11.22
Cyrus Capital Partners	32,058,190	8.56
Harwood Capital	31,050,000	8.29
Mr A W Jenkinson	19,549,647	5.22
Royal London Asset Management	18,252,660	4.87
M&G Investment Management	16,248,682	4.34
Polygon Investment Partners	16,117,943	4.30
BlackRock Inc.	11,618,966	3.10

Insofar as is known to the Company, immediately following the Capital Raise, the interests of those persons with an interest in 3.0 per cent. or more of the Company's issued share capital, including as a percentage of the enlarged share capital (assuming there is no clawback of their conditional Placing allocations, which would only occur if there is no take-up under the Open Offer, and no options granted under the Share Schemes are exercised between 29 May 2020 (being the latest practicable date prior to the publication of this document) and the completion of the Capital Raise), will be as follows:

	Shares	
Name	**No.**	**%**
Toscafund	172,140,562	27.6
Invesco	42,031,347	6.7
Cyrus Capital Partners	32,058,190	5.1
Harwood Capital	57,675,000	9.2
Mr A W Jenkinson	19,549,647	3.1
Royal London Asset Management	29,652,660	4.7
M&G Investment Management	16,648,682	2.7
Polygon Investment Partners	34,117,943	5.5
BlackRock Inc.	11,618,966	1.9

B.1.4 *Key managing directors*

Warwick Brady is the Chief Executive Officer of the Company, Lewis Girdwood is the Chief Financial Officer of the Company and Nick Dilworth is the Chief Operating Officer of the Company.

B.1.5 *Identity of the statutory auditors*

KPMG LLP, with its address at 1 St Peter's Square, Manchester M2 3AE, United Kingdom, is the statutory auditor to the Company.

B.2 ***What is the key financial information regarding the issuer?***

The tables below set out the Group's summary financial information for the periods indicated.

The financial information set forth below is extracted or derived from, and should be read in conjunction with, the audited consolidated financial statements of the Company as of and for the year ended 29 February 2020 included in this document and the audited consolidated financial statements of the Company as of and for the year ended 28 February 2019 incorporated by reference into this document.

The Company's auditor has included a paragraph in the independent auditor's report in respect of the FY19/20 Financial Statements stating that there is material uncertainty in respect of the Company's ability to continue as a going concern.

The following financial information is extracted from the Group's consolidated income statement and excludes income/loss from discontinued operations.

	Year ended 29 February 2020	Year ended 28 February 2019	Year ended 28 February 2018[1]
		(£'000)	
Continuing operations			
Revenue	170,175	146,889	105,367
Other income[2]	4,700	1,310	133,525
Operating expenses	(178,288)	(152,766)	(113,657)
Share of post-tax profits of associates and joint ventures	(9,765)	(1,740)	3,480
Adjusted EBITDA[3]	**(13,178)**	**(6,307)**	**128,715**
(Loss)/gain on swaps	(300)	(353)	1,038
Depreciation	(22,723)	(16,305)	(13,405)
Amortisation	(7,456)	(3,938)	(3,938)
Impairment—Other	(56,804)	(7,800)	—
Impairments—Loan receivables from joint venture	(45,105)	—	—
Operating (loss)/profit	**(145,566)**	**(34,703)**	**112,410**
Impairment of loan notes	(2,754)	(3,208)	—
Finance costs	(14,017)	(5,213)	(4,710)
Finance income	4,353	1,010	1,624
(Loss)/profit before tax	**(157,984)**	**(42,114)**	**109,324**
Tax	8,390	(530)	293
(Loss)/profit for the year from continuing operations	**(149,594)**	**(42,644)**	**109,617**

Notes:

(1) The results for the year ended 28 February 2018 have been restated where required due to IFRS 5 Discontinued Operations.

(2) Other income is referred to as Other operating income in the FY18/19 Financial Statements.

(3) Adjusted EBTIDA is referred to as EBITDA in the FY18/19 Financial Statements and FY19/20 Financial Statements.

The following table sets out the Group's Underlying Adjusted EBITDA and Underlying (Loss)/Profit Before Tax from Continuing Operations for the periods indicated.

	Year ended 29 February 2020	Year ended 28 February 2019	Year ended 28 February 2018[1]
		(£'000)	
(Loss)/profit for the year from continuing operations	(149,594)	(42,644)	109,617
Underlying Adjusted EBITDA[2]	16,042	10,828	138,085
Underlying (Loss)/Profit Before Tax from Continuing Operations[3]	(19,399)	(13,241)	122,632

Notes:

(1) The results for the year ended 28 February 2018 have been restated where required due to IFRS 5 Discontinued Operations.

(2) Underlying Adjusted EBITDA represents operating (loss)/profit before impairments, amortisation, depreciation, (loss)/gain on swaps and non-underlying items. Underlying Adjusted EBITDA is referred to as Underlying EBITDA in the FY18/19 Financial Statements and FY19/20 Financial Statements.

(3) Underlying (Loss)/Profit Before Tax from Continuing Operations represents (loss)/profit before tax from continuing operations before non-underlying items.

The following table sets out the condensed consolidated statement of financial position as at the dates indicated.

	As at 29 February 2020	As at 28 February 2019	As at 28 February 2018
		(£'000)	
Non-current assets	388,866	467,416	486,935
Current assets	75,270	79,736	167,236
Non-current liabilities	(221,979)	(137,722)	(141,462)
Current liabilities	(139,059)	(112,476)	(106,789)
Net assets	**103,098**	**296,954**	**405,920**

The following table sets out the condensed consolidated statement of cash flows for the periods indicated.

	Year ended 29 February 2020	Year ended 28 February 2019	Year ended 28 February 2018[(1)]
		(£'000)	
Net cash outflow from operating activities	(22,221)	(12,796)	(9,550)
Net cash (outflow)/inflow from investing activities	(9,751)	9,863	181,002
Net cash inflow/(outflow) from financing activities	27,342	25,743	(158,997)
(Decrease)/increase in cash and cash equivalents	(4,630)	(28,676)	12,455
Cash and cash equivalents at the beginning of the year	14,432	43,108	30,653
Cash and cash equivalents at the end of the year	**9,802**	**14,432**	**43,108**

Note:

(1) The results for the year ended 28 February 2018 have been restated where required due to IFRS 5 Discontinued Operations.

B.3 ***What are the key risks that are specific to the issuer?***

If the Capital Raise does not successfully complete, the Directors expect that Administration (or equivalent local law procedures) of the Company and of certain key trading companies in the Group would be reasonably likely shortly thereafter, and Shareholders would likely lose all or a substantial part of their investment in the Company as a result.

The COVID-19 pandemic has had, and is likely to continue to have, a material adverse effect on the Group, the ultimate extent of which cannot currently be accurately predicted.

A deterioration of the UK or global economies could have a material adverse effect on the Group's business, financial condition and results of operations.

In certain of its operating division, the Group relies on a small number of significant customers. Any loss of, or decrease in business from, a significant customer could have a material adverse effect on the Group.

The Group relies on the stability, security and availability of its information technology systems in all aspects of its business, and any significant disruption or failure of such systems could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group faces risks related to the United Kingdom's exit from the European Union (***Brexit***).

The Group operates in highly regulated industries. Failure to comply with, or changes to existing laws and regulations, could result in higher costs, limitations to the Group's operational flexibility and efficiency and penalties.

The Group's aeronautical revenue has declined, and could continue to decline, as a result of a reduction in flights, passengers or other factors outside the Group's control. A decrease in passenger numbers or other factors outside the Group's control have reduced, and could continue to reduce, non-aeronautical revenue, which comprises the majority of Stobart Aviation's revenue.

The Stobart Energy operating division is dependent on the availability of raw materials for the production of waste wood fuel and the viability of the Group's supply chain. The Group is dependent on its suppliers being able to satisfy the Group's requirements in relation to quantity, quality and delivery times for waste wood and other waste materials, and any cessation, interruption or delay affecting the Group's supply chain could impair the Group's ability to produce waste wood fuel within its budget, meet scheduled deliveries of waste wood fuel and/or cause the Group's customers to cancel orders.

C. KEY INFORMATION ON THE SECURITIES

C.1 *What are the main features of the securities?*

C.1.1 *Type, class and ISIN*

Pursuant to the Placing and Open Offer, the Company will issue 49,953,688 new ordinary shares of £0.10 each in the capital of the Company (the ***Open Offer Shares***). Pursuant to the Firm Placing, the Company will issue 200,046,312 new ordinary shares of £0.10 each in the capital of the Company (the ***Firm Placed Shares***, together with the Open Offer Shares, the ***New Shares***). The Open Offer will be made on the basis of 2 New Shares for every 15 existing ordinary share in the Company (the ***Existing Shares***).

When admitted to trading, the New Shares (all of which are ordinary shares) will be registered with ISIN number GB00B03HDJ73 and SEDOL number BO3HDJ7 and trade under the symbol "STOB".

C.1.2 *Currency, denomination, par value, number of securities issued and duration*

The currency of the issue is United Kingdom pounds sterling.

Immediately prior to the publication of this document, the share capital of the Company was £37,465,266.20, comprised of 374,652,662 Existing Shares of £0.10 each, all of which were fully paid or credited as fully paid.

The issued and fully paid share capital of the Company immediately following completion of the Capital Raise is expected to be £62,465,266.20, comprising 624,652,662 Shares of 10 pence each.

C.1.3 *Rights attached to the Shares*

The New Shares will, when issued and fully paid, rank equally in all respects with the Existing Shares, including the right to receive all dividends and other distributions made, paid or declared after the date of issue of the New Shares.

C.1.4 *Rank of securities in the issuer's capital structure in the event of insolvency*

The Shares do not carry any rights to participate in a distribution (including on a winding-up) other than those that exist under the Companies (Guernsey) Law 2008. The New Shares issued pursuant to the Capital Raise will rank *pari passu* in all respects with the Existing Shares, including the right to receive dividends and other distributions made, paid or declared in respect of the ordinary share capital of the Company after the date of issue of the New Shares.

C.1.5 *Restrictions on the free transferability of the securities*

There are no restrictions on the free transferability of the Shares.

C.1.6 *Dividend or payout policy*

The Group is focused on strengthening its balance sheet and maximising the capital available for the further development of its growth businesses. It is therefore the Directors' intention to retain the Group's cash flow to achieve these objectives. The Directors intend to review the Company's dividend policy on an ongoing basis and restore dividends at the point

at which the Group becomes significantly cash generative at an operating level, subject to investment requirements to maximise shareholder returns.

In addition, under the terms of the Facility Agreement, if the Capital Raise completes successfully, the Company will be unable to pay or declare any dividends until 30 November 2021, and between 1 December 2021 and termination of the Facility Agreement the Company's ability to pay or declare dividends will be subject to a leverage ratio test.

C.2 ***Where will the securities be traded?***

Application will be made to the FCA for the New Shares to be admitted to the premium listing segment of the Official List and to the London Stock Exchange for such Shares to be admitted to trading on the London Stock Exchange's main market for listed securities.

C.3 ***What are the key risks that are specific to the securities?***

Risks relating to the Shares

Shareholders who take up their pro rata Open Offer Entitlements in full will experience 32.0 per cent. dilution to their interests in the Company as a result of the Firm Placing (assuming no options granted under the Share Schemes are exercised between 29 May 2020 (being the latest practicable date prior to the publication of this document) and the issuance of New Shares). Shareholders who do not, or are not permitted to, acquire the New Shares will be diluted by 40.0 per cent. following the Capital Raise.

The market price of the Shares could be negatively affected by the sales of substantial amounts of such shares in the public markets or the perception that these sales could occur.

The market price of the Shares could be subject to significant fluctuations due to a change in sentiment in the market regarding the Shares (or securities similar to them), including, in particular, in response to various facts and events, including any regulatory changes affecting the Group's operations, variations in the Group's operating results and/or business developments of the Group and/or its competitors.

An active trading market for the New Shares may not develop.

D. KEY INFORMATION ON THE ADMISSION TO TRADING ON A REGULATED MARKET

D.1 ***Under which conditions and timetable can I invest in this security?***

It is expected that Admission will become effective and that dealings in the New Shares will commence at 8.00 a.m. on 29 June 2020.

The Company is proposing to raise up to approximately £93.5 million (net of estimated commissions, fees and expenses) by the issue of up to 250,000,000 New Shares at 40 pence per New Share (the ***Offer Price***) through the Capital Raise. The Capital Raise consists of a fully committed and underwritten Placing and Open Offer and Firm Placing. The Offer Price represents a 42.2 per cent. discount to the closing price of 69.2 pence per Share on 4 June 2020, being the last closing price prior to the announcement of the Capital Raise.

The Open Offer is an opportunity for Qualifying Shareholders to apply for in aggregate 49,953,688 Open Offer Shares at the Offer Price by subscribing both for their Open Offer Entitlement and for any Excess Open Offer Entitlement, subject to availability. Subject to the terms and conditions set out in this document and, in the case of Qualifying Non-CREST Shareholders, the Application Form, each Qualifying Shareholder is being given an opportunity to apply for Open Offer Shares at the Offer Price (payable in full and free of all expenses) on the following pro rata basis: 2 Open Offer Shares at 40 pence each for every 15 Existing Share held and registered in their name at the Record Date in proportion to any other number of Shares then held, rounded down to the nearest whole number of New Shares. Qualifying Shareholders may also apply, under the Excess Application Facility, for Excess Shares not taken up under the Open Offer Entitlements of other Qualifying Shareholders. In all circumstances, allocation of Excess Shares shall be subject to the discretion of the Directors. To the extent that there remains unallocated Excess Shares following the application by Qualifying Shareholders under the Excess Application Facility, such Excess Shares will be made available under the Placing.

The Underwriters, as agents for the Company, have made arrangements to conditionally place the Open Offer Shares with conditional subscribers at the Offer Price. The Open Offer Shares will be subject to clawback to satisfy valid applications by Qualifying Shareholders under the Open Offer. Subject to the waiver or satisfaction of the conditions and the Placing Agreement not being terminated in accordance with its terms, any Open Offer Shares not subscribed for under the Open Offer will be issued to Placees procured by the Underwriters. Placees who are located outside of the United States will be entitled to receive a commitment commission of 1.5 per cent. of the Offer Price multiplied by the maximum number of New Shares for which such Placee commits to subscribe under the Placing, subject to clawback. For US regulatory reasons, persons in the United States will not be paid a commission. No Placee will be paid a commission in respect of the Firm Placing.

The Capital Raise is conditional upon Shareholder approval of the Resolutions at the General Meeting, the Capital Raise having become or been declared unconditional in all respects and the Placing Agreement not having been terminated by the Underwriters in accordance with its terms prior to Admission and Admission occurring not later than 8.00 a.m. on 29 June 2020 (or such later time or date as the Company and the Joint Global Co-ordinators may agree, being not later than 6 July 2020).

D.2 ***Why is this document being produced?***

The purpose of this document is to explain the background to, and reasons for, the Capital Raise and to set out the terms and conditions of the Capital Raise. The Board believes the Capital Raise to be in the best interests of Shareholders as a whole and this document will explain why the Board unanimously recommends that Shareholders should vote in favour of the Resolutions, as each Director has committed to do so in respect of his or her own legal and beneficial holdings of Shares.

The net proceeds of the Capital Raise are expected to be approximately £93.5 million (net of estimated commissions, fees and expenses). The total costs, charges and expenses payable by the Company in connection with the Capital Raise are estimated to be approximately £6.5 million (inclusive of VAT). No expenses will be charged by the Company to the purchasers of the New Shares.

RISK FACTORS

The Capital Raise and any investment in the New Shares are subject to a number of risks. Accordingly, Shareholders and prospective investors should carefully consider the factors and risks associated with any investment in the New Shares, the Group's business and the industry in which it operates, together with all other information contained in this document and all of the information incorporated by reference into this document, including, in particular, the risk factors described below, and their personal circumstances prior to making any investment decision. Some of the following factors relate principally to the Group's businesses. Other factors relate principally to the Capital Raise and an investment in the New Shares. The Group's businesses, operating results, financial condition and prospects could be materially and adversely affected by any of the risks described below. In such case, the market price of the New Shares may decline and investors may lose all or part of their investment.

Prospective investors should note that the risks relating to the Group, its industry and the New Shares, summarised in the section of this document headed "Summary" are the risks that the Group considers to be the most essential to an assessment by a prospective investor of whether to consider an investment in the New Shares. However, as the risks which the Group faces relate to events and depend on circumstances that may or may not occur in the future, prospective investors should consider not only the information on the key risks summarised in the section of this document headed "Summary" but also, among other things, the risks and uncertainties described below.

The following is not an exhaustive list or explanation of all risks which investors may face when making an investment in the New Shares and should be used as guidance only. Additional risks and uncertainties relating to the Group that are not currently known to the Group, or that it currently deems immaterial, may individually or cumulatively also have a material adverse effect on the Group's business, prospects, operating results and financial condition and, if any such risk should occur, the price of the New Shares may decline and investors could lose all or part of their investment. Investors should consider carefully whether an investment in the New Shares is suitable for them in the light of the information in this document and their personal circumstances.

Risks relating to the business of the Group as a whole

1. If the Capital Raise does not successfully complete, the Directors expect that Administration (or equivalent local law procedures) of the Company and of certain key trading companies in the Group would be reasonably likely shortly thereafter.

The Group has an £80.0 million revolving credit facility (***Facility A***), which was drawn at £75.0 million as at 29 February 2020. The COVID-19 pandemic has significantly impacted the Group's revenue and costs in the first three months of FY20/21, in particular in the Stobart Aviation and Stobart Energy operating divisions. As a result, the Group has drawn down the remaining £5.0 million since year-end to meet its short-term working capital requirements and has also implemented the following measures to manage costs and preserve liquidity:

- The Group has frozen all capital expenditure other than where it is considered critical for safety reasons and has deferred all discretionary spend.
- The Group has utilised the UK Government's Job Retention Scheme to put on furlough approximately 50 per cent. of the Group's approximately 1,550 employees as of 1 April 2020. All employees in continuing roles that allow them to work from home are doing so.
- The Directors and members of the Management Board have agreed to 20 per cent. pay reductions and all other non-furloughed management have accepted 10 per cent. pay reductions.
- A recruitment freeze has been in place since early March 2020 and all variable pay awards have been deferred to August 2020 at the earliest.
- The Group has utilised a number of measures made available by the UK Government to help conserve cash.

In addition, the Group also has a new £40.0 million revolving credit facility (***Facility B***). Under Facility B, the Group can draw up to £10.0 million during the period commencing 5 June 2020 up to and including the date of Admission, subject to certain liquidity conditions. Pursuant to the terms of Facility B, the Group will use a portion of the proceeds of the Capital Raise (up to £10.0 million) to repay the amount drawn under Facility B as at the date of Admission within three Business Days of that date.

Following such repayment, the Group can draw down under Facility B subject to conditions. If the Capital Raise does not complete successfully, immediate payment of amounts then due under Facility A and Facility B would be required. Unless the Group is able to agree short-term relief with the lenders and certain of its other stakeholders, the Company does not expect that the Group would be able to obtain the funds necessary to pay all due amounts, and Administration (or equivalent local law procedures) would therefore become reasonably likely for the Company and key trading companies in the Group at that time.

The Directors believe that any potential remedial actions, such as refinancing or disposals of assets, would not be achievable in the required timeframe. In addition, as the Group has already implemented significant cost savings following the outbreak of COVID-19, the Directors believe that no further significant cost savings are likely possible to avoid Administration (or equivalent local law procedures) in the event that the Capital Raise does not successfully complete.

Consequently, if the Capital Raise does not successfully complete, the Directors expect that Administration (or equivalent local law procedures) of the Company and of certain key trading companies in the Group would be reasonably likely shortly thereafter. Shareholders would likely lose all or a substantial part of their investment in the Company as a result.

2. The COVID-19 pandemic has had, and is likely to continue to have, a material adverse effect on the Group, the ultimate extent of which cannot currently be accurately predicted.

In December 2019, an outbreak of a new strain of coronavirus, COVID-19, was identified in Wuhan, China, and has since spread globally. On 11 March 2020, the World Health Organisation confirmed that its spread and severity had escalated to the level of a pandemic.

The COVID-19 pandemic has resulted in a series of measures implemented by governments around the world aimed at mitigating the further spread of the virus. These measures include restrictions on travel, closure of national borders, imposition of quarantines, prolonged closures of workplaces and curfews or other social distancing measures.

Stobart Aviation, which generated revenue of £56.8 million (including £0.2 million of intercompany revenue) in FY19/20, is largely dependent on airline passenger volume for its revenue. The COVID-19 pandemic has therefore had a very significant negative effect on the Group's business. Passenger numbers at London Southend Airport fell from approximately 5,500 passengers per day to nearly zero over the course of March 2020 and aircraft movements (i.e. landings or take-offs) fell from approximately 50 to fewer than 10 per day in the same period. Passenger numbers remain near zero and aircraft movements (primarily relating to logistics) remain near 10 as at the date of this document, and the Group expects this to continue until at least the end of September 2020 (and until the end of March 2021 under a 'reasonable worst case scenario'), with a slow recovery until the end of February 2021 (or until end of June 2021 under a 'reasonable worst case scenario'). The speed of this recovery may be negatively impacted by required quarantine periods for travellers into the United Kingdom and other European countries. There can be no certainty as to when or to what extent the applicable government restrictions will be lifted and when passenger traffic will return to normal levels.

In addition, Stobart Air has temporarily ceased most of its flights as a result of COVID-19 and, as a result, is liable for substantial customer refunds paid via Aer Lingus in respect of cancelled flights.

The COVID-19 pandemic also contributed to the circumstances leading to Connect Airways (which is 30 per cent. owned by the Group) and its subsidiary Flybe entering into Administration in early March 2020. During FY19/20, the Group's stake in Connect Airways contributed equity accounted losses of £4.0 million (compared to £0.7 million in FY18/19), and the Administration of Connect Airways resulted in a write down of £45.1 million.

In the Stobart Energy operating division, which generated revenue of £76.3 million in FY19/20, the COVID-19 pandemic has led to a significant slowdown in construction activity, a 75 per cent. decrease in commercial and industrial waste arisings year-on-year and the closure of household waste and recycling centres. The Group's inbound waste wood supply therefore decreased as much as 80 per cent. year-on-year, although is starting to recover. The profitability of the Group's production of waste wood fuel is, in part, related to the gate fees it charges to third parties for taking waste wood from them. The low supply of available waste wood is negatively impacting gate fee pricing and may continue to do so for an extended period and may result in an inability of the Group to fulfil its requirements under its supply agreements with its biomass energy plant customers. For more detail,

see the risk factor titled, "*The Stobart Energy operating division is dependent on the availability of raw materials for the production of waste wood fuel and the viability of the Group's supply chain*".

Quarantine measures imposed by the UK Government have also impacted the Group due to severe disruptions to the Group's supply chains and severe declines in activity levels across all of the Group's operating divisions. As a result, the Group has put approximately 50 per cent. of its employees on furlough. The Group also expects the COVID-19 pandemic to have a severe negative impact on the UK and global economies. For a discussion of risks related to such an economic downturn, see the risk factor titled "*Conditions in the UK and global economies may adversely affect the Group*".

The full implications of the COVID-19 pandemic depend on a number of factors, such as the duration of the outbreak and the effectiveness of measures imposed by authorities. The effectiveness of macroeconomic measures (e.g. government stimulus packages and measures introduced by central banks) will also influence the impact that the COVID-19 pandemic will have on the economy and ultimately the Group. There is currently limited clarity in relation to these factors, and therefore the Group cannot reasonably estimate the impact of the COVID-19 pandemic on the Group's business, financial condition and results of operations. In addition, the Stobart Aviation and Stobart Energy operating divisions are subject to seasonality. If the Group's operations or results are negatively affected during its peak seasons, the Group's full year performance will be disproportionately impacted. This is likely to be the case as a result of the COVID-19 pandemic, as the Stobart Aviation peak summer months are set to be significantly affected. For more detail, see the risk factor titled "*The Group's businesses are subject to seasonality*".

Even after the COVID-19 pandemic has passed, the impact of this pandemic on consumer behaviour and their preferences may continue in the longer-term. This could result in continued diminished demand for the Group's services.

Any of the foregoing, including a prolonged period of travel, commercial or other similar restrictions, as well as any resulting deterioration in general economic conditions or change in consumer behaviour, could have a material adverse effect on the Group's business, financial condition and results of operations.

3. Conditions in the UK and global economies may adversely affect the Group.

In FY19/20 the Group derived 90 per cent. of its revenue from the United Kingdom. Whilst the Directors expect this percentage to decrease following the acquisition of Stobart Air in April 2020, they expect that the United Kingdom will continue to account for the majority of the Group's revenue going forward. The Group will, therefore, continue to be exposed to the impact of global and local economic conditions affecting the United Kingdom and may be adversely affected if the UK or global economies deteriorate.

Because the Group's operations are concentrated in the United Kingdom, any events which materially impact the United Kingdom more than other jurisdictions will have a disproportionate impact on the Group compared to its more international competitors. Such events could include geopolitical events (including Brexit), actual or threatened acts of terrorism or war, pandemics (including COVID-19), industrial actions, commodity costs, interest rates (including in relation to the transition away from LIBOR), accidents or natural disasters or tax or other regulatory changes. For more detail on the risks related to Brexit, see the risk factor titled "*The Group faces risks related to the United Kingdom's exit from the European Union (Brexit)"* and for more detail on the risks related to COVID-19, see the risk factor titled "*The COVID-19 pandemic has had, and is likely to continue to have, a material adverse effect on the Group, the ultimate extent of which cannot currently be accurately predicted*".

Stobart Aviation is particularly exposed to macroeconomic conditions, as the Group expects that demand for air travel will diminish during periods of economic slowdown. Because a significant portion of Stobart Aviation's business depends on European air travel, the Group is exposed to macroeconomic conditions both within the United Kingdom and globally. Because the operating contracts with the airlines operating at the Group's airports do not commit either party to specific volumes of activity, airlines may decrease the number of flights serving the Group's airports when passenger numbers decline significantly (as they have done in recent months as a result of the COVID-19 pandemic), which directly impacts the Group's aeronautical revenue.

The Group's non-aeronautical revenue is also impacted by significant declines in passenger numbers due to decreased traffic to, and footfall in, the Group's airports. In particular, this impacts revenue from

passengers travelling to/from the airport by train, car park revenue and revenue from retail concessions and the hotel at London Southend Airport.

Airline insolvencies are also more likely during periods of economic slowdown. For more detail, see the risk factors titled "*The Group's aeronautical revenue has declined, and could continue to decline, as a result of a reduction in flights, passengers or other factors outside the Group's control*" and "*A decrease in passenger numbers or other factors outside the Group's control have reduced, could continue to reduce, non-aeronautical revenue*".

For the aforementioned reasons, a deterioration of the UK or global economies could have a material adverse effect on the Group's business, financial condition and results of operations.

4. In certain of its operating divisions, the Group relies on a small number of significant customers. Any loss of, or decrease in business from, a significant customer could have a material adverse effect on the Group.

In its two core operating divisions, the Group relies on a small number of significant customers. For example, Stobart Aviation's largest two airline customers (easyJet and Ryanair) accounted for approximately 85 per cent. of London Southend Airport's passenger traffic in FY19/20, and Stobart Energy's seven largest biomass energy plant customers accounted for approximately 74 per cent. of the tonnage supplied by the Group in FY19/20. In addition, Stobart Air presently derives nearly all of its revenue from its franchise agreement with Aer Lingus. Whilst the Group seeks to attract new customers in its businesses, the Group expects that it will continue to rely on a small number of significant customers in the immediate future.

Actions taken by these significant customers such as reductions in operations or the use of the Group's services could materially adversely affect the Group. Stobart Aviation is particularly exposed to this risk, as the operating contracts with the airlines operating at the Group's airports do not commit either party to specific volumes of activity. There can therefore be no assurance as to the level of the Group's future aeronautical revenue from any one or more airline operators. However, even where the Group does have contracts in place with its significant customers, if these customers suffer financial difficulties they may be unable to fulfil their contractual obligations.

In addition, as a result of COVID-19, a number of the Group's airline customers have announced their intention to restructure their businesses to cater for lower total forecast passenger numbers in at least the near term, including, *inter alia*: reduced staff numbers; reduced fleet size; a staggered approach to the reintroduction of their flight routes; optimisation of their network and bases; and other cost-cutting measures.

Stobart Energy is also exposed to this risk. Although the majority of the Group's supply agreements with its large biomass energy plant customers have "take or pay" provisions whereby the customer is obligated to pay penalties if it doesn't meet contracted demand levels or a specified percentage thereof, if the Group's major energy customers experience significant liquidity or other issues at their plants they may be unable to fulfil their contractual obligations under these provisions. For example, the Tilbury biomass energy plant experienced a seven-month unplanned outage caused by a dust explosion. This meant that the plant was not in a position to receive its contracted supply of waste wood fuel from the Group, leading to in excess of 100,000 tonnes of waste wood being diverted to other customers and processing sites across the United Kingdom, causing the Group to incur significant costs and losses. The Group is finalising the amount owed under the "take or pay" provisions of the fuel supply agreement with the owner of that plant.

Stobart Air is a regional airline that, among other things, operates under the Aer Lingus brand through a franchise relationship. Stobart Air presently derives nearly all of its revenue from the Aer Lingus franchise agreement. If Aer Lingus experiences significant liquidity or other issues, it may be unable to fulfil its contractual obligations under the franchise agreement. Further, the present term of the franchise agreement expires on 31 December 2022. Whilst the Group intends to continue its current positive dialogue with Aer Lingus to conclude a long-term franchise extension and ensure that the Stobart Air business is put on a sound financial footing, any failure to extend the agreement would likely have a material adverse effect on Stobart Air's revenue. In addition, Propius has annual commitments (guaranteed by the Group) under aircraft leases totalling $15.4 million per annum until April 2027 with a break clause in April 2023 if the Aer Lingus franchise is not extended, on payment of a break fee. Therefore, if the Aer Lingus franchise agreement is not extended, Propius would likely

terminate these leases and be required to pay the break fee of $21.2 million plus associated break fee finance costs.

Any loss of, or decrease in business from, a significant customer could have a material adverse effect on the Group's business, financial condition and results of operations.

5. The Group relies on the stability, security and availability of its information technology systems to operate its business.

The Group relies on information technology in all aspects of its business. Any significant disruption or failure, caused by external factors, denial of service, computer viruses, incompatible systems or human error (including as a result of gaps in training), could result in a service interruption, accident, misappropriation of confidential information, process failure, security breach or other operational difficulties. The risk of such an event occurring may be heightened as a result of COVID-19 due to a number of factors including remote working arrangements for many employees. Such an event could result in increased capital, insurance or operating costs, including increased security costs to protect the Group's infrastructure. The Group's IT infrastructure is decentralised across its operating divisions, which has led to limitations in central visibility, resource and staffing management and governance (including internal security policies, control environments and disaster recovery and business continuity plans) and therefore exposes the Group to the risk of operational disruption, inefficiencies, system errors, security failures or data loss, among others, which could result in significant operational risks and eventually lead to business and customer impact, and potentially regulatory breaches.

Further, the Group utilises a variety of third party products and services and any performance failures on the part of the Group's IT providers could impact the Group's ability to operate effectively and could result in increased costs from switching to an alternative supplier or creating internal resources. Any such potential risks could have a material adverse effect on the Group's business, financial condition and results of operations (including by causing the Group to lose a competitive advantage or suffer a competitive disadvantage), as well as harm the Group's reputation and/or lead to increased regulatory scrutiny and/or disciplinary or legal action.

6. The Group faces risks related to the United Kingdom's exit from the European Union (Brexit).

The Group is subject to risks in relation to the United Kingdom's uncertain future economic relationship with the European Union resulting from the United Kingdom having withdrawn from membership of the European Union on 31 January 2020 and entered into a transition period during which its future relationship with the European Union is uncertain.

Under the terms of the EU Withdrawal Agreement, the United Kingdom withdrew from membership of the European Union on 31 January 2020 and entered into a transition period which is due to expire on 31 December 2020. During the transition period, the majority of rights and obligations associated with membership of the European Union continue to apply to the United Kingdom. The UK Government's intention is to negotiate a trade agreement with the European Union during the transition period. Should the United Kingdom fail to conclude a trade agreement with the European Union by the expiry of the transition period, the United Kingdom will revert to trading with the European Union under the rules of the World Trade Organisation, unless the transition period is extended or other agreements are concluded with the European Union in order to avoid this outcome.

The uncertainty as to when and whether a trade agreement will be concluded with the European Union and what rights and obligations any such agreement will contain will continue to cause both legal and macroeconomic uncertainty. Such uncertainty could negatively impact business and consumer confidence in the United Kingdom, which could lead to reduced levels of travel, and leisure travel in particular. Further, to the extent that Brexit decreases the value of the British pound against the euro, travel from the United Kingdom to Europe will become more expensive, which would negatively impact leisure travel.

As almost all of the Group's operations are located in the United Kingdom, the Group will be disproportionately impacted by any risks emerging from Brexit, including changes in the United Kingdom macroeconomic environment. This could include reduced demand for the Group's services or loss of key customers which could, in turn, result in a material adverse effect on the Group's business, financial condition and results of operations. In addition, the uncertainty around post-Brexit

transitional arrangements has the potential to impact the Group's operations including operational and commercial challenges for airports and restrictions on the import of raw materials as part of Stobart Energy's operations.

The Group is also exposed to the risk that it may be unable to retain or attract the same numbers of non-British European Union staff and may need to hire new staff in order to comply with any reduction in immigration or any new labour and immigration laws in the run up to and following the expiry of the transition period. There can be no assurance that the Group will be able to retain or attract the same or similarly skilled employees as are currently employed.

In addition, depending on the trade agreement agreed between the United Kingdom and the European Union, if any, the Group may experience material disruption to its supply chain. An introduction of customs duties and tariffs on European Union imports into the United Kingdom could result in higher costs for suppliers, which may then be passed on to the Group. The imposition of customs checks at borders could increase lead times for deliveries of supplies. Moreover, in the context of weakening economic conditions caused by the COVID-19 pandemic, suppliers may encounter difficulty obtaining external financing or may be adversely affected by factors such as inflation or the weakening of the pound sterling against the US dollar, the euro and other major currencies.

Any of these potential effects of Brexit, and others that cannot be anticipated, could materially adversely impact the Group's business, financial condition and results of operations.

7. The Group has given a number of parent company guarantees.

Parent company guarantees have been committed to by the Group in a number of areas. Should the position change in relation to one or more of these guarantees, then the guarantees could be called upon. This could result in substantial payments required by the Group, which could have a material adverse effect on the Group's business, financial position and the results of operations.

The Group's parent company guarantees include the following:

- Guarantees were given for some Eddie Stobart property leases when that business formed part of the Group. The guarantees remained in place following the Group's partial disposal of Eddie Stobart in 2014.

  Under the terms of the guarantees, if Eddie Stobart were to default on its rent or rates payments in respect of a guaranteed lease, the Group would be liable to pay the applicable costs until the relevant landlord replaced Eddie Stobart with a new tenant. It could take a substantial amount of time for such landlord to find a replacement tenant, in particular during periods of economic slowdown in the United Kingdom when potential tenants may be less likely to commit to entering into new leases.

  The Group's maximum potential liability under the guarantees as at 29 February 2020 was approximately £77 million. This liability decreases each year as the various leases near termination until 2034 when the final lease terminates. The maximum liability in any one year, should the risk crystallise, is £6.7 million, which is the annual rent and rates liability if all the properties covered by the guarantee were to become and remain vacant.

- The Group is a guarantor in relation to a number of different potential exposures for Stobart Air and Propius. Both businesses have recently been acquired from the administrators of Connect Airways following the failure of Flybe.

  The potential liabilities include:

  - ATR aircraft leases and an associated insurance bond, which run to 2027, with a total commitment of $108 million. This guarantee expires in April 2027, with a break clause in April 2023 if the Aer Lingus franchise is not extended beyond December 2022, on payment of a break fee of $21.2 million plus associated break fee finance costs;
  - Guarantees have been provided to Stobart Air in relation to jet fuel and foreign exchange hedging contracts, which had an exposure as at 30 April 2020 of approximately €4 million; and
  - A facility provided by Aer Lingus, under which, to date, Stobart Air receives 100 per cent. of ticket revenue in advance of passenger flights, has been guaranteed up to maximum of €18 million.

- Historically the Group has occasionally committed to parent company guarantees relating to the delivery or fulfilment of contracts. This is a common requirement, particularly when dealing with public or quasi-public sector organisations in the United Kingdom.

8. The Group's business and profitability may be materially adversely affected by the failure or non-performance of the Group's third party suppliers, sub-contractors and other counterparties.

Some parts of the Group's business are dependent on third-party suppliers, sub-contractors and other counterparties. For example, Stobart Aviation depends on the performance and reputation of operators of concessions within its airports and providers of essential functions such as air traffic control, border control, utilities infrastructure, Network Rail and the train franchise operating the service calling at London Southend Airport and Stobart Energy depends on the operations of its waste wood and diesel suppliers.

If any of these suppliers, sub-contractors or other counterparties fails to meet its obligations, whether due to insolvency or financial difficulty of the third party or otherwise, the Group may not have readily available alternatives. This could result in an inability of the Group to operate its assets, provide services or deliver projects in a timely or profitable manner, or at all. This could in turn lead to financial losses and/or reputational damage, which could have a material adverse effect on the Group's business, financial condition and results of operations.

For example, in November 2019, gate fees in the Stobart Energy division declined significantly due to a combination of a seasonal decline in waste wood supply, demand from UK biomass energy plants peaking and a six-month drop in construction output due to Brexit uncertainties. In addition, the COVID-19 pandemic has led to a significant slowdown in construction activity, a 75 per cent. decrease in commercial and industrial waste arisings year-on-year and the closure of household waste and recycling centres. Without these key sources of supply, the Group's inbound waste wood supply decreased as much as 80 per cent. year-on-year, impacting the Group's ability to supply biomass energy plants and its profitability and cash flow. For further detail, please see the risk factor titled "*The Stobart Energy operating division is dependent on the availability of raw materials for the production of waste wood fuel and the viability of the Group's supply chain*".

9. The Group operates in highly competitive markets.

The Group operates in highly competitive markets. For example, Stobart Aviation competes with other airports in the Greater London area and, as viable alternatives to air travel are further developed and improved, with surface transport systems, cars and the increased use of communications technology. In addition, Stobart Aviation competes to some extent with the UK-based leisure travel industry. Stobart Energy competes with other waste wood fuel logistics providers and users of waste wood, as well as other forms of renewable and non-renewable energy.

The Group's reputation, pricing, financial performance, capital structure and prior experience with customers, among other things, will impact the Group's ability to attract and retain customers. A failure by the Group to compete effectively could have a material adverse effect on its business, financial condition and results of operations.

Across its various operating divisions, the Group competes with market participants which may be larger and/or may have greater financial resources or operating capabilities. In order to attract new or retain existing customers, the Group may need to agree to lower prices or less favourable terms than it would typically or ideally expect to. The Group may also need to invest further in innovative technology and working practices to remain competitive against its peers.

There can be no assurance as to the Group's competitiveness in either of its core operating divisions. As a result of this competition, the Group may fail to attract new or retain existing customers either on appropriate terms which are sufficiently profitable or at all, which may have a material adverse effect on the Group's business, financial condition and results of operations.

10. The Group's insurance coverage might not be adequate or available in all circumstances.

While the Group considers that the insurance cover that the Group maintains is consistent with customary industry practices in the markets in which the Group operates, there can be no assurance that any claim under such insurance will be honoured fully, or in a timely manner, or that its insurance

cover will be sufficient and will cover relevant risks, or that the Group's insurance premiums will not increase substantially. Moreover, there can be no assurance that if insurance cover is cancelled or not renewed, replacement cover will be available at commercially reasonable rates or at all. To the extent that the Group suffers loss or damage that is not covered by insurance or which exceeds its insurance cover, or has to pay higher insurance premiums, the Group's business, financial condition and results of operations may be materially adversely affected.

11. The Group's businesses are subject to seasonality.

The Stobart Aviation and Stobart Energy operating divisions are subject to seasonality.

Stobart Aviation is largely dependent on the leisure segment of the travel industry, which is particularly active during the summer season. The operating division's profitability tends to increase in the summer as a result of higher passenger volume and are generally lower in the fourth quarter of the Group's financial year when fewer people travel and airlines reduce the number of flights operated. Adverse weather conditions can also result in short-term fluctuations in trading patterns, particularly during the winter, when severe weather can result in flight cancellations.

The supply of timber for the Stobart Energy operating division is generally low in the winter months in the United Kingdom, whilst fuel demand increases during that time due to the cold weather. Notwithstanding the Group's storage capabilities, the Group's revenue and cash flow may be negatively impacted by supply shortages in the case of adverse weather affecting the supply of timber in the United Kingdom or by a decrease in demand if the United Kingdom experiences uncharacteristically warm winters.

If the Group's operations or results are negatively affected, whether due to factors in or out of its control, during its peak seasons, the Group's full-year performance will be disproportionately impacted. This is likely to be the case as a result of the COVID-19 pandemic, as Stobart Aviation's peak summer months are set to be significantly affected.

Any of the aforementioned outcomes may have a material adverse effect on the Group's business, financial condition and results of operations.

12. The Group's investments are subject to market and other risks.

The value and viability of the Group's investments in the Stobart Investments and Stobart Infrastructure divisions are subject to significant fluctuations due to changes in sentiment in the market, both in respect of the investment assets themselves and the market and economy as a whole. Factors that could affect the value of the Group's investments include macroeconomic factors in the United Kingdom and globally, foreign exchange movements, liquidity risk, market volatility and property valuations.

In addition, the Group holds an 11.8 per cent. stake in AIM-listed Eddie Stobart Logistics plc (***Eddie Stobart***), which was valued on the Group's balance sheet at £4.7 million as at 29 February 2020. The value and viability of an investment in a publicly listed company is especially subject to changes in investor sentiment and, therefore, volatility. In addition, if Eddie Stobart were to be delisted from the London Stock Exchange, the Group may lose all or part, or may have difficultly realising the value of, this investment. On 7 May 2020, Eddie Stobart announced that delisting from AIM was likely if they weren't able to raise at least £6 million in new equity by 9 December 2020.

13. The Group's management has identified several measures to strengthen its accounting systems and processes, and implementation of such measures is subject to risk.

The Group's management has identified several measures to strengthen its accounting systems and processes in order to enable the Group to more efficiently cater for its current and near-term requirements, as well as to establish a more advanced base for the Directors' strategic ambitions in the medium and longer terms. Such measures include implementation and unification of new software, restructuring of the Group's finance team and alignment of divisional finance functions across the Group. Implementation of these measures may be costly, difficult to achieve and disruptive to the business and could require significant time, resources and management attention, and there can be no guarantee that these measures will have their intended effects. Any of the foregoing could have an adverse effect on the Group's business, financial condition and results of operations.

14. The Group is exposed to risks related to its Facility Agreement.

The Company has entered into an amended Facility Agreement comprising the original £80.0 million revolving credit facility under which the Group is fully drawn and a new £40.0 million revolving credit facility.

Under the terms of the Facility Agreement, the Group is subject to certain covenants, the effects of which could restrict the Group's ability to incur additional indebtedness and/or grow its business. In addition, under the terms of the Facility Agreement, if the Capital Raise completes successfully, the Company will be unable to pay or declare any dividends until 30 November 2021, and between 1 December 2021 and termination of the Facility Agreement the Company's ability to pay or declare dividends will be subject to a leverage ratio test.

Based on its expected sources and uses of funds, the Company does not believe its ability to service its debt and sustain its operations will be materially affected for at least a 12-month period following the date of this document and the statements in this risk factor do not qualify the opinion of the Company that, taking into account the net proceeds of the Capital Raise, the Group has sufficient working capital for its present requirements, that is for at least 12 months from the date of this document; however, any failure to comply with the covenants contained in the Facility Agreement could result in a default thereunder which would permit the acceleration of the maturity of the indebtedness thereunder and, if the Group is unable to refinance in a timely fashion or on acceptable terms, would have a material adverse effect on the Group's business, financial condition and results of operations.

In addition, the Group will need to refinance the Facility Agreement prior to its termination on 31 January 2022. Whilst the Directors believe that the Group will be able to refinance the Facility Agreement prior to this date with a new debt facility, there is a risk that the Group may not be able to do so on acceptable terms or at all, and in such circumstances the Directors would have to consider alternative options, which could include a disposal of part or all of one or more of its businesses and/or investments together with a smaller debt facility than those provided under the Facility Agreement. This could have a material adverse effect on the Group's business, financial condition and results of operations.

Risks relating to legal and regulatory issues

15. The Group operates in highly regulated industries.

The Group operates in highly regulated industries and, therefore, it and its operations are subject to a variety of laws and regulations. These laws and regulations cover a wide variety of areas, including health, safety, security, environmental, planning and other operational issues and activities and may affect the Group's ability to compete and its profitability.

These laws and regulations (and the interpretations thereof) may change and the imposition of stricter laws and regulations could result in costly efforts by the Group to comply with such new laws and regulations or could limit the Group's operational flexibility and efficiency. The Group has incurred, and will continue to incur, capital and operating expenditures and other costs in the ordinary course of business in complying with applicable laws and regulations.

Failure to comply with existing or future laws or regulations applicable to the Group could lead to the imposition of significant fines, punitive damages, prohibition on operations and other penalties. Any non-compliance or perception on the part of contractual counterparties, customers or regulators that the Group is non-compliant with laws and regulations applicable to it may lead to cancellation of existing contracts or impair the Group's ability to win future business or a decrease in demand for the Group's services. Any violation, or perceived violation, of the laws and regulations applicable to the Group may have a material adverse effect on the Group's reputation, business, financial condition and results of operations.

16. The Group may become subject to risks arising from a significant breach to the conditions of licence, regulatory or operating requirements, leading to the loss of the Group's operating licences or approvals.

The Group's operating divisions are subject to various licence and permitting regimes. For example, Stobart Aviation operates under licences granted by the CAA, Stobart Air is licensed by the Irish Aviation Authority and the Irish Commission for Aviation Regulation and Stobart Energy's fuel

production and storage facilities operate under environmental permits issued and regulated by the UK Environment Agency.

Should the Group fail to comply with the conditions of its licences, such licences may not be renewed or may be revoked. In addition, failure to comply with the conditions of licences in one instance may have attendant impacts on the Group's operations under other licences. Any non-renewal or revocation of a licence could result in the Group not being able to operate parts of its business and may therefore have a material adverse effect on the Group's business, financial condition and results of operations.

Additionally, licences may be amended by the relevant licencing agencies in the future in a way that adversely affects the ability of the Group to operate profitably or at all. For example, under the current regulatory regime, the Group's airports will not be subject to economic regulation by the CAA unless one or part of them is found in the future to satisfy the significant market power test set out in the Civil Aviation Act 2012. If the CAA were to amend the terms of its licencing regime or otherwise determine that the Group's airports satisfy the relevant significant market power test, the Group may be required to comply with additional licence conditions including, for instance, caps on the fees and tariffs it would be able to charge its airline customers.

Any of these outcomes could have a material adverse effect on the Group's business, financial condition and results of operations.

17. Data privacy compliance breaches or failure to protect confidential information could harm the Group's reputation and expose the Group to litigation or other legal or regulatory actions.

The Group is subject to a number of laws relating to privacy and data protection, including, in particular, the General Data Protection Regulation (Regulation (EU) 2016/679) (***GDPR***), the United Kingdom's Data Protection Act 2018 and the EU Privacy and Electronic Communications Regulations. Such laws govern the Group's ability to collect, use and transfer personal data, including relating to its customers and commercial partners, as well as any such data relating to its employees and others. The Group routinely transmits and receives personal, confidential and proprietary information by electronic means and therefore relies on the secure processing, storage and transmission of such information in line with regulatory requirements. Therefore, the Group is exposed to the risk that such data could be wrongfully appropriated, lost or disclosed, damaged or processed in breach of privacy or data protection laws which could lead to the imposition of fines or regulatory action, together with associated negative publicity. For example, breaches of the GDPR can result in fines of up to four per cent. of annual global turnover. The risk of such a breach occurring may be heightened as a result of COVID-19 due to a number of factors including remote working arrangements for many employees.

Any perceived or actual failure by the Group, including its third-party service providers, to protect confidential data or any material non-compliance with privacy or data protection or other consumer protection laws or regulations may harm its reputation and credibility, adversely affect revenue, reduce its ability to attract and retain customers, result in litigation or other actions being brought against the Group and the imposition of significant fines and, as a result, could have a material adverse effect on the Group's business, financial condition and results of operations.

18. The Group is subject to legal proceedings and other claims.

The Group is subject to legal proceedings and other claims arising out of the conduct of its business, including, for example, proceedings and claims relating to alleged violations of labour and employment laws, contractual disputes and accidents involving the Group's operations and employees. Any significant claims in the future or a substantial number of small claims may be expensive to defend and may divert time and money away from the Group's operations.

For example, under Part 1 of the Land Compensation Act 1973, compensation can be claimed by people who own and also occupy property that has been reduced in value by more than £50 by physical factors caused by the use of a new or altered runway. Such Part 1 claims against the Group have been brought by approximately 190 landowners in proximity to London Southend Airport in relation to the extension of the London Southend Airport runway in 2012. Test cases are listed for hearing in the Upper Tribunal (Lands Chamber) in October 2020. The aggregate amount claimed by the claimants is approximately £9 million. However, the Group's surveyors have advised that, in their

opinion, none of the claimants' properties have been reduced in value by physical factors caused by the use of the extended runway.

In addition, the Group has been involved in several court actions with Andrew Tinkler, the Group's former Chief Executive, following his removal from the Board on 14 June 2018. These actions have either run their course in the courts or been the subject of an agreed confidential settlement over the last six months. The impact of these claims, including legal costs, is reflected in the FY19/20 Financial Statements. As at the date of this document, there remains a commercial dispute between the Group and Stobart Capital Limited (a company in which Andrew Tinkler is the majority shareholder) in relation to the termination of a management agreement on 12 March 2019 regarding management fees and other costs which may or may not be chargeable. In addition, Andrew Tinkler may continue to attempt to bring further claims against the Group or that may affect the Group, but the Company considers that any such attempts would be vexatious and without merit. In addition, as at 29 February 2020 there are sums due to various Group companies by Andrew Tinkler and his various related entities for historic charges which remain unpaid, which the Company will seek to set off against any liability in relation to this dispute. These matters may give rise to litigation either by or against Group companies. The Company considers that the net liability to Andrew Tinkler or Stobart Capital Limited in respect of these claims, if any, is unlikely to exceed £1 million.

The Group is also party to a number of other ongoing legal cases, principally in relation to general employment and transaction matters. Provision as at 29 February 2020 of £1.7 million has been made in the Group's accounts in respect of certain legal claims and in accordance with applicable accounting requirements, but such provision may prove to be insufficient. No provision is made where, due to inherent uncertainties, no accurate quantification of any cost, or timing of such cost, which may arise from any of the legal proceedings can be determined. As a result, not all potential claims are covered by such provisions. The Group monitors any litigation brought against it; however, litigation is inherently unpredictable, and the Group could continue to incur judgments (including punitive damages), receive adverse arbitration awards or enter into settlements for current or future claims that could adversely affect its financial position and results of operations.

In addition, adverse publicity with respect to such claims or legal proceedings or a substantial judgment against the Group could negatively impact its reputation, which may have a material adverse effect on the Group's business, financial condition and results of operations.

19. The Group may be exposed to changes in tax policy in the United Kingdom and/or HMRC may disagree with the positions the Group has taken or intends to take.

Significant changes to and interpretation of tax laws and regulations in the United Kingdom, including changes in the basis or rate of corporation tax, withdrawal of allowances or credits, imposition of new taxes or changes to withholding taxes could have a material impact upon the Group's tax charges or reporting obligations.

Certain tax positions taken by the Group are based on external tax advice and/or are based on assumptions that involve a degree of judgment. HMRC has disagreed, and may in the future disagree, with certain of the positions the Group has taken or intends to take regarding the tax treatment of transactions. If challenges to the Group's tax positions (through tax audits or otherwise) were to be successful, the Group may be required to pay substantial additional taxes, penalty charges and interest, and it may incur costs in defending litigation or reaching a settlement with HMRC. The Group has made provisions for corporation tax and other taxes of £11.4 million as at 29 February 2020.

Any of the foregoing could have a material adverse effect on the Group's business, financial condition and results of operations.

Risks relating to Stobart Aviation and Carlisle Lake District Airport

20. The Group's aeronautical revenue has declined, and could continue to decline, as a result of a reduction in flights, passengers or other factors outside the Group's control.

The Group generates aeronautical revenue from airport fees and traffic charges payable by the Group's airline customers. These charges are agreed on a market basis and principally levied on factors such as the basis of passenger numbers, maximum total aircraft weight, aircraft noise and emission characteristics, the length of time for which an aircraft is parked at the airport and services provided. The charges are, where possible, also linked to the rate of inflation, which is liable to change

(both as a result of the performance of the UK economy and also as a result of changes to the basis on which the retail price and/or consumer price indices are calculated). The operating contracts with the airlines operating at the Group's airports do not commit either party to specific volumes of activity, although price points are often linked to the delivery of annual volumes. There can therefore be no assurance as to the level of the Group's future aeronautical revenue from any one or more airline operators or customers at the Group's private jet centres. Decisions by, legal disputes with, financial difficulties at, or the failure of, a significant airline customer, or the withdrawal of their landing rights, could lead to a reduction in flights and passenger numbers and/or failure or delay in recovering airport fees or landing charges. The effect of decisions by or events at airlines that have a major presence at the Group's airports could have a material adverse effect on the Group.

The number of passengers using the Group's airports may be affected by a number of other factors, including:

- health scares, epidemics or pandemics across the globe, including the COVID-19 pandemic;
- industrial action that affects critical services at the Group's airports, including at airlines;
- wars, riots or political action;
- acts of terrorism or cybersecurity threats and attacks;
- changes in domestic or international regulation, including international trade liberalisation developments;
- shocks to the macroeconomic environment (including any impact of Brexit, changes in fuel prices and currency exchange rates, inflation, employment and spending) whether affecting the global economy, the UK economy or the Greater London economy of which London Southend Airport is part;
- an increase or decrease in competition from other airports;
- unauthorised use of drones;
- protest activity;
- accidents due to equipment failure and/or human error;
- an increase in airfares;
- airline insolvencies;
- decisions by airlines regarding the number, type and capacity of aircraft, as well as the routes on which particular aircraft are utilised;
- disruptions caused by natural disasters or events;
- extreme weather at the Group's airports or other airports;
- the quality of services and facilities, including the impact of construction projects; and
- the development of efficient and viable alternatives to air travel, including the improvement or expansion of existing surface transport systems, the introduction of new transport links or technology and the increased use of communications technology.

The Group, where possible, seeks to anticipate the effects of the events noted above in its operations and also maintains contingency plans to minimise disruption and passenger inconvenience. However, there can be no guarantee that the Group's contingency plans would be fully effective in anticipating the effects of the factors noted above. Any of these factors could negatively impact the Group's reputation, affect day-to-day operations and result in a decrease in the number of passengers using the Group's airports, which could in turn have a material adverse effect on the Group's business, financial condition and results of operations.

21. A decrease in passenger numbers or other factors outside the Group's control have reduced, and could continue to reduce, non-aeronautical revenue.

The Group's principal sources of non-aeronautical revenue, which comprises the majority of Stobart Aviation's revenue, include retail concession fees, car parks, rail services, a hotel at London Southend Airport and the provision of property facilities and utilities. Non-aeronautical revenue also includes

revenue from Stobart Aviation Services, which provides check-in, baggage handling and cargo services for 16 airlines at London Stansted, London Southend, Manchester, Edinburgh and Glasgow airports.

Each source of non-aeronautical revenue may be negatively impacted by a decrease in passenger numbers. As noted in the immediately preceding risk factor, there are a variety of factors which could adversely affect the number of passengers using the Group's airports.

In addition, retail concession fees, which are based in part on revenue generated by the retail outlets, may be affected by diminished consumer spending generally; changes in the mix of origin versus destination passengers; economic factors, including exchange rates and changes in duty free or VAT reclaim regimes; retail tenant failures; lower retail yields on concession re-negotiations; redevelopments or reconfigurations of retail facilities, which can lead to a temporary or permanent decline in retail concession fees; reduced competitiveness of the airport retail offering; stricter hand luggage and other carry-on restrictions; and reduced shopping time as a result of more rigorous and time consuming security procedures.

Car parking and rail services revenue could also be negatively affected as a result of increased competition from other modes of transport to/from the Group's airports, such as buses and taxis, as well as increased competition from off-site car parks. The mix of origin versus destination passengers will also affect car parking and rail services revenue.

The Group shares the revenue of the hotel at London Southend Airport with Interstate Hotels & Resorts. This revenue is highly correlated to the airport's passenger traffic as well as the mix of origin versus destination passengers.

The revenue of Stobart Aviation Services depends on the number of flights operated by its customers. A decrease in passenger traffic may result in fewer flights operated by the Group's customers, which in turn would negatively impact the Group's revenue.

Any of these factors could result in reduced non-aeronautical revenue and could therefore have a material adverse effect on the Group's business, financial condition and results of operations.

22. The Group could be subject to terrorism and/or increased security requirements.

The UK Government currently assesses the international terrorism threat to mainland Britain as "substantial", the third highest threat level on the UK Government's risk assessment scale. The Group's airports operate within a stringent and complex security regime as required by the Government, which has imposed additional security measures from time to time. The consequences of any future terrorist action or threat may include the cancellation or delay of flights, limitations on the ability of passengers and employees to access the Group's airports and any facilities associated with or required in connection with the operation and management of the Group's airports, fewer airlines and passengers using the Group's airports, liability for damage, loss or the costs of repairing damage and a negative impact on day-to-day operations including the Group's ability to operate and manage its airports.

The implementation of additional security measures in the future could lead to additional limitations on airport capacity or retail space, overcrowding, increases in operating costs and delays to passenger movement through the airport, any of which could have a material adverse effect on the Group's business, financial condition and results of operations.

23. The potential expansion of London Southend Airport could be delayed due to factors outside the Group's control.

The Group has begun developing plans to expand the capacity of London Southend Airport. In the short-term, this will require selective investment to create infrastructure suitable to address COVID-19 related travel requirements. In the medium-term, this will require investment in additional terminal facilities, more car parks and some minor modifications to the taxiways, as well as additional hotel capacity and expansion of the railway station.

The expansion of London Southend Airport is subject to certain steps, factors and processes outside the control of the Group, including but not limited to:

- macroeconomic events (including, for example, the COVID-19 pandemic) that make it economically or logistically challenging to proceed with the expansion of London Southend Airport on schedule or at all;
- engagement and formal consultation with the Group's airline customers and the local communities;
- engagement and formal consultation with neighbouring and regional local authorities and other statutory bodies;
- the grant of planning consents and/or environmental licences and permits required for expansion;
- access to funding;
- construction and delivery delays; and
- air space design and management in the areas around and related to the airport.

Any delay or failure to secure or deliver any of the necessary steps or any of the processes required in connection with the expansion project could in turn delay (or prevent) the potential expansion of London Southend Airport. Any such delays or failures could in turn lead to cost overruns; negative return on investment; loss of key airline customers; and a lack of available resources relating to the construction, delivery and operation of an expanded London Southend Airport, any which may have a material adverse effect on the Group's business, financial condition and results of operations.

Risks relating to Stobart Energy

24. The Stobart Energy operating division is dependent on the availability of raw materials for the production of waste wood fuel and the viability of the Group's supply chain.

The profitability of the Group's production of waste wood fuel is, in part, related to the gate fees it charges to third parties for taking waste wood from them. In some instances, the Group's gate fees are not contracted with its waste wood suppliers, and in many cases such suppliers are not committed to supplying any minimum volume. Therefore, the Group's gate fee revenue is variable and subject to shifts in demand and availability of supply. For example, gate fees in November 2019 declined significantly due to a combination of a seasonal decline in waste wood supply, demand from UK biomass energy plants peaking and a six-month drop in construction output due to Brexit uncertainties. In addition, the COVID-19 pandemic has led to a significant slowdown in construction activity, a 75 per cent. decrease in commercial and industrial waste arisings year-on-year and the closure of household waste and recycling centres. Without these key sources of supply, the Group's inbound waste wood supply decreased as much as 80 per cent. year-on-year, impacting the Group's ability to supply biomass energy plants and its profitability and cash flow. Supply has started to recover, but the Group expects the general trend to continue until the lockdown is fully lifted, followed by a slow rebuild of volumes until the effects of the COVID-19 pandemic have eased, which the Group anticipates could last into 2021. If the Group is unable to supply its customers with contractually-agreed volumes of waste wood fuel, the Group may be liable to pay penalties pursuant to its supply agreements with its customers.

Due to the severe supply shortage caused by the COVID-19 pandemic and the Group's inability to supply its biomass energy plant customers at normal volumes, the Group has issued force majeure notices to many of its biomass energy plant customers pursuant to force majeure clauses in certain of its supply agreements that allow for the Group to cease supplying under the agreements in the event of certain extraordinary events. The Group is working with its customers to discuss options around supply and determine future volumes for when lockdown restrictions are relaxed, and in some cases there is no certainty as to the outcomes of these discussions, including where force majeure notices have been issued.

The production of waste wood fuel depends on the availability and timely supply of waste wood and other waste materials, and in some instances, the availability of fuel production sites operated by third parties. In order to operate, the Group is therefore dependent on its suppliers being able to satisfy the Group's requirements in relation to quantity, quality and delivery times. An inability to maintain a national logistics network or other problems in the supply chain, such as delays, may have adverse consequences for the Group's operations. Alternative suppliers may be difficult to identify. Any cessation, interruption or delay affecting the Group's supply chain, including any delay in or

termination of its agreements or relationships with suppliers of waste wood and of fuel production sites, or any deterioration to the commercial terms on which materials are supplied or fuel production sites are made available may impair the Group's ability to produce waste wood fuel within its budget, meet scheduled deliveries of waste wood fuel and/or cause the Group's customers to cancel orders. Any of these outcomes could materially adversely affect the Group's business, financial condition and results of operations.

25. Stobart Energy may be adversely affected by significant business interruptions, including fires.

The Group's business could be impacted by unpredictable events such as fires, explosions and other accidents. The Group stores large quantities of wood products and fuel across its six large fuel production and storage facilities in the United Kingdom, with further raw wood product and finished fuel stored at many other sites operated by third parties. While the Group is of the view that it maintains appropriate fire prevention plans in accordance with its UK Environment Agency permits, the threat of fire causing supply chain disruption is inherent in this environment. Any such fire, explosion or other accident could result in a loss of supply, equipment and/or property. In addition, the Group may need to transport supply from other storage facilities in order to fulfil its obligations under its supply agreements, which may incur additional costs. Where the Group is already experiencing supply shortages, any such loss of supply could result in the Group being unable to meet its contractual supply obligations (see the risk factor titled "*The Stobart Energy operating division is dependent on the availability of raw materials for the production of waste wood fuel and the viability of the Group's supply chain*").

The Group's biomass energy plant customers also face the threat of fires, explosions and other accidents causing outages and disruption to their operations, in turn impacting their ability to receive their contracted supply of waste wood fuel from the Group. While the majority of the Group's supply agreements with its large biomass energy plant customers have "take or pay" provisions, if any of the Group's customers suffer a major disruption to their operations, they may be unable to fulfil their contractual obligations under these provisions (see the risk factor titled "*In certain of its operating divisions, the Group relies on a small number of significant customers. Any loss of, or decrease in business from, a significant customer could have a material adverse effect on the Group*").

Any failure by the Group or its customers to implement effective programmes for the prevention of loss events and business continuity management in the event of unavoidable loss events, could have a material adverse effect on the Group's business, financial condition and results of operations.

Risks relating to Stobart Rail & Civils

26. Contracts are subject to the risks associated with pricing, cost overruns and delays, contract management, as well as risks associated with delays in payment by customers.

In FY19/20 Stobart Rail & Civils traded below expectations, in part due to delays in Network Rail awarding contracts at the start of its Control Period 6 and the Group's continued exposure to a poor performing legacy project. In the first three months of FY20/21 the division has been negatively impacted by the closure of certain work sites due to the COVID-19 pandemic. As a result of the recent poor performance, the Group is actively engaging to exit the Rail & Civils business within the next six months. There are currently 26 open contracts including 12 operationally live projects. The Directors expect all of these to be substantially concluded in the next six months.

If the Group has not adequately priced risks, accurately forecasted a project's scope or accurately assessed or estimated the revenues or costs on a particular contract or cannot obtain recoveries from third parties (whether in a timely manner or at all) or a project is or becomes subject to delay, then profitability may be lower than anticipated, a loss may be incurred on the contract or project or the Group may not be able to exit the Rail & Civils business in its intended timeframe, any of which could materially adversely affect the Group's business, financial condition and results of operations.

For example, there is one significant legacy contract, Newton Heath, which is outstanding. The contract was for an agreed value of £12.7 million, and the project is scheduled to end in July 2020. There has been an additional £6.5 million of costs and changes, of which £4.5 million is being disputed. If the Group is not successful in this dispute, it will not recover the additional costs.

Risks relating to the Capital Raise and investment in Shares

27. The implementation of the Firm Placing will result in the dilution of ownership of Existing Shares for Shareholders and the Placing and Open Offer will further dilute Qualifying Shareholders who do not, or are not permitted to, acquire New Shares in the Open Offer.

Shareholders' economic and proportionate voting rights in the Company will be reduced by the Firm Placing. In addition, if a Shareholder does not take up the offer of New Shares under the Open Offer, either because the Shareholder is in the United States, an Excluded Territory or another jurisdiction where their participation is restricted for legal, regulatory and other reasons or because the Shareholder does not respond to the Open Offer by 11.00 a.m. on 24 June 2020, the expected latest time and date for acceptance and payment in full for that Shareholder's Open Offer Entitlement, the Shareholder's proportionate ownership and voting interests as well as the percentage that their Shares will represent of the total share capital of the Company will be further reduced.

28. The market price of the Shares could be negatively affected by the sales of substantial amounts of such Shares in the public markets or the perception that these sales could occur.

The issue or sale of a substantial number of Shares by the Company, the Directors or the members of the Management Board in the public market, or the perception that these sales may occur, may depress the market price of the Shares and could impair the Company's ability to raise capital through the sale of additional equity securities.

29. The market price of the Shares could be subject to volatility.

The market price of the Shares could be subject to significant fluctuations due to a change in sentiment in the market regarding the Shares (or securities similar to them), including, in particular, in response to various facts and events, including any regulatory changes affecting the Group's operations, variations in the Group's operating results and/or business developments of the Group and/or its competitors. Stock markets have from time to time experienced significant price and volume fluctuations that have affected the market prices for securities and which may be unrelated to the Company's operating performance or prospects. Furthermore, the Group's operating results and prospects from time to time may be below the expectations of market analysts and investors. Any of these events could result in a decline in the market price of the Shares.

30. An active trading market for the New Shares may not develop.

Application has been made to admit the New Shares to trading on the London Stock Exchange's main market for listed securities. It is expected that Admission will become effective on 29 June 2020 and that dealings in the New Shares on the London Stock Exchange's main market for listed securities will commence as soon as practicable after 8.00 a.m. on that date. There can be no assurance, however, that an active trading market in New Shares will develop upon or following Admission.

31. Admission may not occur when expected.

Admission is subject to the approval (and subject to the satisfaction of any conditions on which such approval is expressed) of the FCA and Admission will become effective as soon as a dealing notice has been issued by the FCA and the London Stock Exchange has acknowledged that the New Shares will be admitted to trading. There can be no guarantee that any conditions to which Admission is subject will be met or that the FCA will issue a dealing notice when anticipated.

32. The market price for the Shares may decline below the Offer Price and Shareholders may not be able to sell Shares at a favourable price after the Capital Raise.

The public trading market price of the Shares may decline below the Offer Price. Should that occur prior to the latest time and date for acceptance under the Open Offer, Qualifying Shareholders who take up any part of their Open Offer Entitlements or Excess Open Offer Entitlements will suffer an immediate loss as a result. Moreover, following the acceptance of their Open Offer Entitlements or Excess Open Offer Entitlements, Shareholders may not be able to sell their New Shares at a price equal to or greater than the acquisition price for those shares. If the public trading market price of the New Shares declines below the Offer Price, investors who have acquired any such New Shares will likely suffer a loss as a result.

Although the Group has no current plans for a subsequent offering of Shares, it is possible that it may decide to undertake such an offering in the future. An additional offering could have an adverse effect on the market price of the outstanding Shares.

33. Investors in the New Shares may be subject to exchange rate risk.

The New Shares are priced in pounds sterling. Accordingly, any investor outside the United Kingdom is subject to adverse movements to their local currency against pounds sterling.

34. It may not be possible to effect service of process upon the Company or the Directors or enforce court judgments against the Company or the Directors.

The Company is incorporated in Guernsey, headquartered in England and operates almost entirely in the United Kingdom. As a result, it may not be possible for investors outside of Guernsey or the United Kingdom to effect service of process outside of these jurisdictions against the Company or the Directors or to enforce the judgement of a court outside Guernsey or the United Kingdom against the Company or the Directors.

35. The Company does not currently pay dividends on the Shares and its ability to do so in the future will depend on the financial position of the Company.

As a holding company, the Company's ability to pay dividends in the future is affected by a number of factors, principally its ability to receive sufficient dividends from subsidiaries. The payment of dividends to the Company by its subsidiaries is, in turn, subject to restrictions, including certain regulatory requirements and the existence of sufficient distributable reserves and cash in the Company's subsidiaries. The ability of these subsidiaries to pay dividends and the Company's ability to receive distributions from its investments in other entities are subject to applicable local laws and regulatory requirements and other restrictions, including, but not limited to, applicable tax laws and covenants in some of the Company's debt facilities.

In addition, under the terms of the Facility Agreement, if the Capital Raise completes successfully, the Company will be unable to pay or declare any dividends until 30 November 2021, and between 1 December 2021 and termination of the Facility Agreement the Company's ability to pay or declare dividends will be subject to a leverage ratio test.

These restrictions could limit the payment of dividends and distributions to the Company by its subsidiaries, which could restrict the Company's ability to fund other operations or to pay a dividend to the Shareholders.

36. Shareholders outside the United Kingdom may not be able to participate in the Capital Raise or future issues of Shares.

Securities laws of certain jurisdictions may restrict the Company's ability to allow participation by Shareholders in the Capital Raise. In particular, holders of Shares who are located in the United States may not be permitted to participate in the Capital Raise unless an exemption from the registration requirements is available under the Securities Act. The Capital Raise will not be registered under the Securities Act. Securities laws of certain other jurisdictions (including the Excluded Territories) may restrict the Company's ability to allow participation by Shareholders in such jurisdictions in any future issue of shares carried out by the Company. Qualifying Shareholders who have a registered address in or who are resident in, or who are citizens of, countries other than the United Kingdom should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to subscribe for or acquire New Shares.

IMPORTANT INFORMATION

General

The Company will update the information provided in this document by means of a supplement if a significant new factor that may affect the evaluation by prospective investors of the offer occurs after the publication of this document or if this document contains any material mistake or substantial inaccuracy. This document and any supplement will be subject to approval by the FCA (as competent authority under Regulation (EU) 2017/1129) and will be made public in accordance with the Prospectus Regulation Rules. If a supplement to this document is published prior to Admission, investors shall have the right to withdraw their applications for New Shares made prior to the publication of the supplement. Such withdrawal must be made within the time limits and in the manner set out in any such supplement (which shall not be shorter than two clear Business Days after publication of the supplement).

Market and industry information

Unless the source is otherwise stated, the market, economic and industry data in this document constitute the Directors' estimates, using underlying data from independent third parties. Market data and certain industry data and forecasts included in this document have been obtained from internal company surveys, market research, consultant surveys, publicly available information, reports of governmental agencies and industry publications and surveys, including (i) the CAA, (ii) the UK Department for Business, Energy & Industrial Strategy and (iii) the UK Committee on Climate Change.

The Company confirms that all third-party data contained in this document has been accurately reproduced and, so far as the Company is aware and able to ascertain from information published by that third party, no facts have been omitted that would render the reproduced information inaccurate or misleading. Where third-party information has been used in this document, the source of such information has been identified. While industry surveys, publications, consultant surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, the accuracy and completeness of such information is not guaranteed. The Company has not independently verified any of the data from third-party sources, nor has the Company ascertained the underlying economic assumptions relied upon therein. Similarly, internal surveys, industry forecasts and market research, which the Group considers to be reliable based upon the Directors' knowledge of the industry, have not been independently verified. Statements as to the Group's market position are based on recently available data.

Cautionary note regarding forward-looking statements

This document includes certain forward-looking statements, forecasts, estimates, projections and opinions (***Forward-looking Statements***). When used in this document, the words "anticipate", "believe", "estimate", "forecast", "expect", "intend", "plan", "project", "may", will" or "should" or, in each case, their negative or other variations or similar expressions, as they relate to the Group, its management or third parties, identify Forward-looking Statements. Forward-looking Statements include statements regarding the Group's business strategy, objectives, financial condition, results of operations and market data, as well as any other statements that are not historical facts. These statements reflect beliefs of the Directors (including based on their expectations arising from pursuit of the Group's strategy), as well as assumptions made by the Directors and information currently available to the Company.

Although the Group considers that these beliefs and assumptions are reasonable, by their nature, Forward-looking Statements involve known and unknown risks, uncertainties, assumptions and other factors because they relate to events and depend on circumstances that will occur in the future whether or not outside the control of the Company. These factors, risks, uncertainties and assumptions could cause actual outcomes and results to be materially different from those projected. Past performance cannot be relied upon as a guide to future performance and should not be taken as a representation that trends or activities underlying past performance will continue in the future. No representation is made or will be made that any Forward-looking Statements will be achieved or will prove to be correct. These factors, risks, assumptions and uncertainties expressly qualify all subsequent oral and written Forward-looking Statements attributable to the Group or persons acting on its behalf.

None of the Company, the Directors or the Underwriters assume any obligation to update any Forward-looking Statement and disclaims any obligation to update its view of any risks or uncertainties described herein or to publicly announce the result of any revisions to the Forward-looking Statements made in this document, except as required by law (including, for the avoidance of doubt, the Prospectus Regulation Rules, the Listing Rules and Disclosure Guidance and Transparency Rules).

In addition, this document contains information concerning the Group's industry and its market and business segments generally, which is forward-looking in nature and is based on a variety of assumptions regarding the ways in which the industry, and the Group's market and business segments, will develop. These assumptions are based on information currently available to the Company. If any one or more of these assumptions turn out to be incorrect, actual market results may differ from those predicted. While the Company does not know what effect any such differences may have on the Group's business, if there are such differences, they could have a material adverse effect on the Group's future results of operations and financial condition.

PRESENTATION OF FINANCIAL INFORMATION

Unless otherwise indicated, the historical and other financial information presented in this document has been derived from (i) the audited consolidated financial statements of the Company, which comprise the consolidated statement of financial position and the related consolidated statements of income, comprehensive income, changes in equity and cash flows and the related notes to the consolidated financial statements, as of and for the year ended 29 February 2020 and the comparative financial information for the year ended 28 February 2019 included elsewhere in this document (the ***FY19/20 Financial Statements***) and (ii) the audited consolidated financial statements of the Company, which comprise the consolidated statement of financial position and the related consolidated statements of income, comprehensive income, changes in equity and cash flows and the related notes to the consolidated financial statements, as of and for the year ended 28 February 2019 and the comparative financial information for the year ended 28 February 2018 incorporated by reference into this document (the ***FY18/19 Financial Statements***).

The Company's auditor has included a paragraph in the independent auditor's report in respect of the FY19/20 Financial Statements stating that there is material uncertainty in respect of the Company's ability to continue as a going concern.

The FY18/19 Financial Statements and the FY19/20 Financial Statements are presented in pounds sterling and have been prepared in accordance with IFRS as adopted by the European Union.

IFRS 16

The Group adopted IFRS 16 Leases on 1 March 2019, which resulted in right-of-use assets of £60.9 million, a net investment of £14.0 million, liabilities of £78.2 million and £2.8 million adjustment to equity being recognised on the Group's balance sheet. The right-of-use assets recognised on transition were adjusted for any prepaid or accrued lease expenses. The lease liability was calculated as the future lease repayments, discounted at the incremental borrowing rate. The weighted average incremental borrowing rate applied on transition was 4.2 per cent. The Group has a sub-lease on one of its properties and has recognised a net investment for this particular property, with the difference between the leases as lessee and lessor taken directly to retained earnings. The Group applied the modified retrospective approach and as such the comparative periods have not been restated. The Group has applied the ongoing recognition exemptions for short-term leases and low value leases (less than £5,000) and applied the following practical expedients on transition:

- reliance on previous identification of a lease (as provided by IAS 17) for all contracts that existed on 1 March 2019;
- reliance on previous assessments on whether leases are onerous instead of performing an impairment review;
- accounting for operating leases with a remaining term of less than 12 months from 1 March 2019 as short-term leases;
- exclusion of initial direct costs from the measurement of the right-of-use asset at 1 March 2019; and
- use of hindsight in determining the lease term where there is the option to extend the lease.

For a reconciliation between operating lease commitments as lessee under IAS 17 and finance lease liability recognised under IFRS 16, please see note 1 to the FY19/20 Financial Statements.

IFRS 15

IFRS 15 Revenue from Contracts with Customers was adopted on 1 March 2018, for FY18/19. The Group transitioned using the cumulative effect method, with transition adjustments recognised for the Stobart Rail & Civils operating division which generates a significant proportion of its revenue from long-term contracts. None of the other operating divisions has been materially impacted by IFRS 15. The financial information for FY17/18 has not been restated.

The quantitative impact of adopting IFRS 15 on the Group's financial information for FY17/18 was a £3.4 million reduction in revenue and an additional £0.5 million of operating expenses. These gave rise to an equity adjustment of £3.9 million, presented in the consolidated statement of changes in equity. The opened retained earnings balance as at 1 March 2018 without adoption of IFRS 15 was £71.4 million and as reported was £67.4 million. The pre-tax adjustment of £3.9 million relates to the timing of revenue recognised (£3.4 million) and recognition of capitalised costs (£0.5 million). There has been no impact on the reported statement of comprehensive income or cash flow statement. The impact on retained earnings brought forward on 1 March 2018 was a decrease of £3.3 million net of tax.

Restated FY17/18 financial information

Until its disposal in February 2019, the Group owned Everdeal Holdings Limited, the parent company of Stobart Air (***Everdeal Holdings***), and Propius Holdings Limited, an airplane leasing business (***Propius***). On 22 February 2019, the Group agreed to sell Everdeal Holdings and Propius to Connect Airways. Both of these businesses are therefore presented as discontinued operations in accordance with IFRS 5 for purposes of the year ended 28 February 2019. The Group restated the financial information in respect of the year ended 28 February 2018 on the same basis. Further information can be found in note 5 to the FY18/19 Financial Statements.

Alternative Performance Measures

This document contains certain alternative performance measures (***APMs***) that are not defined or recognised under IFRS, including) Adjusted EBITDA, Underlying Adjusted EBITDA, Underlying (Loss)/ Profit Before Tax from Continuing Operations, Net Debt and Gearing.

APMs should not be considered in isolation and investors should not consider such information as alternatives to revenue, profit before tax or cash flows from operations calculated in accordance with IFRS, as indications of operating performance or as measures of the Group's profitability or liquidity. Such financial information must be considered only in addition to, and not as a substitute for or superior to, financial information prepared in accordance with IFRS included elsewhere in this document. Investors are cautioned not to place undue reliance on these APMs and are also advised to review them in conjunction with the FY18/19 Financial Statements and the FY19/20 Financial Statements.

APMs are used as they are considered to be both useful and necessary as well as enhancing the comparability of information between reporting periods. In certain circumstances, by adjusting for non-recurring or uncontrollable factors which affect IFRS measures, certain APMs can aid users in understanding the Group's performance.

Consequently, APMs are used by the Directors and management for internal performance analysis, planning, reporting and incentive-setting purposes. The presentation of these measures facilitates comparability with other companies, although management's measures may not be calculated in the same way as similarly titled measures reported by other companies.

Adjusted EBITDA, Underlying Adjusted EBITDA and Underlying (Loss)/Profit Before Tax from Continuing Operations

Adjusted EBITDA, Underlying Adjusted EBITDA and Underlying Profit/(Loss) Before Tax from Continuing Operations are the key profitability measures used by management for performance review in the day-to-day operations of the Group.

Adjusted EBITDA represents (loss)/profit for the year from continuing operations before the impact of the gain/loss on swaps, depreciation, amortisation, impairment—other, impairment—loan receivables from joint ventures, impairment of loan notes, finance costs, finance income and tax. These items are set out on the face of the consolidated income statement of the FY18/19 Financial Statements and FY19/20 Financial Statements where Adjusted EBITDA is referred to as EBITDA.

Underlying Adjusted EBITDA represents Adjusted EBITDA excluding the impact of certain gains and losses that are not considered core to the operations and financial performance of the business. Underlying Adjusted EBITDA is calculated as (loss)/profit for the year from continuing operations before the impact of the loss on swaps, depreciation, amortisation, impairment—other, impairment—loan receivables from joint ventures, impairment of loan notes, finance costs, finance income, tax, non-underlying items included in share of post-tax profits of associates and joint ventures, litigation and claims, bad debt recovery, restructuring costs, transaction costs and new business and new contract set-up costs. A reconciliation of Underlying Adjusted EBITDA is presented below. Underlying Adjusted EBITDA is presented within the FY18/19 Financial Statements and FY19/20 Financial Statements where Underlying Adjusted EBITDA is referred to as Underlying EBITDA.

Underlying (Loss)/Profit Before Tax from Continuing Operations represents (loss)/profit for the year from continuing operations before the impact of non-underlying items included in share of post-tax profits of associates and joint ventures, impairments, amortisation, litigation and claims, bad debt recovery, restructuring costs, transaction costs and new business and new contract set-up costs.

The Group presents these APMs because the Directors believe that they contribute to a better understanding of the Group's results of operations by providing additional information on what the Directors consider to be some of the drivers of the Group's financial performance. Furthermore, the Directors believe that these APMs are widely used by certain investors, securities analysts and other interested parties as supplemental measures of performance.

The following table sets out the reconciliation of Adjusted EBITDA from (loss)/profit for the year from continuing operations for the periods indicated.

	Year ended 29 February 2020	Year ended 28 February 2019	Year ended 28 February 2018[1]
		(£'000)	
(Loss)/profit for the year from continuing operations	**(149,594)**	**(42,644)**	**109,617**
Tax	(8,390)	530	(293)
Finance income	(4,353)	(1,010)	(1,624)
Finance costs	14,017	5,213	4,710
Impairment of loan notes	2,754	3,208	—
Impairment—Other	56,804	7,800	—
Impairment—Loan receivables from joint ventures	45,105	—	—
Amortisation	7,456	3,938	3,938
Depreciation	22,723	16,305	13,405
(Loss)/gain on swaps	300	353	(1,038)
Adjusted EBITDA[2]	**(13,178)**	**(6,307)**	**128,715**

Notes:

(1) The results for the year ended 28 February 2018 have been restated where required due to IFRS 5 Discontinued Operations. Refer to note 5 of the FY18/19 Financial Statements for more details.

(2) Adjusted EBTIDA is referred to as EBITDA in the FY18/19 Financial Statements and FY19/20 Financial Statements.

The following table sets out the reconciliation of Underlying Profit/(Loss) Before Tax from Continuing Operations and of Underlying Adjusted EBITDA from (loss)/profit for the year from continuing operations for the periods indicated.

	Year ended 29 February 2020	Year ended 28 February 2019	Year ended 28 February 2018[1]
		(£'000)	
(Loss)/profit for the year from continuing operations	**(149,594)**	**(42,644)**	**109,617**
Tax	(8,390)	530	(293)
Non-underlying items included in share of post-tax profits of associates and joint ventures[2]	9,108	—	237
Impairments	101,909	7,800	—
Amortisation	7,456	3,938	3,938
Litigations and claims	977	5,193	4,058
Bad debt recovery	—	—	(1,305)
Restructuring costs	—	391	—
Transaction costs	—	—	766
New business and new contract set-up costs	19,135	11,551	5,614
Underlying (Loss)/Profit Before Tax from Continuing Operations	**(19,399)**	**(13,241)**	**122,632**
Finance income	(4,353)	(1,010)	(1,624)
Finance costs	14,017	5,213	4,710
Impairment of loan notes	2,754	3,208	—
Depreciation	22,723	16,305	13,405
(Loss)/gain on swaps	300	353	(1,038)
Underlying Adjusted EBITDA[3]	**16,042**	**10,828**	**138,085**

Notes:

(1) The results for the year ended 28 February 2018 have been restated where required due to IFRS 5 Discontinued Operations. Refer to note 5 of the FY18/19 Financial Statements for more details.

(2) Non-underlying share of post-tax losses of associates and joint ventures relates to the equity accounted losses of Connect Airways Limited. Connect Airways, and its subsidiary Flybe, entered Administration following FY19/20 year end and the Group has impaired all outstanding balances to nil. The Administration following FY19/20 year end is an adjusting event after the reporting period.

(3) Underlying Adjusted EBTIDA is referred to as Underlying EBITDA in the FY18/19 Financial Statements and FY19/20 Financial Statements.

The following table sets out the reconciliation of Underlying Adjusted EBITDA for the Stobart Aviation division from (loss)/profit for the year from continuing operations for the periods indicated.

Stobart Aviation	Year ended 29 February 2020	Year ended 28 February 2019	Year ended 28 February 2018[1]
		(£'000)	
(Loss)/profit before tax from continuing operations	**(9,755)**	**(5,568)**	**(1,069)**
Finance costs (net)	1,235	231	220
Depreciation	7,824	5,816	4,945
Restructuring costs	—	161	—
New business and new contract set-up costs	9,297	4,308	1,752
Underlying Adjusted EBITDA[2]	**8,601**	**4,948**	**5,848**

Notes:

(1) The results for the year ended 28 February 2018 have been restated where required due to IFRS 5 Discontinued Operations. Refer to note 5 of the FY18/19 Financial Statements for more details.

(2) Underlying Adjusted EBTIDA is referred to as Underlying EBITDA in the FY18/19 Financial Statements and FY19/20 Financial Statements.

The following table sets out the reconciliation of Underlying Adjusted EBITDA for the Stobart Energy division from (loss)/profit for the year from continuing operations for the periods indicated.

Stobart Energy	Year ended 29 February 2020	Year ended 28 February 2019	Year ended 28 February 2018[1]
		(£'000)	
(Loss)/profit before tax from continuing operations	**5,192**	**5,324**	**2,343**
Finance costs (net)	1,293	734	488
Depreciation	8,467	7,012	6,538
Amortisation	23	221	221
Bad debt recovery	—	—	1,305
New business and new contract set-up costs	9,191	5,909	3,756
Underlying Adjusted EBITDA[2]	**24,166**	**19,200**	**12,041**

Notes:

(1) The results for the year ended 28 February 2018 have been restated where required due to IFRS 5 Discontinued Operations. Refer to note 5 of the FY18/19 Financial Statements for more details.

(2) Underlying Adjusted EBTIDA is referred to as Underlying EBITDA in the FY18/19 Financial Statements and FY19/20 Financial Statements.

The following table sets out the reconciliation of Underlying Adjusted EBITDA for the Group's non-core operating divisions from (loss)/profit for the year from continuing operations for FY19/20.

FY19/20	Stobart Rail & Civils	Stobart Investments	Stobart Infrastructure
		(£'000)	
(Loss)/profit before tax from continuing operations	**(18,409)**	**(57,061)**	**(35,586)**
Finance costs (net)	128	(2,577)	2,701
Depreciation	2,699	—	1,981
Non-underlying items included in share of post-tax profits of associates and joint ventures	—	9,108	—
Impairments	8,474	46,846	26,676
New business and new contract set-up costs	—	—	647
Underlying Adjusted EBITDA[2]	**(7,108)**	**1,470**	**(3,581)**

Notes:

(1) The results for the year ended 28 February 2018 have been restated where required due to IFRS 5 Discontinued Operations. Refer to note 5 of the FY18/19 Financial Statements for more details.

(2) Underlying Adjusted EBTIDA is referred to as Underlying EBITDA in the FY18/19 Financial Statements and FY19/20 Financial Statements.

Net Debt and Gearing

Net Debt represents the Group's total current and non-current loans and borrowings and exchangeable bonds less cash and cash equivalents. The Group presents Net Debt because the Directors believe that it contributes to a better understanding of the Group's liquidity and financial position by providing additional information in respect of the Group's ability to meet its financial obligations. Furthermore, the Directors believe that Net Debt is widely used by certain investors, securities analysts and other interested parties as a supplemental measure of liquidity and financial position.

Gearing represents the Group's Net Debt divided by Group shareholders' equity. The Group uses Gearing to monitor capital in light of its creditor rating to inform business decisions to maximise shareholder value.

The following table sets out the calculation of Net Debt and Gearing for the periods indicated.

	As at 29 February 2020	As at 28 February 2019	As at 28 February 2018
	(£ millions, unless otherwise indicated)		
Loans and borrowings—current	15.8	13.4	16.7
Loans and borrowings—non-current	177.8	84.1	63.0
Exchangeable bonds	51.7	—	—
Cash and cash equivalents	(9.8)	(14.4)	(43.1)
Net Debt	**235.5**	**83.1**	**36.6**
Group shareholders' equity	103.1	297.0	405.9
Gearing	**228.4%**	**28.0%**	**9.0%**

ROUNDING

Certain numerical figures included in this document have been rounded. Therefore, discrepancies in tables between totals and the sums of the amounts listed may occur due to such rounding. Percentages in tables have been rounded and accordingly may not add up to 100 per cent.

CURRENCY INFORMATION

Unless otherwise indicated, references in this document to "pound sterling", "GBP" or "£" are to the lawful currency of the United Kingdom, references to "euro" or "€" are to the currency introduced at the start of the third stage of the European Economic and Monetary Union pursuant to the Treaty establishing the European Community, as amended and references to "US Dollars", "dollars", "US$" or "$" are to the lawful currency of the United States of America.

NO PROFIT FORECAST

No statement in this document is intended as a profit forecast and no statement in this document should be interpreted to mean that earnings or loss per share for the current or future financial years would necessarily match or exceed the historical published earnings or loss per share.

NOTICE TO INVESTORS IN THE UNITED STATES OF AMERICA

Subject to certain exceptions, neither this document nor the Application Form constitutes, or will constitute, or forms part of any offer or invitation to sell or issue, or any solicitation of any offer to purchase or subscribe for, New Shares to any Shareholder with a registered address in, or who is resident of, the United States. If you are in the United States, you may not purchase or subscribe for New Shares offered hereby. Notwithstanding the foregoing, the Company reserves the right to offer the New Shares to a limited number of Shareholders in the United States reasonably believed to be QIBs, within the meaning of Rule 144A, in offerings exempt from or in a transaction not subject to, the registration requirements under the Securities Act. The Open Offer Entitlements, Excess Open Offer Entitlements and New Shares being offered outside the United States are being offered in reliance on Regulation S. If you are a QIB located in the United States, in order to subscribe for and/or acquire any New Shares you must sign and deliver an investor letter in the form provided by the Company.

If you sign such an investor letter, you will be, amongst other things: representing that you and any account for which you are acquiring the New Shares are a QIB; and agreeing not to reoffer, sell, pledge or otherwise transfer the New Shares except: in an offshore transaction in accordance with Rule 904 of Regulation S (which, for the avoidance of doubt, includes a sale over the London Stock Exchange), and neither the seller nor any person acting on its behalf knows that the transaction has been pre-arranged with a buyer in the United States; to a QIB in a transaction in accordance with Rule 144A; with respect to the New Shares only, pursuant to Rule 144 under the Securities Act (if available); or in another transaction pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act, and, in each case, in compliance with any applicable securities laws of any state or other jurisdiction of the United States.

No representation has been, or will be, made by the Company or the Underwriters as to the availability of Rule 144 under the Securities Act or any other exemption under the Securities Act or

any applicable securities laws of any state or other jurisdiction of the United States for the reoffer, pledge or transfer of the New Shares.

Any envelope containing an Application Form and post-marked from the United States will not be valid unless it contains a duly executed investor letter in the appropriate form as described above, any Application Form in which the exercising holder requests New Shares to be issued in registered form and gives an address in the United States will not be valid unless it contains a duly executed investor letter.

The payment paid in respect of Application Forms that do not meet the foregoing criteria will be returned without interest.

Any person in the United States who obtains a copy of this document and/or an Application Form and who is not a QIB will be unable to purchase or subscribe for New Shares and is required to disregard this document and/or the Application Form.

Overseas territories

Shareholders who have registered addresses in or who are resident in, or who are citizens of, all countries other than the United Kingdom should refer to paragraph 8 of Part III—Terms and Conditions of the Capital Raise.

Notice to all shareholders

Any reproduction or distribution of this document and/or an Application Form, in whole or in part, and any disclosure of its contents or use of any information contained in this document and/or an Application Form for any purpose other than considering an investment in the New Shares is prohibited. By accepting delivery of this document and, where applicable, an Application Form, each offeree of the New Shares agrees to the foregoing.

The distribution of this document and any accompanying documents into jurisdictions other than the United Kingdom may be restricted by law. Persons into whose possession these documents come should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. For further information on the Excluded Territories, please see Part III—Terms and Conditions of the Capital Raise.

No action has been taken by the Company or by the Underwriters that would permit an offer of New Shares or possession or distribution of this document, the Application Form or any other offering or publicity material in any of the Excluded Territories or in any other jurisdictions where the extension and availability of the Capital Raise would breach any applicable law.

Available Information

For so long as any of the Shares are in issue and are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, the Company will, during any period in which it is not subject to Section 13 or 15(d) under the United States Securities Exchange Act of 1934, as amended (the ***Exchange Act***), nor exempt from reporting under the Exchange Act pursuant to Rule 12g3-2(b) thereunder, make available to any holder or beneficial owner of a Share, or to any prospective purchaser of a Share designated by such holder or beneficial owner, the information specified in, and meeting the requirements of, Rule 144A(d)(4) under the Securities Act. In such cases, the Company will also furnish to each such owner all notices of general Shareholders' meetings and other reports and communications that the Group generally makes available to Shareholders.

Enforcement of Civil Liabilities

It may not be possible for investors to effect service of process within the United States upon any of the Company, the Directors or the executive officers of the Company located outside of the United States or to enforce against them any judgments of US courts, including judgments predicated upon civil liabilities under the securities laws of the United States or any state or territory within the United States. There is substantial doubt as to the enforceability in the United Kingdom and Guernsey in original actions, or in actions for the enforcement of judgments of US courts, based on the civil liability provisions of US federal securities laws. In addition, punitive damages in actions brought in the United States or elsewhere may be unenforceable in Guernsey and England and Wales.

CAPITAL RAISE STATISTICS

Offer Price for each New Share	40 pence
Discount of Offer Price to the closing price on 4 June 2020[(1)]	42.2%
Number of Existing Shares in issue at 29 May 2020[(2)]	374,652,662
Basis of Open Offer	2 Open Offer Shares for every 15 Existing Shares
Number of New Shares to be issued pursuant to the Firm Placing	200,046,312
Number of New Shares to be issued pursuant to the Placing and Open Offer	49,953,688
Number of Shares expected to be in issue immediately following completion of the Capital Raise[(3)]	624,652,662
New Shares as a percentage of the expected enlarged issued share capital of the Company immediately following completion of the Capital Raise[(3)]	40.0%
Firm Placed Shares as a percentage of the expected enlarged issued share capital of the Company immediately following completion of the Capital Raise [(3)]	32.0%
Estimated expenses in connection with the Capital Raise	£6.5 million
Estimated net proceeds receivable by the Company from the Capital Raise after expenses	£93.5 million

Notes:

(1) Being the last closing price prior to the announcement of the Capital Raise.

(2) Being the latest practicable date prior to the date of this document.

(3) Assuming that no Shares are issued as a result of the exercise of any options between 29 May 2020, being the latest practicable date prior to the publication of this document, and Admission becoming effective.

EXPECTED TIMETABLE FOR THE CAPITAL RAISE[1][2][3]

Record Date for entitlements under the Open Offer	**close of business on 3 June 2020**
Announcement of the Capital Raise	4 June 2020
Ex-entitlement date for the Open Offer	5 June 2020
Publication and posting of this document and the Application Form	5 June 2020
Open Offer Entitlements and Excess Open Offer Entitlements enabled in CREST and credited to stock accounts of Qualifying CREST Shareholders in CREST	8 June 2020
Recommended latest time for requesting withdrawal of Open Offer Entitlements and Excess Open Offer Entitlements from CREST[4]	4.30 p.m. on 18 June 2020
Latest time and date for depositing Open Offer Entitlements and Excess Open Offer Entitlements into CREST[5]	3.00 p.m. on 19 June 2020
Latest time and date for splitting of Application Forms (to satisfy *bona fide* market claims only)	3.00 p.m. on 22 June 2020
Latest time and date for electronic proxy appointments or receipt of form of proxy	10.00 a.m. on 23 June 2020
Latest time and date for receipt of completed Application Forms and payment in full under the Open Offer or settlement of relevant CREST instructions (as appropriate)	**11.00 a.m. on 24 June 2020**
Announcement of the results of the Placing and Open Offer through a Regulatory Information Service	7.00 a.m. on 25 June 2020
General Meeting	**10.00 a.m. on 25 June 2020**
Results of General Meeting announced through a Regulatory Information Service	25 June 2020
Admission of, and dealings commence in, the New Shares	**8.00 a.m. on 29 June 2020**
CREST Members' accounts credited in respect of New Shares in uncertificated form	From 8.00 a.m. on 29 June 2020
Expected despatch of definitive share certificates for New Shares in certificated form	Within 14 days of Admission

Notes:

(1) The times and dates set out in this expected timetable for the Capital Raise and mentioned in this document, the Application Form and in any other document issued in connection with the Capital Raise are subject to change by the Company (with the agreement of, in certain instances, the Underwriters), in which event details of the new times and dates will be notified to the FCA, the London Stock Exchange and, where appropriate, to Shareholders.

(2) References to times in this document are to London time unless otherwise indicated.

(3) The ability to participate in the Placing and Open Offer is subject to certain restrictions relating to Shareholders with registered addresses outside the United Kingdom, details of which are set out in paragraph 8 of Part III—Terms and Conditions of the Capital Raise.

(4) If your Open Offer Entitlements and Excess Open Offer Entitlements are in CREST and you wish to convert them to certificated form.

(5) If your Open Offer Entitlements and Excess Open Offer Entitlements are represented by an Application Form and you wish to convert them to uncertificated form.

DIRECTORS, COMPANY SECRETARY AND ADVISERS

Board of Directors

A list of the members of the Company's Board as at the date of this document is set forth in the table below.

Name	Position
David Shearer	Non-Executive Chair
Warwick Brady	Chief Executive Officer
Lewis Girdwood	Chief Financial Officer
Nick Dilworth	Chief Operating Officer
David Blackwood	Non-Executive Director
John Coombs	Non-Executive Director
Ginny Pulbrook	Non-Executive Director

Each of the Director's business address is the Company's registered office address at PO Box 286, Floor 2, Trafalgar Court, Les Banques, St Peter Port, Guernsey GY1 4LY.

Telephone: +44 (0) 1481 742742

Company Secretary:	Louise Brace
Registered Office:	PO Box 286 Floor 2 Trafalgar Court Les Banques, St Peter Port Guernsey GY1 4LY
Joint Sponsors, Joint Global Co-ordinators and Joint Bookrunners:	Canaccord Genuity Limited 88 Wood Street London EC2V 7QR United Kingdom UBS AG London Branch 5 Broadgate London EC2M 2QS United Kingdom
Auditor:	KPMG LLP 1 St Peter's Square Manchester M2 3AE United Kingdom
Reporting Accountant:	KPMG LLP 15 Canada Square Canary Wharf London E14 5GL United Kingdom
Legal advisers to the Company as to English and US law:	Freshfields Bruckhaus Deringer LLP 65 Fleet Street London EC4Y 1HS United Kingdom
Legal advisers to the Company as to Guernsey law:	Carey Olsen (Guernsey) LLP PO Box 98 Carey House Les Banques St Peter Port Guernsey GY1 4BZ

Legal advisers to the Joint Sponsors, Joint Global Co-ordinators and Joint Bookrunners as to English and US law:	Linklaters LLP One Silk Street London EC2Y 8HQ United Kingdom
Registrar	Link Market Services (Guernsey) Limited Mont Crevelt House Bulwer Avenue St Sampson, GY2 4LH Guernsey
Receiving Agent	Link Asset Services Corporate Actions The Registry 34 Beckenham Road Beckenham Kent BR3 4TU United Kingdom

PART I—LETTER FROM THE CHAIR OF STOBART GROUP LIMITED

Directors:

David Shearer
Warwick Brady
Lewis Girdwood
Nick Dilworth
David Blackwood
John Coombs
Ginny Pulbrook

Registered Office:

PO Box 286
Floor 2
Trafalgar Court
Les Banques
St Peter Port
Guernsey
GY1 4LY

5 June 2020

To holders of Stobart Group Limited ordinary shares

Dear Shareholder

Proposed Placing and Open Offer of 49,953,688 New Shares and Firm Placing of 200,046,312 New Shares at 40 pence per New Share

Notice of General Meeting

1. Introduction

On 4 June 2020, the Company announced its intention to raise gross proceeds of £100.0 million by way of a fully committed and underwritten Placing and Open Offer and Firm Placing (together, the ***Capital Raise***). The Capital Raise is fully underwritten by the Underwriters (other than the New Shares for which the Directors have committed to subscribe under the Firm Placing), subject to, and in accordance with, the terms and conditions of the Placing Agreement.

The Company also announced that it has entered into an amended Facility Agreement comprising the original £80.0 million revolving credit facility under which the Group is fully drawn (***Facility A***) and a new £40.0 million revolving credit facility (***Facility B***). Under Facility B, the Group can draw up to £10.0 million during the period commencing 5 June 2020 up to and including the date of Admission, subject to certain liquidity conditions. Pursuant to the terms of Facility B, the Group will use a portion of the proceeds of the Capital Raise (up to £10.0 million) to repay the amount drawn under Facility B as at the date of Admission within three Business Days of that date. Following such repayment, the Group can draw down under Facility B subject to conditions, as detailed in paragraph 15.1.2(i) of Part IX of this document.

The purpose of this document is to explain the background to and reasons for the Capital Raise, set out the terms and conditions of the Capital Raise and provide you with a Notice of General Meeting to be held to consider and, if thought fit, to pass the Resolutions required to authorise the Company to carry out the Capital Raise.

This document also explains why the Board considers that the Resolutions to be proposed at the General Meeting are in the best interests of Shareholders and why the Board unanimously recommends that Shareholders vote in favour of the Resolutions.

2. Background to and reasons for the Capital Raise

Background to the Capital Raise

Over the past few years, the Group has been focused on growing its two principal activities to reposition it as a high-quality infrastructure business, focused on the aviation and energy-from-waste sectors. The Group has been committed to establishing London Southend Airport as a major London airport and creating a high-margin renewable waste wood fuel business. Investment in accelerating the growth of the Aviation and Energy divisions has been financed through the use of debt facilities, cash resources and non-core asset sales.

Stobart Aviation

Stobart Aviation owns and operates London Southend Airport and provides management services to the Tees Valley Combined Authority in respect of the Teesside International Airport. In addition, Stobart Aviation Services, one of the businesses within the division, provides check-in, baggage handling and cargo services for 16 airlines at London Stansted, London Southend, Manchester, Edinburgh and Glasgow airports. The Group also operates Stobart Jet Centre, which provides services to the private aviation market.

Stobart Aviation's principal asset is London Southend Airport, which has been rated the best London airport in 2019 for the sixth consecutive year in the *Which? Airport Passenger Survey* and was the United Kingdom's fastest growing airport in 2019 according to CAA data. The airport is served by easyJet, Ryanair and Wizz Air, amongst others, and in early 2020 served approximately 40 destinations across Europe and the United Kingdom.

London Southend Airport made considerable progress toward its strategic ambitions during FY19/20. Passenger numbers increased 43 per cent. to 2.14 million in FY19/20 (FY18/19: 1.49 million). In addition, in 2019 the Group signed an agreement with a global logistics customer to provide facilities and expertise to support the import and export of goods at London Southend Airport.

Once the unprecedented effects of COVID-19 have subsided, the Directors believe that low-cost carriers (***LCCs***) will benefit from their lower cost bases and will likely return to normalised operations faster than non-LCCs. The Directors believe that LCCs will likely be focused on seeking a low cost base for operations and hub capacity at suitable prices and service levels.

The pace at which this capacity is required will largely depend on the demand from passengers to return to international travel, the ability of airlines to react to that demand and the preparedness of airports to respond to the changing expectations of passengers and airlines alike. Airports will be expected to provide clean, secure and spacious environments in which passengers are not expected to gather in confined retail spaces, where cleaners are highly visible and where people can move through central search areas efficiently. The Directors believe that London Southend Airport has an opportunity therefore to make use of significant unutilised space and enhanced technology, provide a cost-efficient base for airlines given the airport's lower capital expenditure to date, and deliver a passenger-focused experience for its customers.

Stobart Energy

The Directors believe that the Group is the United Kingdom's largest supplier of waste wood fuel to UK biomass energy plants, with long-term exclusive contracts in place with some of the largest biomass energy plants in the United Kingdom. Bioenergy (including waste wood fuel) is Britain's second largest source of renewable electricity (behind wind), generating more than 11 per cent. of the United Kingdom's electricity in 2019 (according to UK Department for Business, Energy & Industrial Strategy statistics).

As at the date of this document, the Group supplies more than 15 large, and a significant number of smaller, biomass energy plants in the United Kingdom and Ireland, all of which have successfully completed commissioning and are fully operational. With the biomass energy plants operating more consistently as a result of completing commissioning, the Group was able to supply 1.5 million tonnes of waste wood fuel in FY19/20, representing an increase of 11.5 per cent. on the previous year (FY18/19: 1.3 million).

Non-core operating divisions

The Group has three non-core operating divisions: Stobart Rail & Civils, Stobart Investments and Stobart Infrastructure. These divisions consist of non-core businesses and assets, and the Group aims to divest all of them within the next three years, other than Carlisle Lake District Airport, with an aim of realising value over time from a position of strength when market conditions are right.

Recent Developments

Whilst the Group's two core operating divisions performed broadly in line with management expectations in FY19/20, the COVID-19 pandemic has significantly impacted the Group's revenue and costs in the first three months of FY20/21, in particular in the Stobart Aviation and Stobart Energy operating divisions.

Stobart Aviation

Passenger numbers at London Southend Airport fell from approximately 5,500 passengers per day to nearly zero over the course of March 2020 and aircraft movements (i.e. landings or take-offs) fell from approximately 50 to fewer than 10 per day in the same period. Passenger numbers remain near zero and aircraft movements (primarily relating to logistics) remain near 10 as at the date of this document, and the Group expects this to continue until at least the end of September 2020 (and until the end of March 2021 under a 'reasonable worst case scenario'), with a slow recovery until the end of February 2021 (or until end of June 2021 under a 'reasonable worst case scenario'). This has driven both aeronautical and non-aeronautical revenue to virtually zero, with the exception of logistics and some long-term parking income. At the same time, the Group has been required to continue to fund its largely fixed cost base in regulated areas including security, air traffic control and fire safety to support logistics operations. Furthermore, the Stobart Aviation operating division experiences marked seasonality, with most of its profits coming from the summer months, which are set to be significantly affected by the COVID-19 pandemic.

In addition, on 5 March 2020 Flybe announced it had entered into Administration, and on 10 March 2020 Flybe's parent company, Connect Airways, also entered into Administration. The Group has a 30 per cent. ownership stake in Connect Airways, and Flybe accounted for approximately six per cent. of the passenger traffic at London Southend Airport in FY19/20.

As at the date of this document, the operations of London Southend Airport's airline partners are, for the most part, still suspended, with airlines taking the opportunity to ground fleets at London Southend Airport. Over 15 aircraft are currently parked on the airport's stands, which generates approximately £5,000 to £10,000 per week.

The airport's global logistics customer, which imports and exports goods to and from the United Kingdom, continues to operate as normal. The importance of maintaining the logistics network in the United Kingdom means that people working in that operation have been given "key worker" status. Strict safety protocols and procedures are in place across the Group's locations in order to protect people still at work, including aircraft cleaning after every flight and separation of flight and ground crews. The Group is also undertaking a variety of pro bono activities to support community groups and furloughed staff.

Stobart Energy

Stobart Energy is currently maintaining its operations as biomass energy plants continue to require waste wood fuel in order to service the United Kingdom's electricity needs. The importance of supplying fuel to support these plants and ensuring the waste supply chain continues to function has meant drivers and associated employees have been assigned "key worker" status.

The key risk to Stobart Energy's ongoing operations is the availability of waste wood. The COVID-19 pandemic has led to a significant slowdown in construction activity, a 75 per cent. decrease in commercial and industrial waste arisings year-on-year and the closure of household waste and recycling centres. Without these key sources of supply, the Group's inbound waste wood supply decreased as much as 80 per cent. year-on-year, although is starting to recover. The profitability of the Group's production of waste wood fuel is, in part, related to the gate fees it charges to third parties for taking waste wood from them. The low supply of available waste wood is negatively impacting gate fee pricing and may continue to do so for an extended period and may result in an inability of the Group to fulfil its requirements under its supply agreements with its biomass energy plant customers.

As a result, the Group has issued force majeure notices to many its biomass energy plant customers pursuant to the terms of certain of its supply agreements. The Group is working with its customers to discuss options around supply and determine future volumes for when lockdown restrictions are relaxed, and the Group has developed volume models to help support these discussions. For more detail, see the risk factor titled "*The Stobart Energy operating division is dependent on the availability of raw materials for the production of waste wood fuel and the viability of the Group's supply chain*".

The Group is engaged with the UK Government to request the reopening of household waste and recycling centres and recommend that all available waste wood is prioritised for the use in biomass energy plants. The Group, along with its biomass energy plant customers, is also engaged with the UK Government to extend the expiration of the ROC subsidy scheme beyond the current expiration date in 2037 to compensate for the COVID-19 related slowdown in production.

The Group aims to identify a strategic buyer or infrastructure investor to monetise Stobart Energy in the next 18-24 months in order to fund future growth at London Southend Airport.

Stobart Rail & Civils

In FY19/20 Stobart Rail & Civils traded below expectations, in part due to delays in Network Rail awarding contracts at the start of its Control Period 6 and the Group's continued exposure to a poor performing legacy project. In the first three months of FY20/21 the division has been negatively impacted by the closure of certain work sites due to the COVID-19 pandemic. As a result of the recent poor performance, the Group is actively engaging to exit the Rail & Civils business within the next six months. There are currently 26 open contracts including 12 operationally live projects. The Directors expect all of these to be substantially concluded in the next six months.

Group COVID-19 response

Given the pressure on the Group's revenue and balance sheet, the Group has implemented the following measures to manage costs and preserve liquidity:

- The Group has frozen all capital expenditure other than where it is considered critical for safety reasons and has deferred all discretionary spend.
- The Group has utilised the UK Government's Job Retention Scheme to put on furlough approximately 50 per cent. of the Group's approximately 1,550 employees as of 1 April 2020. All employees in continuing roles that allow them to work from home are doing so.
- The Directors and members of the Management Board have agreed to 20 per cent. pay reductions and all other non-furloughed management have accepted 10 per cent. pay reductions.
- A recruitment freeze has been in place since early March 2020 and all variable pay awards have been deferred to August 2020 at the earliest.
- The Group has utilised a number of measures made available by the UK Government to help conserve cash.

The Group also announced on 6 April 2020 that it withdrew all previously made financial guidance.

New revolving credit facility

The Company has entered into an amended Facility Agreement comprising the original £80.0 million revolving credit facility under which the Group is fully drawn (***Facility A***) and a new £40.0 million revolving credit facility (***Facility B***). Under Facility B, the Group can draw up to £10.0 million during the period commencing 5 June 2020 up to and including the date of Admission, subject to certain liquidity conditions. Pursuant to the terms of Facility B, the Group will use a portion of the proceeds of the Capital Raise (up to £10.0 million) to repay the amount drawn under Facility B as at the date of Admission within three Business Days of that date. Following such repayment, the Group can draw down under Facility B subject to conditions, as detailed in paragraph 15.1.2(i) of Part IX of this document.

Stobart Air and Propius

On 27 April 2020, the Group announced it had reached agreement with the administrators of Connect Airways to acquire Stobart Air and Propius, and the Group now holds a 40 per cent. voting and 75 per cent. economic interest in Everdeal, the ultimate holding company of both businesses, and a 15 per cent. shareholding in the company that holds the remaining 60 per cent. voting interest and 25 per cent. economic interest in Everdeal, Everdeal Employees 2019 Limited.

This provides the Group with an effective indirect economic interest of 78.75 per cent. in Stobart Air and Propius. This structure was in place prior to the Group's disposal of Stobart Air and Propius and is required to ensure that Stobart Air meets the requirements of its Air Operator Certificate to operate out of Ireland.

Propius is an aircraft leasing business that leases eight ATR aircraft from the GOAL Lessors, and leases those aircraft on to Stobart Air. Stobart Air is a regional airline that has operated under the Aer Lingus brand through a franchise relationship since 2010 and also provides private charter flights and

wet-leasing services whereby it provides an aircraft, complete crew, maintenance and insurance (ACMI) to other airlines.

The businesses were owned previously by the Group, which entered into an agreement to sell the businesses to Connect Airways in February 2019 (the ***Connect Sale***). The Group is a guarantor for various obligations of Propius following a sale and leaseback of aircraft arrangement which was entered into by Propius in April 2017, including maintenance commitments under the aircraft leases. Guarantees were also granted by the Group with respect to the obligations owed by Stobart Air arising under the franchise agreement with Aer Lingus and certain fuel and currency hedging arrangements entered into when the businesses were under the Group's ownership. These guarantees were required to remain with the Group following the completion of the Connect Sale, as the holders of the guarantees were not prepared to see them released in view of the perceived covenant quality of Connect Airways. As part of the Connect Sale, it was also agreed that the Group would continue to make repayments of a loan in respect of aircraft maintenance reserves advanced by Propius over time rather than in a single payment at completion.

The Board reviewed the options available to the Company in relation to the future of Stobart Air and Propius during this unprecedented time. This included allowing the businesses to enter some form of insolvency process and a range of ways to support them going forward particularly in light of the strong relationship which exists between the Group and Aer Lingus. The Board concluded that the best course of action financially for the Company and its Shareholders was for it to buy back Stobart Air and Propius. This action will give the Group considerable influence over the pre-existing obligations it has in respect of those businesses. The intention is that the Group will continue its current positive dialogue with Aer Lingus to conclude a long-term franchise extension, as the current franchise agreement term expires on 31 December 2022, and ensure that the businesses are put on a sound financial footing.

The Group's aviation strategy has not changed as a result of this transaction and the Company will work with Aer Lingus to identify a new financial partner to support the business for the future with the Group exiting its involvement in a controlled way at the appropriate time.

The consideration for the Stobart Air and Propius acquisition is a payment of up to £8.55 million on the following basis:

- an initial consideration of £300,000 paid in cash at completion;
- a deferred consideration of £2 million to be paid no later than 15 December 2020; and
- a contingent deferred consideration up to a maximum of £6.25 million based on the value achieved (after disposal costs) on a realisation of value in respect of one or both of the businesses by the Group prior to 31 December 2023, by reference to:
    - 75 per cent. of the first £5 million of value being a payment of up to £3.75 million;
    - 50 per cent. of the next £5 million of value being a payment of up to £2.5 million; and
    - any value above £10 million is retained by the Group.

The Group expects to fund the operations of Stobart Air and Propius over the period through to achieving positive cash flow. The businesses have actively sought to reduce their cash requirements during the COVID-19 period and the Group expects to fund approximately €25 million over the period to 31 December 2021, including the lease payments discussed below.

As part of the acquisition, a €20 million loan by the Group to the holding company of Stobart Air and Propius, and subsequently novated from the Group to Connect Airways in connection with the sale of Stobart Air and Propius to Connect Airways, will be novated back to the Group. This is included within the overall consideration referred to above and the loan became an intra-Group matter following the acquisition.

The value of the combined gross assets of Stobart Air and Propius as at 31 August 2019 was £91.2 million. While valuation work in respect of the Group's acquisition of Stobart Air and Propius in April 2020 is currently in progress, the value of assets acquired is likely to be significantly lower than that as at 31 August 2019. Propius has annual commitments (guaranteed by the Group) under aircraft leases totalling $15.4 million per annum until April 2027 with a break clause in April 2023 if the Aer Lingus franchise is not extended beyond December 2022, on payment of a break fee of $21.2 million plus associated break fee finance costs. The lease payments falling due within the 12 months

following the acquisition are reflected in the funding requirement for Stobart Air and Propius of €25 million referred to above. The combined profits before tax for Stobart Air and Propius for the year ended 28 February 2019 were £5.5 million.

Sale of the Stobart and Eddie Stobart brands

As announced on 21 May 2020, the Group has sold the Eddie Stobart and Stobart trademarks and designs to Eddie Stobart for a total consideration of £10 million. The Company will put forward a resolution at a general meeting of Shareholders to change its corporate name prior to 28 February 2021.

Until completion of the sale, the Group owned the Eddie Stobart and Stobart trademarks and designs and all associated intellectual rights. In February 2014, the Group entered into an agreement to licence the Eddie Stobart trademarks and designs to Eddie Stobart in consideration of a £13.7 million premium fee as part of the initial partial sale of the Eddie Stobart business. That 15-year licence agreement provided the first six years to 29 February 2020 royalty free.

From 1 March 2020, a licence fee of £3 million per annum became payable until February 2029. However, that agreement was terminable by Eddie Stobart on six months' written notice. The annual licence fee was also conditional on Eddie Stobart achieving certain performance targets. If Eddie Stobart did not achieve these performance targets in any given year, the £3 million licence fee was to accrue and only become payable at subsequent dates once these performance targets had been achieved.

The sale of the Eddie Stobart and Stobart trademarks and designs resulted in an immediate cash receipt. It will also have the effect of helping investors and stakeholders to more easily differentiate between Eddie Stobart's business and Stobart Group's aviation and energy businesses through Stobart Group transitioning to a different name.

The consideration for the sale is £10.0 million, of which £6.0 million was received on completion, £2.5 million is payable on or before 1 December 2020 and £1.5 million is payable 36 months following completion of the sale. The cash consideration will be used for general working capital purposes.

The Company will change its name prior to February 2021. However, there are a number of Stobart divisions that will continue to use the brand for up to 36 months after completion and this will be licenced on a royalty free basis from Eddie Stobart.

Stobart Air may continue to use its name so long as it is owned by the Group. If the Group sells the Stobart Air business, it must use reasonable endeavours to procure a change of name as part of that sale.

Reasons for the Capital Raise

A detailed operational and financial review was conducted during 2019 which set out a clear path to maximising long term value for the Group's shareholders. As a result, the Group announced in November 2019 it would be suspending its dividend and that it had commenced a process to obtain new long-term debt to fund its growth investment programme. In parallel, as announced on 17 March 2020, the Group explored the option of raising financing through the sale of a minority investment in London Southend Airport.

The Group progressed both of these processes as planned and was on track to enter into an enlarged debt facility ahead of the FY19/20 results, as well as being engaged in advanced discussions in relation to an investment in London Southend Airport. However, the negative impact from the COVID-19 pandemic on both Flybe and the wider Group caused disruption to this process, removing the ability for the Group to secure this funding.

The Group has taken a series of mitigating actions to help preserve cash flow through this period of uncertainty, however with the business currently suffering from the severe negative impacts of the pandemic, the Group requires additional liquidity both to fund the Group's short-term cash obligations and to enable it to build a strong foundation from which it can return the Aviation business to growth and deliver on its longer-term strategic ambitions.

The Group continues to have confidence in the long-term growth prospects of the business. The Group owns and operates two valuable growth businesses in London Southend Airport and Stobart Energy, and the Group will be well-positioned to benefit from the normalisation in operations.

Major shareholder support

Toscafund has given a letter of intent confirming that it intends to vote its 89,640,562 Existing Shares (representing 23.93 per cent. of the Company's existing issued share capital as at 29 May 2020 (being the latest practicable date prior to the date of this document)) in favour of the Resolutions on which it is permitted to vote.

3. Use of proceeds

The Capital Raise is expected to raise £100.0 million in gross proceeds and approximately £93.5 million in net proceeds. The Group intends to use the net proceeds as follows: (i) within three Business Days of Admission, up to £10.0 million of the net proceeds of the Capital Raise will be used to repay the amount drawn down under Facility B as at that date, and (ii) under the terms of the Facility Agreement, the remaining portion of the net proceeds will be used to reduce the drawn amount under Facility A (which was fully drawn at £80.0 million as at 1 June 2020). Following these payments under its facilities, which will have the effect of reducing the Group's interest expense payable on those amounts, the Group will have immediate access to the undrawn funds under Facility A. The Group intends to draw down such funds as and when they are needed for its working capital requirements, which are set forth in the following table.

By its nature, the information in the following table involves risks and uncertainties because it relates to events and depends on circumstances that may or may not occur in the future, in particular given the risks and uncertainties related to the COVID-19 pandemic. For a discussion of some of these risks and uncertainties please see the risk factor titled "*The COVID-19 pandemic has had, and is likely to continue to have, a material adverse effect on the Group, the ultimate extent of which cannot currently be accurately predicted*".

	10 months to 28 February 2021	FY21/22[1]	To end of FY21/22[1]
		(£ millions)	
Opening balance	**8**	**52**	**8**
Gross proceeds of the Capital Raise	**100**	**0**	**100**
Expenses of the Capital Raise	(7)	0	**(7)**
Net proceeds of the Capital Raise	**94**	**0**	**94**
Available proceeds from Facility B between 5 June 2020 and Admission	10	0	**10**
Repayment of Facility B[2]	(10)	0	**(10)**
Net proceeds of the Capital Raise following repayment of Facility B	**94**	**0**	**94**
Asset finance repayments[3]	(13)	(13)	**(26)**
Lease payments	(4)	(5)	**(9)**
Interest payments	(7)	(9)	**(16)**
Debt, leases and asset financing	**(24)**	**(27)**	**(51)**
London Southend Airport capital expenditure	(10)	(10)	**(20)**
Energy capital expenditure	(2)	(2)	**(4)**
Other capital expenditure	0	(5)	**(5)**
Available asset financing[3]	10	12	**22**
Capital expenditure net of asset financing	**(2)**	**(5)**	**(7)**
Stobart Air acquisition	(2)	0	**(2)**
Stobart Air lease payments (Propius and other lease payments)[4]	(18)	(27)	**(45)**
Stobart Air operating cash flow	3	20	**23**
Stobart Air	**(17)**	**(7)**	**(24)**
Other cash inflows / (outflows) including working capital	(7)	9	2
Residual balance	**52**	**22**	**22**

Notes:

(1) Assuming the Facility Agreement is refinanced in full prior to its termination on 31 January 2022.

(2) Assuming that the Company has drawn down the full £10.0 million available under Facility B between 5 June 2020 and Admission.

(3) Asset financing is used to fund the purchase of small scale assets with security provided over the specific asset being purchased. Assets include plant and equipment for Aviation (e.g. scanners, radars, fire engines) and trucks and trailers for Energy. The Group has existing asset financing facilities in place of which £42 million was drawn at 29 February 2020. Facilities are held with a number of banks including HSBC, Lombard, Lloyds Bank plc, Scania Finance and Barclays. £22 million of planned capital expenditure has been identified as eligible for asset financing, which can be funded using pre-existing facilities. Given the existing repayment profile, the Directors do not expect this to result in an increased net exposure in total asset financing.

(4) Stobart Air lease payments include the $15.4 million per annum lease cost commitments highlighted at the time of acquiring Stobart Air and Propius as well as other lease commitments.

In addition to the net proceeds of the Capital Raise, the Group will also have access to the £40.0 million available under Facility B from Admission, subject to draw down conditions, as detailed in paragraph 15.1.2(i) of Part IX—Additional Information. The Directors do not expect to utilise Facility B until FY21/22 other than the draw down of up to £10 million as described in the table above.

4. Financial impact of the Capital Raise

Had the Capital Raise taken place as at the last balance sheet date, being 29 February 2020, the effect on the balance sheet would have been an increase in cash and cash equivalents of approximately £93.5 million.

Your attention is also drawn to Part VII—Unaudited Pro Forma Financial Information, which contains an unaudited pro forma statement of net assets that illustrates the effect of the Capital Raise on the Group's net assets as at 29 February 2020 as if the Capital Raise had been undertaken at that date.

5. Terms of the Capital Raise and the New Shares

The Company is proposing to raise approximately £100.0 million (approximately £93.5 million net of estimated commissions, fees and expenses) by way of a Placing and Open Offer of 49,953,688 New Shares, representing 8.0 per cent. of the enlarged issued share capital of the Company immediately following completion of the Capital Raise and a Firm Placing of 200,046,312 New Shares, representing 32.0 per cent. of the enlarged issued share capital of the Company immediately following completion of the Capital Raise, each at an Offer Price of 40 pence per New Share.

The Directors have given careful consideration as to how to structure the proposed issuance of equity and have concluded that a Placing and Open Offer and Firm Placing is the most suitable option available to the Company and its Shareholders at this time.

Placing and Open Offer

The Offer Price of 40 pence per New Share represents a 42.2 per cent. discount to the closing price of 69.2 pence on 4 June 2020, being the last closing price prior to the announcement of the Capital Raise. In setting the Offer Price, the Directors have considered the process by which the New Shares need to be offered to investors to ensure the success of the Capital Raise and raise a significant level of equity compared to the market capitalisation of the Company. The Directors believe that both the Offer Price and the discount are appropriate.

The Underwriters, as agents for the Company, have made arrangements to conditionally place the Open Offer Shares with conditional subscribers at the Offer Price. The Open Offer Shares will be subject to clawback to satisfy valid applications by Qualifying Shareholders under the Open Offer. Subject to the waiver or satisfaction of the conditions and the Placing Agreement not being terminated in accordance with its terms, any Open Offer Shares not subscribed for under the Open Offer will be issued to Placees procured by the Underwriters. Placees who are located outside of the United States will be entitled to receive a commitment commission of 1.5 per cent. of the Offer Price multiplied by the maximum number of New Shares for which such Placee commits to subscribe under the Placing, subject to clawback. For US regulatory reasons, persons in the United States will not be paid a commission. No Placee will be paid a commission in respect of the Firm Placing.

Open Offer Entitlements

Subject to the terms and conditions set out below (and, in the case of Qualifying Non-CREST Shareholders, the Application Form), each Qualifying Shareholder is being given an opportunity to apply for Open Offer Shares at the Offer Price (payable in full and free of all expenses) on the following pro rata basis:

2 Open Offer Shares at 40 pence per Open Offer Share for every 15 Existing Shares

held and registered in their name at the Record Date and so in proportion to any other number of Existing Shares then held, rounded down to the nearest whole number of Open Offer Shares.

Qualifying Non-CREST Shareholders will have received an Application Form with this document which sets out their basic entitlement to Open Offer Shares as shown by the number of Open Offer Entitlements offered to them. Qualifying CREST Shareholders will receive a credit to their appropriate stock accounts in CREST in respect of their Open Offer Entitlements on 8 June 2020. Qualifying Shareholders with holdings of Existing Shares in both certificated and uncertificated form will be treated as having separate holdings for the purpose of calculating their entitlements under the Open Offer.

Further information on the Open Offer and the terms and conditions on which it is made, including the procedure for application and payment, are set out in Part III—Terms and Conditions of the Capital Raise of this document and, where relevant, in the Application Form.

Excess Application Facility

Qualifying Shareholders who take up their Open Offer Entitlements in full may apply to subscribe for Excess Shares using the Excess Application Facility. Qualifying Non-CREST Shareholders wishing to apply to subscribe for Excess Shares may do so by completing the relevant sections on the Application Form. Qualifying CREST Shareholders who wish to and are able to apply to subscribe for more than their Open Offer Entitlements will have Excess Open Offer Entitlements credited to their stock account in CREST and should refer to paragraph 5 of Part III—Terms and Conditions of the Capital Raise of this document for information on how to apply for Excess Shares pursuant to the Excess Application Facility. The number of Excess Shares for which a Qualifying Shareholder may apply under the Excess Application Facility is limited to a maximum number equal to four times the number of that Qualifying Shareholder's Open Offer Entitlements.

The Excess Application Facility will comprise Open Offer Shares that are not taken up by Qualifying Shareholders under the Open Offer pursuant to their Open Offer Entitlements, which have been clawed back from Placees and the aggregated fractional entitlements. Qualifying Shareholders' applications for Excess Shares will, therefore, be satisfied only to the extent that applications by other Qualifying Shareholders are made for less than their pro rata Open Offer Entitlements. If there is an over-subscription resulting from excess applications, allocations in respect of such excess applications will be scaled down at the absolute discretion of the Directors in consultation with the Underwriters.

Shareholders should be aware that the Open Offer is not a rights issue. As such, Qualifying Non-CREST Shareholders should note that their Application Forms are not negotiable documents and cannot be traded. Qualifying CREST Shareholders should note that, although the Open Offer Entitlements and Excess Open Offer Entitlements will be admitted to CREST, and be enabled for settlement, the Open Offer Entitlements and Excess Open Offer Entitlements will not be tradeable or listed and applications in respect of the Open Offer may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a *bona fide* market claim. New Shares for which application has not been made under the Open Offer will not be sold in the market for the benefit of those who do not apply under the Open Offer and Qualifying Shareholders who do not apply to take up their entitlements will have no rights nor receive any benefit under the Open Offer. Any New Shares which are not applied for under the Open Offer may be allocated to Placees or, failing which, to the Underwriters subject to the terms and conditions of the Placing Agreement, with the proceeds ultimately accruing for the benefit of the Company.

The attention of Shareholders and any persons (including, without limitation, custodians, nominees and trustees) who have a contractual or other legal obligation to forward this document or an Application Form into a jurisdiction other than the United Kingdom is drawn to paragraph 8 of

Part III—Terms and Conditions of the Capital Raise, which forms part of the terms and conditions of the Placing and Open Offer and Firm Placing. In particular, non-Qualifying Shareholders will not be sent this document or the Application Form.

The Placing and Open Offer is conditional upon, among other things:

(a) Shareholder approval of the Resolutions at the General Meeting;

(b) the Placing Agreement having become or been declared unconditional in all respects and the Placing Agreement not having been terminated by the Underwriters in accordance with its terms prior to Admission; and

(c) Admission becoming effective by not later than 8.00 a.m. on 29 June 2020 (or such later time and/or date as the Company and the Joint Global Co-ordinators may agree, being not later than 6 July 2020).

Accordingly, if any such conditions are not satisfied or, if applicable, waived, the Placing and Open Offer will not proceed and any Open Offer Entitlements and Excess Open Offer Entitlements admitted to CREST will thereafter be disabled and application monies will be returned to applicants (at the applicant's risk) without interest as soon as possible.

Shareholders who do not, or are not permitted to, acquire the New Shares will be diluted by 40.0 per cent. as a result of the Placing and Open Offer (assuming no options granted under the Share Schemes are exercised between 29 May 2020 (being the latest practicable date prior to the publication of this document) and the issuance of New Shares).

The results of the Placing and Open Offer are expected to be announced on or around 25 June 2020.

Firm Placing

The Company is proposing to issue 200,046,312 New Shares pursuant to the Firm Placing. The Firm Placed Shares are not to be offered first to Shareholders generally. The Board has undertaken discussions with key Shareholders in relation to the Firm Placing. The Firm Placed Shares represent 53.4 per cent. of the Shares in issue as at 29 May 2020 (being the latest practicable date prior to publication of this document) and are not subject to clawback under, nor do they form part of, the Open Offer. The Firm Placing is expected to raise approximately £80.0 million gross proceeds.

Shareholders who take up their pro rata Open Offer Entitlement in full will experience 32.0 per cent. dilution to their interests in the Company as a result of the Firm Placing (assuming no options granted under the Share Schemes are exercised between 29 May 2020 (being the latest practicable date prior to the publication of this document) and the issuance of New Shares).

The Firm Placing is subject to the same conditions and termination rights which apply to the Placing and Open Offer.

If Admission does not take place on or before 8.00 a.m. on 29 June 2020 (or such later date as the Company and the Joint Global Co-ordinators may agree, not being later than 8.00 a.m. on 6 July 2020), the Firm Placing will not proceed and subscription monies will be refunded to Firm Placees by cheque or CREST payment, as appropriate (at the Firm Placees' risk).

Admission

The New Shares issued pursuant to the Capital Raise will rank *pari passu* in all respects with the Existing Shares, including the right to receive dividends and other distributions made, paid or declared in respect of the ordinary share capital of the Company after the date of issue of the New Shares.

Applications will be made to the FCA and to the London Stock Exchange for the New Shares to be admitted to the premium listing segment of the Official List and to trading on the London Stock Exchange's main market for listed securities. It is expected that Admission will become effective and that dealings in the New Shares will commence at 8.00 a.m. on 29 June 2020 (whereupon an announcement will be made by the Company to a Regulatory Information Service).

Some questions and answers, together with details of further terms and conditions of the Capital Raise, are set out in Part II and Part III of this document and where relevant will also be set out in the Application Form.

Overseas Shareholders should refer to paragraph 8 of Part III—Terms and Conditions of the Capital Raise for further information on their ability to participate in the Capital Raise.

6. Intentions of the Directors

The Directors, who beneficially hold in aggregate 697,839 Existing Shares, representing approximately 0.19 per cent. of the Company's existing issued ordinary share capital as at 29 May 2020 (being the latest practicable date prior to the publication of this document), each have committed to vote their Existing Shares in favour of the Resolutions.

In addition, each of the Directors has committed to take up the greater of (i) their Open Offer Entitlements in full and (ii) their Open Offer Entitlements in full plus New Shares in the Firm Placing for a total investment (including under the Open Offer) as set out in the following table.

Name	Existing Shares beneficially held[1]	Total investment under the Open Offer and the Firm Placing
David Shearer	100,000	£125,000
Warwick Brady	279,705[2]	£50,000
Lewis Girdwood	125,000	£50,000
Nick Dilworth	63,594[3]	£40,000
David Blackwood	44,534	£50,000
John Coombs	80,006[4]	£36,000
Ginny Pulbrook	5,000	£5,000

Notes:

(1) As at 29 May 2020 (being the latest practicable date prior to publication of this document).

(2) Includes 170,983 Shares held by certain of Warwick Brady's family members.

(3) Includes 31,797 Shares held by Nick Dilworth's spouse.

(4) Includes 39,264 Shares held by John Coombs' spouse.

7. Current trading and prospects in respect of the Group

For a description of the Group's trading since 29 February 2020, please see "*Recent Developments*" in paragraph 2 of this Part I above.

Management's current expectations in respect of its future business operations are set forth in the following table. By their nature, these expectations involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. These risks are heightened as a result of the uncertainties resulting from the COVID-19 pandemic. For a discussion of these risks and uncertainties, please see the section of this document titled "*Risk Factors*" and in particular the risk factor titled "*The COVID-19 pandemic has had, and is likely to continue to have, a material adverse effect on the Group, the ultimate extent of which cannot currently be accurately predicted*". As a result of these risks and uncertainties, the Directors have considered a range of operating scenarios with regard to the impact of COVID-19 and the Group's recovery. For a discussion of the 'reasonable worst case scenario' prepared in connection with the Company's working capital statement, please see paragraph 18 of Part IX—Additional Information.

	Management's current expectations
London Southend Airport[1]	
Zero passengers until end of	September 2020
Passenger numbers at budgeted level by end of	February 2021
Stobart Energy[2]	
70% reduction in waste wood supply until the end of	June 2020
Waste wood supply at budgeted level by end of	February 2021
Stobart Air[3]	
Minimal passengers until end of	July 2020
Passenger numbers return to pre-COVID-19 levels by end of	March 2021

Notes:

(1) London Southend Airport uses, on average, £1.3 million of cash per month while closed for passengers. The Directors believe the airport will achieve cash break-even (after capital expenditure) on a scenario of approximately 2.3 million—2.6 million annual passengers, assuming historical spending behaviour by passengers.

(2) Stobart Energy is already returning to normalised operations. The Directors believe that Stobart Energy will achieve cash break-even on a scenario of delivering 1.1 million tonnes of waste wood fuel per year.

(3) Stobart Air and Propius had a cash outflow in May 2020 of €3.5 million, and the Directors believe that such cash outflow in June 2020 will be €5.5 million. On average, the businesses use approximately €3.5 million of cash per month when closed for passengers (other than "Public Service Obligation" routes). The Directors believe that Stobart Air will achieve cash break-even in January 2021—March 2021 based on the expectations set forth in this table and assuming the COVID-19-related disruption dissipates.

The Directors believe a flexible approach to capital expenditure at London Southend Airport is key to the Group's post-COVID-19 recovery. The following table sets forth the Group's planned capital expenditure for the periods indicated.

	FY20/21	FY21/22	FY22/23	Total
		(£ millions)		
Regulatory and maintenance	1.7	0.0	5.5	**7.2**
Immediate investments	7.3	0.0	0.0	**7.3**
Growth: Passenger experience	0.0	0.0	7.3	**7.8**
Growth: Arrivals terminal extension	1.0	0.0	2.4	**3.4**
Growth: Departures terminal extension	0.0	0.0	3.8	**3.8**
Growth: Car park	0.0	3.9	5.8	**9.6**
Growth: Hotel	0.0	6.1	6.4	**12.5**
Growth: Airline capacity	0.0	0.0	0.3	**0.3**
Growth: Other	0.0	0.0	1.2	**1.2**
Total	**10.0**	**10.4**	**32.6**	**53.0**

8. Dividends and dividend policy

The Group is focused on strengthening its balance sheet and maximising the capital available for the further development of its growth businesses. It is therefore the Directors' intention to retain the Group's cash flow to achieve these objectives. The Directors intend to review the Company's dividend policy on an ongoing basis and restore dividends at the point at which the Group becomes significantly cash generative at an operating level, subject to investment requirements to maximise shareholder returns.

In addition, under the terms of the Facility Agreement, if the Capital Raise completes successfully, the Company will be unable to pay or declare any dividends until 30 November 2021, and between 1 December 2021 and termination of the Facility Agreement the Company's ability to pay or declare dividends will be subject to a leverage ratio test, as described in more detail in paragraph 15.1.2(i) of Part IX—Additional Information of this document.

9. General Meeting and Resolutions

You will find set out at the end of this document a notice convening a general meeting of the Company to be held at 10.00 a.m. on 25 June 2020. This general meeting is being held for the purpose of considering and, if thought fit, passing the Resolutions. A summary and explanation of the Resolutions is set out below, but please note that this does not contain the full text of the Resolutions and you should read this section in conjunction with the Resolutions in the Notice of General Meeting at the end of this document.

On 26 March 2020, the UK Government's Stay at Home Measures were passed into law in England and Wales with immediate effect to deal with the COVID-19 pandemic. Similar Stay at Home Measures have been implemented in Guernsey. The measures prohibit public gatherings of more than two people, except where the gathering is 'essential for work purposes' and also restrict forms of travel (including air travel). Whilst it is not certain whether the Stay at Home Measures (or Guernsey equivalent) will be in place in full or in part at the date of the General Meeting, the Board is taking the precaution of planning for the General Meeting on the basis that they will be. Therefore, the Board is assuming that it will not be possible for Shareholders to attend the General Meeting in person, and so

it is necessary to make some adjustments to how the General Meeting would have otherwise been conducted.

The Board is keen to ensure that Shareholders are able to exercise their right to vote and, accordingly, strongly recommends that Shareholders vote by way of proxy. As no persons other than those required to form a legal quorum will be permitted entry to the General Meeting in breach of the "Stay At Home" rules, the Board strongly encourages Shareholders to appoint the Chairman of the meeting, rather than any other person, as their proxy to exercise their right to vote at the General Meeting in accordance with their instructions.

For the avoidance of doubt, it will not be possible to vote in person at the General Meeting.

The health and wellbeing of the Company's employees, Shareholders and the wider communities in which it operates is of paramount importance to the Board and the steps set out in this section are necessary and appropriate ones to take given the current pandemic.

The Board continues to closely monitor the evolving situation in relation to COVID-19 and related guidance issued by the UK and Guernsey Governments. The Board will continue to keep its plans for the General Meeting under review and recommend that Shareholders continue to monitor the Company's website and announcements for any further updates. The Board also urges Shareholders to continue to monitor UK and Guernsey Government guidance and directions in relation to COVID-19 and to act accordingly.

Electronic meeting

Shareholders may attend the meeting electronically by either downloading the dedicated "Lumi AGM" app or by accessing the Lumi AGM website at https://web.lumiagm.com.

Downloading the Lumi app

To access the General Meeting through the "Lumi AGM" app, you will need to download the latest version of the "Lumi AGM" app, onto your smartphone from the Google Play Store™ or the Apple® App Store. It is recommended that you do this in advance of the date of the General Meeting. Please note that the app is not compatible with older devices operating Android 4.4 (and below) or iOS 9 (and below).

Accessing the Lumi website

Lumi can also be accessed online using most well-known internet browsers such as Internet Explorer (not compatible with versions 10 and below), Chrome, Firefox and Safari on a PC, laptop or internet-enabled device such as a tablet or smartphone. If you wish to access the General Meeting using this method, please go to https://web.lumiagm.com on the day.

Logging in

On accessing either the app or AGM website, you will be asked to enter a Meeting ID, which is 134-961-401. You will then be prompted to enter your unique Login ID and PIN. These will be sent to you via letter or email. Access to the meeting via the app or website will be available from 9.30 a.m. on 25 June 2020.

Audio broadcast

The electronic meeting will be broadcast in audio format only. Once logged in, and at the commencement of the meeting, you will be able to listen to the proceeding of the meeting on your device.

Requirements

An active internet connection is required at all times to listen to the audiocast. It is the user's responsibility to ensure you remain connected for the duration of the meeting.

Resolution 1—Increase in share capital

Resolution 1 is an ordinary resolution to increase the Company's share capital to £63,000,001 divided into 630,000,000 Shares and 1,000 Deferred Shares in accordance with article 37 of the Articles in

order for the Company to have sufficient share capital to carry out the Capital Raise. If Resolution 1 is approved, the statement of share capital set out in article 3(1) of the Articles will be revised to reflect the increase in the Company's share capital.

Resolution 2—Directors' authority to issue the New Shares

Resolution 2 authorises the Board to implement the Capital Raise and the general issue of Shares up to an aggregate nominal value of £25,000,000, which is equal to approximately 40.0 per cent. of the nominal value of the current issued share capital of the Company (excluding treasury shares) as at 29 May 2020 (being the latest practicable date prior to publication of this document). The Company has no Shares held as treasury shares. Such authority will expire at the close of the next annual general meeting of the Company after the date on which the resolution is passed. The Directors intend to exercise this authority to issue the New Shares in connection with the Capital Raise. The authority granted under Resolution 2 is in addition to the authority to issue Shares which was granted to the Directors at the Company's last annual general meeting in 2019.

Resolution 3—Disapplication of pre-emption rights

Resolution 3 authorises the Directors to issue equity securities (as defined in the Articles) for cash pursuant to and in connection with the Capital Raise without first offering them to existing Shareholders in proportion to their existing shareholdings up to an aggregate nominal amount of £25,000,000 (representing 250,000,000 Shares). This represents approximately 40.0 per cent of the nominal value of the current issued share capital of the Company (excluding treasury shares) as at 29 May 2020 (being the latest practicable date prior to publication of this document). The disapplication of pre-emption rights in connection with such issuance, if approved by the Shareholders, will be relied upon for the purposes of the Capital Raise. Such authority will expire at the close of the next annual general meeting of the Company after the date on which the resolution is passed. The authority granted under Resolution 3 is in addition to the authority to disapply the pre-emption rights granted under article 7(2) of the Articles which was granted to the Directors at the Company's last annual general meeting in 2019.

Resolution 4—Discount of greater than 10 per cent. to middle market price of the Shares

Resolution 4 authorises the Directors to issue up to 250,000,000 Shares pursuant to the Capital Raise and employee and other applications at the Offer Price, which represents a discount of 42.2 per cent. to the middle market price of the Company's Shares as at 4 June 2020 (being the last closing price before the announcement of the Capital Raise). This resolution is required under Listing Rule 9.5.10(3)(a) to approve the issue of the New Shares at a discount in excess of 10 per cent. to the middle market price of the Shares as at 4 June 2020 (being the last closing price before the announcement of the Capital Raise). In setting the Offer Price, the Directors have considered the process by which the Shares need to be offered to investors to ensure the success of the Capital Raise and raise a significant level of equity compared to the market capitalisation of the Company. The Directors believe that both the Offer Price and the discount are appropriate.

Resolution 5—Approval of issue of Shares to Toscafund

Funds managed by Toscafund hold in aggregate 89,640,562 Existing Shares, representing 23.93 per cent. of the Company's issued ordinary share capital as at 29 May 2020 (being the latest practicable date prior to the publication of this document). Toscafund has agreed to acquire up to 82,500,000 New Shares in the Firm Placing and the Placing (subject to clawback to satisfy valid applications under the Open Offer), resulting in Toscafund being interested in not more than 27.56 per cent. of the Enlarged Issued Share Capital of the Company (the ***Toscafund Transaction***).

As a consequence of the current interest of Toscafund in the Company, the Toscafund Transaction is a related party transaction for the purposes of Chapter 11 of the Listing Rules requiring the prior approval of independent Shareholders (being Shareholders other than Toscafund and its associates) by ordinary resolution (the ***Toscafund Resolution***). Toscafund is not entitled to vote, and has undertaken to take all reasonable steps to ensure that its associates will abstain from voting, on the Toscafund Resolution to approve its own related party transaction at the General Meeting.

The Board considers, and it has received written confirmation from the Joint Sponsors that, the terms of the Toscafund Transaction are fair and reasonable as far as Shareholders are concerned.

Toscafund, at the absolute discretion of the Joint Bookrunners, may be offered the opportunity to offset their Placing commitments against the Open Offer Shares validly taken up and paid for under the Open Offer.

Resolutions 1, 2, 4 and 5 are ordinary resolutions and will pass if a simple majority of the votes cast (either in person or by proxy) are in favour.

Resolution 3 is a special resolution and will pass if not less than 75 per cent. of the votes cast (either in person or by proxy) are in favour.

Each of the Resolutions is conditional on all of the other Resolutions being passed because (i) all of the Resolutions are required to be passed in order for the Capital Raise to complete successfully and (ii) certain of the Resolutions, if passed, would not be effective to complete the Capital Raise unless certain other Resolutions are passed.

10. Overseas Shareholders

The attention of Shareholders who have registered addresses outside the United Kingdom, or who are citizens or residents of countries other than the United Kingdom, or who are holding Shares for the benefit of such persons (including, without limitation, custodians, nominees, trustees and agents) or who have a contractual or other legal obligation to forward this document, an Application Form and any other document in relation to the Capital Raise to such persons, is drawn to the information which appears in paragraph 8 of Part III—Terms and Conditions of the Capital Raise. In particular, subject to certain exceptions, the Placing and Open Offer is not being made to Shareholders in the United States or into any Excluded Territory.

Neither this document nor an Application Form will be sent to Shareholders with registered addresses, or who are resident or located, in an Excluded Territory or, subject to certain exceptions, the United States, nor will the CREST stock account of Shareholders with registered addresses, or who are resident or located, in an Excluded Territory, or, subject to certain exceptions, the United States, be credited with Open Offer Entitlements or Excess Open Offer Entitlements. Any person with a registered address, or who is resident or located, in the United States or an Excluded Territory who obtains a copy of this document or an Application Form is required to disregard them, except with the consent of the Company.

Notwithstanding any other provision of this document or the Application Form, the terms of the Capital Raise relating to Overseas Shareholders may be waived, varied or modified as regards specific Shareholders or on a general basis by the Company in its absolute discretion.

In addition, Overseas Shareholders should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to purchase or subscribe for New Shares.

11. Taxation

Your attention is drawn to Part VIII—Taxation. If you are in any doubt as to your tax position, you should consult your own professional adviser without delay.

12. Share Schemes

Outstanding options and awards granted under the Share Schemes may be adjusted in accordance with the rules of the relevant Share Scheme for any effect that the Placing and Open Offer and Firm Placing may have on those options and awards. Participants in the Share Schemes will be contacted separately with further information on their rights and how their options and awards will be affected by the Placing and Open Offer and Firm Placing.

13. Actions to be taken

Whether or not you intend to log into the General Meeting, you are requested to submit your proxy electronically by accessing the Registrar's website at www.signalshares.com. To be valid, the electronic submission must be registered by not later than 10.00 a.m. on 23 June 2020 (or, in the case of an adjournment, not later than 48 hours before the time fixed for the holding of the adjourned meeting). To vote online you will need to log in to your Signal Shares account or register for Signal

Shares if you have not done so previously. Your investor code will be required for this. Once registered, you will be able to vote immediately.

Instead of voting online, you may request a hard copy form of proxy directly from the Registrar, Link Asset Services, by calling 0371 664 0321 (or +44 (0) 371 664 0321 if calling from outside the United Kingdom). 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.—5.30 p.m., Monday to Friday excluding public holidays in England and Wales. If you request a hard copy form of proxy, you must complete and return it in accordance with the instructions printed on it as soon as possible and, in any event, so as to be received by the Registrar, Link Asset Services, PXS, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, United Kingdom, by not later than 10.00 a.m. on 23 June 2020 (or, in the case of an adjournment, not later than 48 hours before the time fixed for the holding of the adjourned meeting).

If you hold Existing 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 Notice of General Meeting at the end of this document on page 297.

The Board is keen to ensure that Shareholders are able to exercise their right to vote and, accordingly, strongly recommends that Shareholders vote by way of proxy. As no persons other than those required to form a legal quorum will be permitted entry to the General Meeting in breach of the "Stay At Home" rules, the Board strongly encourages Shareholders to appoint the Chairman of the meeting, rather than any other person, as their proxy to exercise their right to vote at the General Meeting in accordance with their instructions.

For the avoidance of doubt, it will <u>not</u> be possible to vote in person at the General Meeting.

If you are a Qualifying Non-CREST Shareholder, an Application Form will be despatched to you giving you details of your Open Offer Entitlements and Excess Open Offer Entitlements by post on or about 5 June 2020. If you are a Qualifying CREST Shareholder, you will not be sent an Application Form. Instead, you will receive a credit to your appropriate stock accounts in CREST in respect of Open Offer Entitlements and Excess Open Offer Entitlements, which it is expected will take place as soon as practicable after 8.00 a.m. on 8 June 2020.

If you sell or have sold or otherwise transferred all of your Shares held (other than ex-entitlement) in certificated form before 8.00 a.m. on 5 June 2020, please forward this document and any Application Form, if and when received, at once to the purchaser or transferee or the bank, stockbroker or other agent through whom the sale or transfer was effected for delivery to the purchaser or transferee, except that such documents should not be sent to any jurisdiction where to do so might constitute a violation of local securities laws or regulations, including, but not limited to, the United States and the Excluded Territories.

If you sell or have sold or otherwise transferred only part of your holding of Existing Shares (other than ex-entitlement) held in certificated form before the Ex-Entitlement Date, please retain these documents and consult the stockbroker, bank or other agent through whom the sale or transfer was effected.

If you sell or have sold or otherwise transferred all or some of your Shares (other than ex-entitlement) held in uncertificated form before the Ex-Entitlement Date, a claim transaction will automatically be generated by Euroclear which, on settlement, will transfer the appropriate number of Open Offer Entitlements and Excess Open Offer Entitlements to the purchaser or transferee.

The latest time and date for acceptance and payment in full in respect of the Capital Raise is expected to be 11.00 a.m. on 24 June 2020, unless otherwise announced by the Company. The procedure for acceptance and payment is set out in Part III—Terms and Conditions of the Capital Raise of this document and, if applicable, in the Application Form.

For Qualifying Non-CREST Shareholders who purchase New Shares, such New Shares will be issued in certificated form and will be represented by definitive share certificates, which are expected to be despatched within 14 days of Admission to the registered address of the person(s) entitled to them.

For Qualifying CREST Shareholders who purchase New Shares, the Receiving Agent will instruct CREST to credit the stock accounts of the Qualifying CREST Shareholders with such New Shares. It is expected that this will take place as soon as practicable after 8.00 a.m. on 29 June 2020.

Qualifying CREST Shareholders who are CREST sponsored members should refer to their CREST sponsor regarding the action to be taken in connection with this document and the Capital Raise.

If you are in any doubt as to the action you should take, you should immediately seek your own financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the FSMA or, if you are outside the United Kingdom, by another appropriately authorised independent financial adviser.

14. Further information

Your attention is drawn to the further information set out in Part II—Some Questions and Answers about the Placing and Open Offer and Firm Placing to Part XI—Definitions and Glossary (inclusive) of this document. Shareholders should read the whole of this document and not rely solely on the information set out in this letter. In addition, you should consider the Risk Factors starting on page 14 of this document.

15. Importance of your vote

Your attention is again drawn to the fact that the Capital Raise is conditional and dependent upon, amongst other things, the Resolutions, all of which are inter-conditional, being passed at the General Meeting.

Shareholders are asked to vote in favour of the Resolutions at the General Meeting in order for the Capital Raise to proceed. The Directors believe that successful completion of the Capital Raise is required to fund the Group's short-term working capital requirements, avoid an event of default under Facility B and allow the Group to survive the short-term difficulties through the current COVID-19 crisis and position the Group to deliver its medium-term growth strategies.

The Group has an £80.0 million revolving credit facility (Facility A), which was drawn at £75.0 million as at 29 February 2020. The COVID-19 pandemic has significantly impacted the Group's revenue and costs in the first three months of FY20/21, in particular in the Stobart Aviation and Stobart Energy operating divisions. As a result, the Group has drawn down the remaining £5.0 million since year-end to meet its short-term working capital requirements and has also implemented the following measures to manage costs and preserve liquidity:

- The Group has frozen all capital expenditure other than where it is considered critical for safety reasons and has deferred all discretionary spend.
- The Group has utilised the UK Government's Job Retention Scheme to put on furlough approximately 50 per cent. of the Group's approximately 1,550 employees as of 1 April 2020. All employees in continuing roles that allow them to work from home are doing so.
- The Directors and members of the Management Board have agreed to 20 per cent. pay reductions and all other non-furloughed management have accepted 10 per cent. pay reductions.
- A recruitment freeze has been in place since early March 2020 and all variable pay awards have been deferred to August 2020 at the earliest.
- The Group has utilised a number of measures made available by the UK Government to help conserve cash.

In addition, the Group also has a new £40.0 million revolving credit facility (Facility B). Under Facility B, the Group can draw up to £10.0 million during the period commencing 5 June 2020 up to and including the date of Admission, subject to certain liquidity conditions. Pursuant to the terms of Facility B, the Group will use a portion of the proceeds of the Capital Raise (up to £10.0 million) to repay the amount drawn under Facility B as at the date of Admission within three Business Days of that date. Following such repayment, the Group can draw down under Facility B subject to conditions, as detailed in paragraph 15.1.2(i) of Part IX of this document. If the Capital Raise does not complete successfully, immediate payment of amounts then due under Facility A and Facility B would be required. Unless the Group is able to agree short-term relief with the lenders and certain of its other stakeholders, the Company does not expect that the Group would be able to obtain the funds necessary to pay all due amounts, and Administration (or equivalent local law procedures) would therefore become reasonably likely for the Company and key trading companies in the Group at that time.

The Directors believe that any potential remedial actions, such as refinancing or disposals of assets, would not be achievable in the required timeframe. In addition, as the Group has already implemented

significant cost savings following the outbreak of COVID-19, the Directors believe that no further significant cost savings are likely possible to avoid Administration (or equivalent local law procedures) in the event that the Capital Raise does not successfully complete.

Consequently, if the Capital Raise does not successfully complete, the Directors expect that Administration (or equivalent local law procedures) of the Company and of certain key trading companies in the Group would be reasonably likely shortly thereafter. Shareholders would likely lose all or a substantial part of their investment in the Company as a result.

Accordingly, it is critical that Shareholders vote in favour of the Resolutions, as the Directors consider the Capital Raise to represent the best transaction possible for the Company, Shareholders and its stakeholders as a whole in the current circumstances.

16. Recommendation and voting intentions

The Board believes the Capital Raise and the Resolutions to be in the best interests of the Shareholders as a whole. Further, the Board considers, and it has received written confirmation from the Joint Sponsors that, the terms of the Toscafund Transaction are fair and reasonable as far as Shareholders are concerned. Accordingly, the Board unanimously recommends that the Shareholders vote in favour of the Resolutions to be proposed at the General Meeting to approve the Capital Raise, as the Directors each intend to do in respect of their own legal and beneficial holdings, amounting to 697,839 Existing Shares (representing approximately 0.19 per cent. of the Company's existing issued ordinary share capital as at 29 May 2020 (being the last practicable date prior to the publication of this document)).

Yours faithfully,
for and on behalf of Stobart Group Limited

David Shearer
Chair

PART II—SOME QUESTIONS AND ANSWERS ABOUT THE PLACING AND OPEN OFFER AND FIRM PLACING

The questions and answers set out in this Part II are intended to be in general terms only and, as such, you should read Part III—Terms and Conditions of the Capital Raise of this document for full details of what action you should take in connection with the Capital Raise. If you are in any doubt as to what action you should take, you are recommended to seek immediately your own financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser, duly authorised under the FSMA if you are resident in the United Kingdom or, if not, from another appropriately authorised independent financial adviser.

This Part II deals with general questions relating to the Placing and Open Offer and Firm Placing and more specific questions relating to Shares held by persons resident in the United Kingdom who hold their Shares in certificated form only. If you are an Overseas Shareholder, you should read paragraph 8 of Part III—Terms and Conditions of the Capital Raise of this document and you should take professional advice as to whether you are eligible and/or you need to observe any formalities to enable you to take up your entitlements. If you hold your Shares in uncertificated form (that is, through CREST) you should read Part III—Terms and Conditions of the Capital Raise of this document for full details of what action you should take. If you are a CREST sponsored member, you should also consult your CREST sponsor. If you do not know whether your Shares are in certificated or uncertificated form, please call Link Asset Services on 0371 664 0321 (or +44 (0) 371 664 0321 if calling from outside the United Kingdom). 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.–5.30 p.m., Monday to Friday excluding public holidays in England and Wales. Please note that Link Asset Services cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

Times and dates referred to in this Part II have been included on the basis of the expected timetable for the Capital Raise set out in Part III—Terms and Conditions of the Capital Raise of this document.

1. What is a Placing and Open Offer and Firm Placing?

A placing and open offer is a way for publicly listed companies to raise money. This combination involves providing existing shareholders with a right to subscribe for or acquire further shares at a fixed price in proportion to their existing shareholdings (an open offer) and providing for conditional subscribers to subscribe for or acquire new shares in the Company (a placing). The fixed price is normally at a discount to the closing mid-market price of the existing ordinary shares prior to the announcement of the open offer.

A firm placing is a way for companies to raise money by issuing shares on a non-pre-emptive basis to existing Shareholders and new investors.

2. What is the Company's Placing and Open Offer?

The Underwriters, as agents for the Company, have made arrangements to conditionally place the Open Offer Shares with conditional subscribers at the Offer Price. The Open Offer Shares will be subject to clawback to satisfy valid applications by Qualifying Shareholders under the Open Offer. Subject to the waiver or satisfaction of the conditions and the Placing Agreement not being terminated in accordance with its terms, any Open Offer Shares not applied for under the Open Offer will be issued to Placees and/or the acquirers procured by the Underwriters, with the net proceeds of the Placing being retained by the Company. Placees who are located outside of the United States will be entitled to receive a commitment commission of 1.5 per cent. of the Offer Price multiplied by the maximum number of New Shares for which such Placee commits to subscribe under the Placing, subject to clawback. For US regulatory reasons, persons in the United States will not be paid a commission. No Placee will be paid a commission in respect of the Firm Placing.

The Open Offer is an invitation by the Company to Qualifying Shareholders to apply to subscribe for an aggregate of 49,953,688 New Shares at a price of 40 pence per New Share. If you hold Shares at the Record Date or have a *bona fide* market claim, and are not a Shareholder located in the United States or any other Excluded Territory (for further information, see paragraph 8 of Part III—Terms and Conditions of the Capital Raise), you will be entitled to apply for New Shares under the Open Offer.

The Open Offer is being made on the basis of 2 Open Offer Shares for every 15 Existing Shares held by Qualifying Shareholders at the Record Date. Applications by Qualifying Shareholders will be satisfied in full up to their Open Offer Entitlements. In addition and subject to availability, the Excess Application Facility will enable Qualifying Shareholders who take up their Open Offer Entitlements in full to apply for Excess Shares in excess of their Open Offer Entitlements. The number of Excess Shares for which a Qualifying Shareholder may apply under the Excess Application Facility is limited to a maximum number equal to four times the number of that Qualifying Shareholder's Open Offer Entitlements. If there is an over-subscription resulting from excess applications, allocations in respect of such Excess Shares will be scaled down at the absolute discretion of the Board in consultation with the Underwriters.

If your entitlement to New Shares is not a whole number, your fractional entitlement will be rounded down in calculating your entitlement to New Shares and such fractional entitlements will not be issued to Shareholders but will be aggregated and allocated to Placees or, failing which, to the Underwriters subject to the terms and conditions of the Placing Agreement, with the proceeds ultimately accruing for the benefit of the Company. New Shares are being offered to Qualifying Shareholders in the Open Offer at a discount to the closing mid-market share price on 4 June 2020.

Shareholders should be aware that the Open Offer is not a rights issue. As such, Qualifying Non-CREST Shareholders should note that their Application Forms are not negotiable documents and cannot be traded. Qualifying CREST Shareholders should note that, although the Open Offer Entitlements and Excess Open Offer Entitlements will be admitted to CREST, and be enabled for settlement, the Open Offer Entitlements and Excess Open Offer Entitlements will be not be tradeable or listed and applications in respect of the Open Offer may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a *bona fide* market claim.

New Shares for which application has not been made under the Open Offer will not be sold in the market for the benefit of those who do not apply under the Open Offer and Qualifying Shareholders who do not apply to take up their entitlements will have no rights nor receive any benefit under the Open Offer. Any New Shares which are not applied for under the Open Offer will be issued to the Placees or, failing which, to the Underwriters subject to the terms and conditions of the Placing Agreement, with the proceeds ultimately accruing for the benefit of the Company.

However, Shareholders should note that the Placing and Open Offer is conditional upon:

(a) Shareholder approval of the Resolutions at the General Meeting; and

(b) the Placing Agreement having become or been declared unconditional in all respects and the Placing Agreement not having been terminated by the Underwriters in accordance with its terms prior to Admission; and

(c) Admission becoming effective by not later than 8.00 a.m. on 29 June 2020 (or such later time and/or date as the Company and the Joint Global Co-ordinators may agree, being not later than 6 July 2020).

3. What is the Company's Firm Placing?

The Company is proposing to issue 200,046,312 New Shares pursuant to the Firm Placing. The Firm Placed Shares are not to be offered first to Shareholders generally. The Firm Placed Shares represent 53.4 per cent. of the Shares in issue as at 29 May 2020 (being the latest practicable date prior to publication of this document) and are not subject to clawback under, nor do they form part of, the Open Offer. The Firm Placing is expected to raise gross proceeds of approximately £80.0 million. The Firm Placing is subject to the same conditions and termination rights which appy to the Placing and Open Offer.

4. When will the Placing and Open Offer and Firm Placing take place?

The Placing Agreement is subject to Admission becoming effective by not later than 8.00 a.m. on 29 June 2020 or such later time and/or date as the Company and the Joint Global Co-ordinators may agree (not later than 6 July 2020). The Placing Agreement may be terminated by the Underwriters at any time prior to Admission in certain circumstances (including if any condition under the Placing Agreement has not been satisfied or waived), in which case the Capital Raise will not proceed.

5. What is an Application Form?

It is a form sent to those Qualifying Shareholders who hold their Shares in certificated form. It sets out your Open Offer Entitlement to apply for the New Shares and Excess Open Offer Entitlement and is a form which you should complete if you want to participate in the Open Offer.

6. What if I have not received an Application Form?

If you have not received an Application Form and you hold your Shares in certificated form, this probably means that you are not eligible to participate in the Open Offer. Some Qualifying Shareholders, however, will not receive an Application Form but may still be able to participate in the Open Offer, including:

(a) Qualifying Shareholders who hold their Shares in uncertificated form (i.e. in CREST); and

(b) Qualifying Shareholders who hold Shares in certificated form and who bought Shares before the Ex-Entitlements Date but were not registered as the holders of those Shares at the Record Date (see question 7 below).

7. If I bought Shares before 5 June 2020 (the Ex-Entitlements Date) will I be eligible to participate in the Open Offer?

If you bought Shares before the Ex-Entitlements Date but you are not registered as the holder of those Shares at close of business on 3 June 2020 (the ***Record Date***) you may still be eligible to participate in the Open Offer. If you are in any doubt, please consult your stockbroker, bank or other appropriate financial adviser, or whoever arranged your share purchase, to ensure you claim your entitlement. You will not be entitled to the New Shares in respect of any Shares acquired on or after the Ex-Entitlements Date.

8. I hold my Shares in uncertificated form in CREST. What do I need to do in relation to the Open Offer?

CREST members should follow the instructions set out in Part III—Terms and Conditions of the Capital Raise. Persons who hold Shares through a CREST member should be informed by the CREST member through whom they hold their Shares of the number of New Shares which they are entitled to take up under the Open Offer and should contact them if they do not receive this information.

9. I hold my Shares in certificated form. How do I know I am eligible to participate in the Open Offer?

If you receive an Application Form and are not a Shareholder with a registered address in the United States or an Excluded Territory, and, subject to certain limited exceptions, are not physically located in the United States or any other Excluded Territory, then you should be eligible to participate in the Open Offer as long as you have not sold all of your Shares before the Ex-Entitlements Date. If you are in any doubt as to whether you are eligible to participate, you are recommended to seek your own independent legal advice.

10. I hold my Shares in certificated form. How do I know how many New Shares I am entitled to take up?

Subject to Shareholders approving the Resolutions at the General Meeting to be held at 10.00 a.m. on 25 June 2020, if you hold your Shares in certificated form and, subject to certain limited exceptions, do not have a registered address in the United States or any other Excluded Territory, you will be sent an Application Form that shows:

- In Box 6, how many Shares you held at the Record Date;
- In Box 7, how many New Shares are comprised in your Open Offer Entitlement; and
- In Box 8, how much you need to pay in pounds sterling if you want to apply for all of your Open Offer Entitlement.

If you would like to apply for any Excess Shares (i.e. New Shares in excess of your Open Offer Entitlement which have not been applied for by other Qualifying Shareholders) pursuant to the Excess

Application Facility, you should complete the Application Form in accordance with the instructions printed on it and the information provided in this document.

11. I am a Qualifying Shareholder and I hold my Existing Shares in certificated form. What are my choices in relation to the Open Offer?

(a) *If you do not want to take up your Open Offer Entitlement*

If you do not want to take up your Open Offer Entitlement you do not need to do anything. In these circumstances, you will not receive any New Shares. You will also not receive any money when the New Shares you could have taken up are sold, as might happen under a rights issue. You cannot sell your Open Offer Entitlement or Excess Open Offer Entitlement to anyone else. If you do not return your Application Form applying for the New Shares to which you are entitled by 11.00 a.m. on 24 June 2020, such New Shares will be made available for subscription under the Excess Application Facility. Failing that, we have made arrangements under which we have agreed to issue the New Shares comprising your Open Offer Entitlement and the balance of Excess Shares which are not taken up by Shareholders to the Placees.

Shareholders who do not wish to take up their Open Offer Entitlements are, however, encouraged to vote at the General Meeting by submitting a proxy electronically by accessing the Registrar's website at www.signalshares.com. To be valid, the electronic submission must be registered by not later than 10.00 a.m. on 23 June 2020 (or, in the case of an adjournment, not later than 48 hours before the time fixed for the holding of the adjourned meeting). To vote online you will need to log in to your Signal Shares account or register for Signal Shares if you have not done so previously. Your investor code will be required for this. Once registered, you will be able to vote immediately. Instead of voting online, you may request a hard copy form of proxy directly from the Registrar, Link Asset Services, by calling 0371 664 0321 (or +44 (0) 371 664 0321 if calling from outside the United Kingdom). 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.–5.30 p.m., Monday to Friday excluding public holidays in England and Wales. If you request a hard copy form of proxy, you must complete and return it in accordance with the instructions printed on it as soon as possible and, in any event, so as to be received by the Registrar, Link Asset Services, PXS, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, United Kingdom, by not later than 10.00 a.m. on 23 June 2020 (or, in the case of an adjournment, not later than 48 hours before the time fixed for the holding of the adjourned meeting).

The Board is keen to ensure that Shareholders are able to exercise their right to vote and, accordingly, strongly recommends that Shareholders vote by way of proxy. As no persons other than those required to form a legal quorum will be permitted entry to the General Meeting in breach of the "Stay At Home" rules, the Board strongly encourages Shareholders to appoint the Chairman of the meeting, rather than any other person, as their proxy to exercise their right to vote at the General Meeting in accordance with their instructions.

For the avoidance of doubt, it will <u>not</u> be possible to vote in person at the General Meeting.

If you do not take up your Open Offer Entitlement then following the issue of the New Shares pursuant to the Placing and Open Offer and Firm Placing, your interest in the Company will be diluted by approximately 40.0 per cent. from completion of the Capital Raise (assuming no options granted under the Share Schemes are exercised between 29 May 2020 (being the latest practicable date prior to the publication of this document) and the issuance of New Shares). If you do take up your Open Offer Entitlement in full, then your interest in the Company will be diluted by approximately 32.0 per cent. as a result of the Firm Placing (assuming no options granted under the Share Schemes are exercised between 29 May 2020 (being the latest practicable date prior to the publication of this document) and the issuance of the New Shares).

(b) *If you want to take up some but not all of the New Shares under your Open Offer Entitlement*

If you want to take up some but not all of the New Shares under your Open Offer Entitlement, you should write the number of New Shares you want to take up in Box 2 of your Application Form; for example, if you have an Open Offer Entitlement for 50 New Shares but you only want to apply for 25 New Shares, then you should write "25" in Box 2.

To work out how much you need to pay for the New Shares, you need to multiply the number of New Shares you want (in this example, "25") by 40 pence giving you an amount of 1,000 pence in this example.

You should write this total sum in Box 5, rounding down to the nearest whole pence, and this should be the amount your cheque or banker's draft is made out for. You should then return the completed Application Form, together with a cheque or banker's draft for that amount, in the accompanying pre-paid envelope by post to Link Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU so as to be received by no later than 11.00 a.m. on 24 June 2020, after which time Application Forms will not be valid. If you post your Application Form by first class post, it is recommended that you allow for at least four Business Days for delivery.

A definitive share certificate will then be sent to you for the New Shares that you take up. Your definitive share certificate for New Shares is expected to be despatched to you within 14 days of Admission.

(c) *If you want to take up all of your Open Offer Entitlement*

If you want to take up all of the New Shares to which you are entitled, all you need to do is sign page 1 of the Application Form (ensuring that all joint holders sign (if applicable)) and send the Application Form, together with your cheque or banker's draft for the amount (as indicated in Box 8 of your Application Form), payable to "LMS re: Stobart Group Limited—2020 OO A/C" and crossed "A/C payee only", in the accompanying pre-paid envelope by post to Link Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU so as to be received no later than 11.00 a.m. on 24 June 2020, after which time the Application Forms will not be valid. If you post your Application Form by first class post, it is recommended that you allow at least four Business Days for delivery.

A definitive share certificate will then be sent to you for the New Shares that you take up. Your definitive share certificate for New Shares is expected to be despatched to you within 14 days of Admission.

(d) *If you want to take up Excess Shares pursuant to the Excess Application Facility*

If you have taken up all of your Open Offer Entitlements and you want to apply for Excess Shares you may do so by completing Boxes 2, 3, 4 and 5 of the Application Form. However, the total number of New Shares is fixed and will not be increased in response to any applications under the Excess Application Facility. Applications under the Excess Application Facility will therefore only be satisfied to the extent of any basic entitlements not taken up by other Qualifying Shareholders. The number of Excess Shares for which a Qualifying Shareholder may apply under the Excess Application Facility is limited to a maximum number equal to four times the number of that Qualifying Shareholder's Open Offer Entitlements.

If there is an over-subscription resulting from excess applications, allocations in respect of such excess applications will be scaled down at the absolute discretion of the Board in consultation with the Underwriters. Excess monies in respect of applications which are not met in full will be returned to the applicant (at the applicant's risk) without interest as soon as practicable thereafter by way of cheque or CREST payment, as appropriate.

(e) *Payment*

All payments should be in pounds sterling and made by cheque or banker's draft made payable to "LMS re: Stobart Group Limited—2020 OO A/C" and crossed "A/C payee only". Cheques or banker's drafts must be drawn on an account at a bank or building society or a branch of a bank or building society which must be in the United Kingdom or the Channel Islands and which is either a settlement member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques or banker's drafts to be cleared through the facilities provided by either of those companies. Cheques and banker's drafts must bear the appropriate sorting code number in the top right-hand corner and must be for the full amount payable on application. Post-dated cheques will not be accepted.

Cheques drawn on a non-UK bank will be rejected. Third party cheques may not be accepted with the exception of building society cheques or banker's drafts where the building society or bank has confirmed the name of the account holder and the number of an account held in the applicant's name at the building society or bank by stamping or endorsing the cheque or draft to such effect. The account name should be the same as that shown on the application. Cheques or banker's drafts will be presented for payment upon receipt. Payments via CHAPS, BACS or electronic transfer will not be accepted. The Company reserves the right to instruct Link Asset Services to seek special clearance of cheques and banker's drafts to allow the Company to obtain value for remittances at the earliest opportunity. No interest will be paid on payments made before they are due. It is a term of the Open

Offer that cheques shall be honoured on first presentation and the Company may elect to treat as invalid acceptances in respect of which cheques are not so honoured. All documents, cheques and banker's drafts sent through the post will be sent at the risk of the sender.

12. I am a Qualifying Shareholder; do I have to apply for all the Open Offer Shares I am entitled to apply for?

You can take up any number of the Open Offer Shares allocated to you under your Open Offer Entitlement, and you can also apply for Excess Shares pursuant to the Excess Application Facility provided you have taken up your Open Offer Entitlements in full. Your maximum Open Offer Entitlement is shown on your Application Form in Box 7. Any applications by a Qualifying Shareholder for a number of Open Offer Shares which is equal to or less than that person's Open Offer Entitlement will be satisfied, subject to the Open Offer becoming unconditional. Excess applications will be satisfied only to the extent that corresponding applications by other Qualifying Shareholders are not made or are made for less than their pro rata entitlements. If there is an over-subscription resulting from excess applications, allocations in respect of such excess applications will be scaled down at the absolute discretion of the Board in consultation with the Underwriters. If you decide not to take up all of the Open Offer Shares comprised in your Open Offer Entitlement, then your proportion of the ownership and voting interest in the Company will be reduced to a greater extent than if you had decided to take up your full entitlement.

Please refer to answers (a), (b), (c) and (d) of question 11 for further information.

13. What if the number of Open Offer Shares to which I am entitled is not a whole number? Am I entitled to fractions of Open Offer Shares?

Your entitlement to Open Offer Shares will be calculated at the Record Date (other than in the case of those who bought shares after the Record Date but prior to 8.00 a.m. on 5 June 2020 who may be eligible to participate in the Placing and Open Offer). If your entitlement to Open Offer Shares is not a whole number, your fractional entitlement will be rounded down in calculating your entitlement to Open Offer Shares and such fractional entitlements will not be issued to Shareholders but will be aggregated and allocated to Placees or, failing which, to the Underwriters subject to the terms and conditions of the Placing Agreement, with the proceeds ultimately accruing for the benefit of the Company.

14. Will I be taxed if I take up my entitlements?

If you are resident in the United Kingdom for UK tax purposes, you will not have to pay UK tax when you take up your entitlement to apply for Open Offer Shares, although the Placing and Open Offer and Firm Placing may affect the amount of UK tax you pay when you sell your Shares.

The statement above is made on the same basis as and subject to the same assumptions and caveats as set out in the "*UK Taxation*" section in Part VIII—Taxation. In particular, it does not consider or extend to the tax position of certain categories of Shareholders who are subject to special rules (such as persons acquiring their New Shares in connection with employment, dealers in securities, insurance companies and collective investment schemes). For further information, Qualifying Shareholders and Placees who are resident in the United Kingdom for tax purposes are directed to the "*UK Taxation*" section in Part VIII—Taxation

Qualifying Shareholders who are in any doubt as to their tax position, or who are subject to tax in any other jurisdiction, should consult an appropriate professional adviser as soon as possible. Please note that the Link Asset Services will not be able to assist you with taxation issues.

If you are a US citizen or otherwise resident in the United States for US federal tax purposes, you should not have to pay US federal income tax on the take up of your entitlements, but the proceeds, if any, from a sale of your Shares (or from a sale of Shares on your behalf) generally will be subject to US federal income tax. Further information for persons subject to US federal income tax is also included in Part VIII—Taxation.

15. What should I do if I live outside the United Kingdom?

Your ability to apply for Open Offer Shares may be affected by the laws of the country in which you live and you should take professional advice as to whether you require any governmental or other consents or need to observe any other formalities to enable you to take up your Open Offer

Entitlement and/or Excess Open Offer Entitlement. Subject to certain exceptions, Shareholders with registered addresses in, or located or resident in, the Excluded Territories or the United States are not eligible to participate in the Open Offer. Shareholders who have registered addresses in or who are resident in, or who are citizens of, all countries other than the United Kingdom should refer to paragraph 8 of Part III—Terms and Conditions of the Capital Raise.

16. What should I do if I need further assistance?

If you have any other questions, please call Link Asset Services on 0371 664 0321 (or +44 (0) 371 664 0321 if calling from outside the United Kingdom). 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.—5.30 p.m., Monday to Friday excluding public holidays in England and Wales. Please note that Link Asset Services cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

Your attention is drawn to the further terms and conditions in Part III—Terms and Conditions of the Capital Raise.

The contents of this document or any subsequent communication from the Company, the Underwriters or any of their respective affiliates, officers, directors, employees or agents are not to be construed as legal, financial or tax advice. Each prospective investor should consult his or her own stockbroker, bank manager, solicitor, accountant, fund manager or other appropriate independent financial adviser for legal, financial or tax advice.

PART III—TERMS AND CONDITIONS OF THE CAPITAL RAISE

1. Introduction

The Company is proposing to raise proceeds of approximately £100.0 million (before expenses) by way of a fully committed and underwritten Placing and Open Offer and Firm Placing. The Capital Raise consists of a Placing and Open Offer of 49,953,688 Open Offer Shares and a Firm Placing of 200,046,312 Firm Placed Shares. The Open Offer is an opportunity for Qualifying Shareholders to apply for in aggregate 49,953,688 Open Offer Shares *pro rata* to their current holdings at the Offer Price.

The Offer Price of 40 pence per New Share represents a 42.2 per cent. discount to the closing price of 69.2 pence per Existing Share on 4 June 2020 (the last closing price before the announcement of the Capital Raise). In setting the Offer Price, the Directors have considered the prices at which the New Shares need to be offered to investors to ensure the success of the Capital Raise and raise a significant level of equity compared to the market capitalisation of the Company. The Directors believe that both the Offer Price and the discount are appropriate.

The Capital Raise is conditional upon:

(a) the passing of the Resolutions at the General Meeting without material amendment;

(b) the Placing Agreement having become or been declared unconditional in all respects and the Placing Agreement not having been terminated by the Underwriters in accordance with its terms prior to Admission; and

(c) Admission becoming effective by not later than 8.00 a.m. on 29 June 2020 (or such later time and/or date as the Joint Global Co-ordinators and the Company may agree, being not later than 6 July 2020).

In the event that these conditions are not satisfied, the Capital Raise will not proceed. In such circumstances, application monies will be returned without payment of interest, as soon as practicable thereafter and any Open Offer Entitlements and Excess Open Offer Entitlements admitted to CREST will thereafter be disabled.

The Capital Raise has been fully underwritten by the Underwriters (other than the New Shares for which the Directors have committed to subscribe under the Firm Placing) on, and subject to, the terms and conditions of the Placing Agreement.

The New Shares issued pursuant to the Capital Raise will rank *pari passu* in all respects with the Existing Shares, including the right to receive dividends or other distributions made, paid or declared in respect of the ordinary share capital of the Company after the date of issue of the New Shares. There will be no restrictions on the free transferability of the New Shares save as provided in the Articles. The rights attaching to the New Shares are governed by the Articles, a summary of which is set out in paragraph 4 of Part IX- Additional Information.

The New Shares will be in registered form and capable of being held in certificated form or uncertificated form in CREST. The New Shares issued as part of the Capital Raise will together represent approximately 40.0 per cent. of the enlarged issued share capital of the Company immediately following the Capital Raise.

2. Terms and conditions of the Placing and Open Offer and Firm Placing

Placing and Open Offer

The Underwriters, as agents for the Company, have made arrangements to conditionally place the Open Offer Shares with conditional subscribers at the Offer Price. The Open Offer Shares will be subject to clawback to satisfy valid applications by Qualifying Shareholders under the Open Offer. Subject to the waiver or satisfaction of the conditions and the Placing Agreement not being terminated in accordance with its terms, any Open Offer Shares not applied for under the Open Offer by 11.00 a.m. on 24 June 2020 will be issued to Placees and/or the subscribers procured by the Underwriters, with the net proceeds of the Placing being retained by the Company. Placees who are located outside of the United States will be entitled to receive a commitment commission of 1.5 per cent. of the Offer Price multiplied by the maximum number of New Shares for which such Placee commits to subscribe under the Placing, subject to clawback. For US regulatory reasons, persons in

the United States will not be paid a commission. No Placee will be paid a commission in respect of the Firm Placing. Certain Placees who are existing Shareholders of the Company, at the absolute discretion of the Joint Bookrunners, maybe offered the opportunity to offset their Placing commitments against the Open Offer Shares validly taken up and paid forunder the Open Offer.

Open Offer Entitlements

Subject to the terms and conditions set out below (and, in the case of Qualifying Non-CREST Shareholders, the Application Form), each Qualifying Shareholder is being given an opportunity to apply for Open Offer Shares at the Offer Price (payable in full and free of all expenses) on the following *pro rata* basis:

2 Open Offer Shares at 40 pence each for every 15 Existing Shares

held and registered in their name at the Record Date and so on in proportion to any other number of Shares then held.

Qualifying Shareholders may apply for any whole number of Open Offer Shares. Any fractional entitlements to Open Offer Shares will be rounded down in calculating entitlements to Open Offer Shares and such fractional entitlements will not be issued to Shareholders but will be aggregated and allocated to Placees or, failing which, to the Underwriters subject to the terms and conditions of the Placing Agreement, with the proceeds ultimately accruing for the benefit of the Company. Valid applications by Qualifying Shareholders will be satisfied in full up to their Open Offer Entitlements.

Holdings of Shares in certificated and uncertificated form will be treated as separate holdings for the purpose of calculating the Open Offer Entitlements.

Excess Application Facility

Qualifying Shareholders who take up their Open Offer Entitlements in full may apply to subscribe for Excess Shares using the Excess Application Facility. Qualifying Non-CREST Shareholders wishing to apply to subscribe for Excess Shares may do so by completing the relevant sections on the Application Form. Qualifying CREST Shareholders who wish to and are able to apply to subscribe for more than their Open Offer Entitlements will have Excess Open Offer Entitlements credited to their stock account in CREST, and should refer to paragraph 5 of this Part III for information on how to apply for Excess Shares pursuant to the Excess Application Facility. The number of Excess Shares for which a Qualifying Shareholder may apply under the Excess Application Facility is limited to a maximum number equal to four times the number of that Qualifying Shareholder's Open Offer Entitlements.

The Excess Application Facility will comprise Open Offer Shares that are not taken up by Qualifying Shareholders under the Open Offer pursuant to their Open Offer Entitlements and the aggregated fractional entitlements. Qualifying Shareholders' applications for Excess Shares will, therefore, be satisfied only to the extent that applications by other Qualifying Shareholders are made for less than their pro rata Open Offer Entitlements. If there is an over-subscription resulting from excess applications, allocations in respect of such excess applications will be scaled down at our absolute discretion in consultation with the Underwriters.

Shareholders should be aware that the Open Offer is not a rights issue. As such, Qualifying Non-CREST Shareholders should note that their Application Forms are not negotiable documents and cannot be traded. Qualifying CREST Shareholders should note that, although the Open Offer Entitlements and Excess Open Offer Entitlements will be admitted to CREST, and be enabled for settlement, the Open Offer Entitlements and Excess Open Offer Entitlements will not be tradeable or listed and applications in respect of the Open Offer may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a *bona fide* market claim raised by Euroclear's Claims Processing Unit. New Shares for which application has not been made under the Open Offer will not be sold in the market for the benefit of those who do not apply under the Open Offer and Qualifying Shareholders who do not apply to take up their entitlements will have no rights nor receive any benefit under the Open Offer. Any New Shares which are not applied for under the Open Offer may be allocated to Placees or, failing which, to the Underwriters subject to the terms and conditions of the Placing Agreement, with the proceeds ultimately accruing for the benefit of the Company.

The attention of Shareholders and any persons (including, without limitation, custodians, nominees and trustees) who have a contractual or other legal obligation to forward this document or an Application Form into a jurisdiction other than the United Kingdom is drawn to paragraph 8 of this Part III relating to Overseas Shareholders, which forms part of the terms and conditions of the Placing and Open Offer and Firm Placing.

Shareholders who do not, or are not permitted to, acquire the New Shares in the Open Offer will be diluted by 40.0 per cent. (assuming no options granted under the Share Schemes are exercised between 29 May 2020 (being the latest practicable date prior to the publication of this document) and the issuance of New Shares) following the Capital Raise.

The results of the Capital Raise are expected to be announced on or around 25 June 2020.

Firm Placing

The Company is proposing to issue 200,046,312 New Shares pursuant to the Firm Placing. The Firm Placed Shares are not to be offered first to Shareholders generally. The Firm Placed Shares represent 53.4 per cent. of the Shares in issue as at 29 May 2020 (being the latest practicable date prior to publication of this document) and are not subject to clawback under, nor do they form part of, the Open Offer. The Firm Placing is expected to raise gross proceeds of approximately £80.0 million.

Shareholders who take up their pro rata Open Offer Entitlement in full will experience a 32.0 per cent. dilution to their interests in the Company as a result of the Firm Placing (assuming no options granted under the Share Schemes are exercised between 29 May 2020 (being the latest practicable date prior to the publication of this document) and the issuance of New Shares).

The Firm Placing is subject to the same conditions and termination rights which apply to the Placing and Open Offer.

If Admission does not take place on or before 8.00 a.m. on 29 June 2020 (or such later date as the Company and the Joint Global Co-ordinators may agree, not being later than 8.00 a.m. on 6 July 2020), the Firm Placing will not proceed and subscription monies will be refunded to Firm Placees by cheque or CREST payment, as appropriate (at the Firm Placees' risk).

Underwriting arrangements and Admission

The Underwriters have agreed pursuant to the Placing Agreement to use reasonable endeavours to procure conditional subscribers to acquire the Open Offer Shares at the Offer Price, subject to clawback to satisfy valid applications by Qualifying Shareholders under the Open Offer. The Underwriters have also agreed to procure conditional acquirers for the Firm Placed Shares (other than the New Shares for which the Directors have committed to subscribe under the Firm Placing) at the Offer Price, such Firm Placees to comprise existing Shareholders and new investors. The Underwriters have agreed to acquire (a) any Open Offer Shares which are not taken up under the Open Offer by Qualifying Shareholders and not acquired under the Placing and (b) any Firm Placed Shares that are not acquired by Firm Placees under the Firm Placing (other than the New Shares for which the Directors have committed to subscribe under the Firm Placing). The Capital Raise is therefore fully committed and underwritten.

The Placing Agreement is conditional upon, among other things:

(a) the passing of the Resolutions at the General Meeting without material amendment; and

(b) Admission becoming effective by not later than 8.00 a.m. on 29 June 2020 (or such later time and/or date as the Joint Global Co-ordinators and Company may agree, being not later than 6 July 2020).

The Placing Agreement may be terminated by the Underwriters at any time prior to Admission in certain circumstances (including if any condition under the Placing Agreement has not been satisfied or waived), in which case the Capital Raise will not proceed. After Admission the Placing Agreement will not be subject to any condition or right of termination (including in respect of statutory withdrawal rights). A summary of the principal terms of the Placing Agreement is set out in paragraph 14.1 of Part IX—Additional Information.

Applications will be made to the FCA and to the London Stock Exchange for the New Shares to be admitted to the premium listing segment of the Official List and to trading on the London Stock

Exchange's main market for listed securities. It is expected that Admission will become effective and that dealings in the New Shares will commence at 8.00 a.m. on 29 June 2020 (whereupon an announcement will be made by the Company to a Regulatory Information Service).

The New Shares issued pursuant to the Capital Raise will rank *pari passu* in all respects with the Existing Shares, including the right to receive dividends and other distributions made, paid or declared in respect of the ordinary share capital of the Company after the date of issue of the New Shares.

No temporary documents of title will be issued in respect of the New Shares held in uncertificated form. Definitive certificates in respect of New Shares taken up are expected to be posted to the Qualifying Shareholders who have validly elected to hold their New Shares in certificated form within 14 days of Admission.

The Existing Shares are already CREST-enabled. No further application for admission to CREST is required for the New Shares and all of the New Shares when issued and fully paid may be held and transferred by means of CREST. In respect of those Qualifying Shareholders who have validly elected to hold their New Shares in uncertificated form, the New Shares are expected to be credited to their CREST stock accounts, by 8.00 a.m. on 29 June 2020.

Subject to the conditions above being satisfied and save as provided in this Part III, it is expected that:

(a) Link Asset Services will instruct Euroclear to credit the appropriate stock accounts of Qualifying CREST Shareholders with such Shareholders' Open Offer Entitlements and Excess Open Offer Entitlements, with effect from 8.00 a.m. on 8 June 2020;

(b) New Shares in uncertificated form will be credited to the appropriate stock accounts of relevant Qualifying CREST Shareholders who validly take up their Open Offer Entitlements and Excess Open Offer Entitlements by 8.00 a.m. on 29 June 2020; and

(c) share certificates for the New Shares will be despatched within 14 days of Admission to relevant Qualifying Non-CREST Shareholders who validly take up their Open Offer Entitlements and Excess Open Offer Entitlements. Such certificates will be despatched at the risk of such Shareholders.

All Qualifying Shareholders taking up their Open Offer Entitlements and Excess Open Offer Entitlements will be deemed to have given the representations and warranties set out in paragraph 9.1 below (in the case of Qualifying Non-CREST Shareholders) and paragraph 9.2 below (in the case of Qualifying CREST Shareholders) unless, in each case, such requirement is waived in writing by the Company.

All documents and cheques posted to or by Qualifying Shareholders and/or their transferees (or their agents, as appropriate) will be posted at their own risk.

References to dates and times in this document should be read as subject to adjustment. The Company will make an appropriate announcement to a Regulatory Information Service giving details of any revised dates or times.

3. Action to be taken in connection with the Open Offer

If you are in any doubt about the contents of this document and any accompanying documents or the action you should take, you are recommended to seek your own financial advice immediately from an appropriately authorised stockbroker, bank manager, solicitor, accountant or other independent financial adviser who, if you are taking advice in the United Kingdom, is duly authorised under FSMA, or, if not, from another appropriately authorised independent financial adviser.

The action to be taken in respect of the Open Offer depends on whether, at the relevant time, a Qualifying Shareholder has received an Application Form in respect of his or her entitlement under the Open Offer or has had his Open Offer Entitlements and Excess Open Offer Entitlements credited to his or her CREST stock account.

If you are a Qualifying Non-CREST Shareholder, please refer to paragraph 4 and paragraphs 6 to 11 (inclusive) of this Part III.

If you are a Qualifying CREST Shareholder, please refer to paragraph 5 and paragraphs 6 to 11 (inclusive) of this Part III, and to the CREST Manual for further information on the CREST procedures referred to above.

Qualifying CREST Shareholders who are CREST sponsored members should refer to their CREST sponsors, as only their CREST sponsors will be able to take the necessary actions specified below to apply under the Open Offer in respect of the Open Offer Entitlements and Excess Open Offer Entitlements of such members held in CREST. CREST members who wish to apply under the Open Offer in respect of their Open Offer Entitlements and Excess Open Offer Entitlements in CREST should refer to the CREST Manual for further information on the CREST procedures referred to above.

4. Action to be taken in relation to Open Offer Entitlements and Excess Open Offer Entitlements Represented by Application Forms

4.1 General

Save as provided in paragraph 8 of this Part III below, Qualifying Non-CREST Shareholders will have received an Application Form with this document.

The Application Form sets out:

(a) in Box 6, the number of Existing Shares registered in such person's name at the Record Date (on which a Qualifying Non-CREST Shareholder's entitlement to Open Offer Shares is based);

(b) in Box 7, the maximum number of Open Offer Shares for which such persons are entitled to apply under the Open Offer, taking into account that any fractional entitlements to Open Offer Shares will be rounded down in calculating entitlements, such fractional entitlements will not be issued to Shareholders but will be aggregated and allocated to Placees or, failing which, to the Underwriters subject to the terms and conditions of the Placing Agreement, with the proceeds ultimately accruing for the benefit of the Company;

(c) in Box 8, how much they would need to pay in pounds sterling if they wish to take up their Open Offer Entitlement in full;

(d) the procedures to be followed if a Qualifying Non-CREST Shareholder wishes to convert all or part of his or her entitlement into uncertificated form; and

(e) instructions regarding acceptance and payment, consolidation and splitting.

Qualifying Non-CREST Shareholders may apply for less than their maximum Open Offer Entitlement should they wish to do so.

Subject to applying to take up their Open Offer Entitlement in full, Qualifying Non-CREST Shareholders may also apply for any Excess Shares (i.e. Open Offer Shares in excess of their Open Offer Entitlements which have not been applied for by other Qualifying Shareholders) pursuant to the Excess Application Facility. The number of Excess Shares for which a Qualifying Shareholder may apply under the Excess Application Facility is limited to a maximum number equal to four times the number of that Qualifying Shareholder's Open Offer Entitlements.

Qualifying Non-CREST Shareholders may also hold such an Application Form by virtue of a *bona fide* market claim.

The instructions and other terms set out in the Application Form constitute part of the terms and conditions of the Open Offer to Qualifying Non-CREST Shareholders.

The latest time and date for acceptance of the Application Form and payment in full will be 11.00 a.m. on 24 June 2020. The Open Offer Shares are expected to be issued on 29 June 2020. After such date, the Open Offer Shares will be in registered form, freely transferable by written instrument of transfer in the usual common form, or if they have been issued in or converted into uncertificated form, in electronic form under the CREST system.

Qualifying Shareholders who do not want to take up or apply for the Open Offer Shares under the Open Offer should take no action and should not complete or return the Application Form. Qualifying Shareholders are, however, encouraged to vote at the General Meeting by submitting a proxy electronically by accessing the Registrar's website at www.signalshares.com or by completing

and transmitting a CREST Proxy Instruction. Qualifying Shareholders may also contact the Registrar to request a hard copy form of proxy.

4.2 Bona fide market claims

Applications to acquire Open Offer Shares may only be made on the Application Form and may only be made by the Qualifying Non-CREST Shareholder named in it or by a person entitled by virtue of a *bona fide* market claim in relation to a purchase of Shares through the market prior to 8.00 a.m. on 5 June 2020 (the date upon which the Shares were marked 'ex' the entitlement to participate in the Open Offer). Application Forms may not be assigned, transferred or split, except to satisfy *bona fide* market claims prior to 3.00 p.m. on 22 June 2020.

The Application Form is not a negotiable document and cannot be separately traded. A Qualifying Non-CREST Shareholder who has sold or otherwise transferred all or part of his, or its holding of Shares prior to the date upon which the Shares were marked 'ex' the entitlement to participate in the Open Offer, being 8.00 a.m. on 5 June 2020, should consult his broker or other professional adviser as soon as possible, as the invitation to acquire Open Offer Shares under the Open Offer may be a benefit which may be claimed by the transferee.

Qualifying Non-CREST Shareholders who have sold all of their registered holdings prior to 8.00 a.m. on 5 June 2020 should, if the market claim is to be settled outside CREST, complete Box 10 on the Application Form and immediately send it to the broker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee, or directly to the purchaser or transferee, if known. The Application Form should not, however, be forwarded to or transmitted in or into any Excluded Territory, including the United States. If the market claim is to be settled outside CREST, the beneficiary of the claim should follow the procedures set out in the accompanying Application Form. If the market claim is to be settled in CREST, the beneficiary of the claim should follow the procedures set out in paragraph 5 below.

Qualifying Non-CREST Shareholders who have sold or otherwise transferred part only of their Existing Shares shown on Box 6 of their Application Form prior to 8.00 a.m. on 5 June 2020 should, if the market claim is to be settled outside CREST, complete Box 10 of the Application Form and immediately deliver the Application Form, together with a letter stating the number of Application Forms required (being one for the Qualifying Non-CREST Shareholder in question and one for each of the purchasers or transferees), the total number of Existing Shares to be included in each Application Form (the aggregate of which must equal the number shown in Box 6 of the original Application Form) and the total number of Open Offer Entitlements to be included in each Application Form (the aggregate of which must equal the number shown in Box 7), to the broker, bank or other agent through whom the sale or transfer was effected or return it by post to Link Asset Services so as to be received by no later than 3.00 p.m. on 22 June 2020. The Receiving Agent will then create new Application Forms, mark the Application Forms "Declaration of sale or transfer duly made" and send them by post to the person submitting the original Application Form for appropriate distribution. The Application Form should not, however, be forwarded to or transmitted in or into any Excluded Territory, including the United States.

4.3 Application procedures

Qualifying Non-CREST Shareholders who wish to apply to take up all or any of the Open Offer Shares in respect of their Open Offer Entitlement or any Excess Shares pursuant to the Excess Application Facility must complete, sign and return the Application Form in accordance with the instructions thereon. Completed Application Forms should be posted in the accompanying pre-paid envelope (in the UK only) or returned by post or by hand (during normal office hours only) to Link Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, so as to be received by Link Asset Services by no later than 11.00 a.m. on 24 June May 2020, after which time, subject to the limited exceptions set out below, Application Forms will not be valid. Applications delivered by hand will not be checked upon delivery and no receipt will be provided. Qualifying Non-CREST Shareholders should note that applications, once made, will, subject to the very limited withdrawal rights set out in this document, be irrevocable and receipt thereof will not be acknowledged. If an Application Form is being sent by first-class post in the United Kingdom, Qualifying Shareholders are recommended to allow at least four working days for delivery. Multiple applications will not be accepted.

Completed Application Forms should be returned together with payment in accordance with paragraph 4.4 below.

4.4 Payment

All payments must be made by cheque or banker's draft in Pounds Sterling payable to "LMS re: Stobart Group Limited—2020 OO A/C" and crossed "A/C payee only". Cheques must be for the full amount payable on acceptance and sent by post to Link Asset Services so as to be received as soon as possible and, in any event, not later than 11.00 a.m. on 24 June 2020. A pre-paid envelope for use within the United Kingdom only will be sent with the Application Form.

Third party cheques may not be accepted except building society cheques or banker's drafts where the building society or bank has confirmed the name of the account holder by stamping or endorsing the building society cheque or banker's draft to such effect. It is recommended that the account name should be the same as that shown on the application. Cheques or banker's drafts must be drawn on an account at a bank or building society or a branch of a bank or building society which must be in the United Kingdom or the Channel Islands and which is either a settlement member of the Cheque and Credit Company Clearing Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques or banker's drafts to be cleared through the facilities provided by either of those companies. Cheques and banker's drafts must bear the appropriate sorting code number in the top right-hand corner. Post-dated cheques will not be accepted. Payments via CHAPS, BACS or electronic transfer will not be accepted.

The Company reserves the right to have cheques and banker's drafts presented for payment on receipt. No interest will be allowed on payments made before they are due and any interest on such payments will be paid to the Company. It is a term of the Open Offer that cheques must be honoured on first presentation and the Company may elect to treat as invalid any acceptances in respect of which cheques are not honoured. Return of the Application Form with a cheque will constitute a warranty that the cheque will be honoured on first presentation.

If cheques or banker's drafts are presented for payment before the conditions of the Placing and Open Offer are fulfilled, the application monies will be kept in an interest-bearing account retained for the Company until all conditions are met. If the Placing and Open Offer does not become unconditional, no Open Offer Shares will be issued and all monies will be returned (at the applicant's sole risk), without payment of interest, to applicants as soon as practicable, following the lapse of the Placing and Open Offer. The interest earned on such monies, if any, will be retained for the benefit of the Company.

If Open Offer Shares are issued to a Qualifying Shareholder and a cheque for that issuance is subsequently not honoured, the Company may (in its absolute discretion as to manner, timing and terms) make arrangements for the sale of such shares on behalf of such Qualifying Shareholder and hold the proceeds of sale (net of the Company's reasonable estimate of any loss that it has suffered as a result of the acceptance being treated as invalid and of the expenses of sale including, without limitation, any stamp duty or SDRT payable on the transfer of such shares, and of all amounts payable by such Qualifying Shareholder pursuant to the provisions of this Part III in respect of the acquisition of such shares) on behalf of such Qualifying Shareholder. Neither the Company nor any other person shall be responsible for, or have any liability for, any loss, expenses or damage suffered by any Qualifying Shareholder as a result.

All enquires in connection with the Application Forms should be addressed to Link Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU. Alternatively, enquiries in connection with the Application Forms can be made to Link Asset Services on 0371 664 0321 (or +44 (0) 371 664 0321 if calling from outside the United Kingdom). 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., Monday to Friday excluding public holidays in England and Wales. Please note that Link Asset Services cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

4.5 Excess Application Facility

Qualifying Non-CREST Shareholders who take up their Open Offer Entitlements in full may apply to subscribe for Excess Shares using the Excess Application Facility, which enables Qualifying Non-

CREST Shareholders to apply for Open Offer Shares in excess of their Open Offer Entitlement. The number of Excess Shares for which a Qualifying Shareholder may apply under the Excess Application Facility is limited to a maximum number equal to four times the number of that Qualifying Shareholder's Open Offer Entitlements.

Applications for Excess Shares will be satisfied to the extent that other Qualifying Shareholders do not apply for their Open Offer Entitlements. If applications under the Excess Application Facility are received for more than the maximum number of Open Offer Shares available, then such applications will be scaled back at the absolute discretion of the Board in consultation with the Underwriters. Excess monies in respect of applications which are not met in full will be returned to the applicant (at the applicant's risk) without interest as soon as practicable thereafter by way of cheque.

Qualifying Non-CREST Shareholders who wish to apply for Open Offer Shares in excess of their Open Offer Entitlement must complete the Application Form in accordance with instructions set out on the Application Form.

Qualifying Non-CREST Shareholders who make applications for Excess Shares under the Excess Application Facility which are not met in full and from whom payment in full has been made will receive a pounds sterling amount equal to the number of Open Offer Shares applied and paid for, but not allocated to, the relevant Qualifying Non-CREST Shareholder, multiplied by the Offer Price. Monies will be returned as soon as reasonably practicable thereafter, without payment of interests and at the applicant's sole risk.

Fractions of Excess Shares will not be issued under the Excess Application Facility and fractions of Excess Shares will be rounded down to the nearest whole number.

4.6 Placee participation

Each Placee subscribing for Open Offer Shares in relation to the Placing may apply for, or take up, its Open Offer Entitlement and apply under the Excess Application Facility.

4.7 Discretion as to validity of acceptances

If payment is not received in full by 11.00 a.m. on 24 June 2020, the offer to apply for Open Offer Shares will (unless the Company has exercised its right to treat as valid an acceptance, as set out below) be deemed to have been declined and will lapse. The Company may elect, but shall not be obliged, to treat as valid Application Forms and accompany remittances for the full amount due which are received prior to 2.00 p.m. on 24 June 2020.

The Company may elect, but shall not be obliged, to treat as a valid acceptance the receipt of appropriate remittance by 2.00 p.m. on 24 June 2020 from an authorised person (as defined in section 31(2) of FSMA) specifying the number of Open Offer Shares to be acquired and containing an undertaking by that person to lodge the relevant Application Form, duly completed, in due course.

The Company may also (in its sole discretion) treat an Application Form as valid and binding on the person(s) by whom or on whose behalf it is lodged even if it is not completed in accordance with the relevant instructions or is not accompanied by a valid power of attorney where required.

The Company reserves the right to treat as invalid any application or purported application for Open Offer Shares pursuant to the Open Offer that appears to the Company to have been executed in, despatched from, or that provides an address for delivery of definitive share certificates for Open Offer Shares in the United States, an Excluded Territory or any other jurisdictions where the extension and availability of the Open Offer would breach any applicable law unless the Company is satisfied that such action would not result in the contravention of any registration or other legal requirement in any jurisdiction.

The provisions of this paragraph 4.7 and any other terms of the Capital Raise relating to Qualifying Non-CREST Shareholders may be waived, varied or modified as regards specific Qualifying Non-CREST Shareholder(s) or on a general basis by the Company.

4.8 Effect of application

All documents and remittances sent by post by or to an applicant (or as the applicant may direct) will be sent at the applicant's own risk. By completing and delivering an Application Form the applicant:

(a) represents and warrants to each of the Company and the Underwriters that he or she has the right, power and authority, and has taken all action necessary, to make the application under the Open Offer and to execute, deliver and exercise his or her rights, and perform his or her obligations, under any contracts resulting therefrom and that he or she is not a person otherwise prevented by legal or regulatory restrictions from applying for Open Offer Shares or acting on behalf of any such person on a non-discretionary basis;

(b) agrees with each of the Company and the Underwriters that all applications under the Open Offer and any contractual or non-contractual obligations resulting therefrom shall be governed by, and construed in accordance with, the laws of England;

(c) confirms to each of the Company and the Underwriters that in making the application he or she is not relying on any information or representation other than that contained in this document or any documents incorporated by reference into this document, and the applicant accordingly agrees that no person responsible solely or jointly for this document (including any documents incorporated by reference into this document) or any part thereof, or involved in the preparation thereof, shall have any liability for any information or representation not so contained and further agrees that, having had the opportunity to read this document, including any documents incorporated by reference, he or she will be deemed to have had notice of all information contained in this document (including information incorporated by reference);

(d) confirms that in making the application he or she is not relying and has not relied on the Underwriters or any other person affiliated with the Underwriters in connection with any investigation of the accuracy of any information contained in this document or his or her investment decision;

(e) represents and warrants to the Company and the Underwriters that if he or she has received some or all of his or her Open Offer Entitlements or Excess Open Offer Entitlements from a person other than the Company, he or she is entitled to apply under the Open Offer in relation to such Open Offer Entitlements or Excess Open Offer Entitlements by virtue of a *bona fide* market claim;

(f) represents and warrants to each of the Company and the Underwriters that he or she is the Qualifying Shareholder originally entitled to the Open Offer Entitlements and Excess Open Offer Entitlements or that he or she received such Open Offer Entitlements and Excess Open Offer Entitlements by virtue of a *bona fide* market claim;

(g) represents and warrants to the Company and the Underwriters that: (a) he or she is not, nor is he or she applying on behalf of any person who is located, a citizen or resident, or a corporation, partnership or other entity created or organised in or under any laws, in or of any Excluded Territory or any jurisdiction in which the application for Open Offer Shares is prevented by law; and (b) he or she is not applying with a view to re-offering, reselling, transferring or delivering any of the Open Offer Shares which are the subject of his or her application to, or for the benefit of, a person who is located, a citizen or resident, or which is a corporation, partnership or other entity created or organised in or under any laws, in or of any Excluded Territory or any jurisdiction in which the application for Open Offer Shares is prevented by law, nor acting on behalf of any such person on a non-discretionary basis nor a person(s) otherwise prevented by legal or regulatory restrictions from applying for Open Offer Shares under the Open Offer;

(h) represents and warrants to each of the Company and the Underwriters that he or she is not, and nor is he or she applying as nominee or agent for, a person who is or may be liable to notify and account for tax under the Stamp Duty Reserve Tax Regulations 1986 at any of the increased rates referred to in section 93 (depository receipts) or section 96 (clearance services) of the Finance Act 1986; and

(i) requests that the Open Offer Shares to which he or she will become entitled be issued to him or her it on the terms set out in this document and the Application Form, subject to the Articles.

4.9 Money Laundering Regulations

It is a term of the Capital Raise that, to ensure compliance with the Money Laundering Regulations, the Receiving Agent, Link Asset Services, may require, at its absolute discretion, verification of the identity of the beneficial owner by whom or on whose behalf the Application Form is lodged with payment (which requirements are referred to below as the "verification of identity requirements"). If an application is made by a UK regulated broker or intermediary acting as agent and which is itself subject to the Money Laundering Regulations, any verification of identity requirements are the responsibility of such broker or intermediary and not of the Receiving Agent. In such case, the lodging agent's stamp should be inserted on the Application Form.

The person lodging the Application Form with payment (the ***acceptor***), including any person who appears to the Receiving Agent to be acting on behalf of some other person, shall thereby be deemed to agree to provide the Receiving Agent and/or the Company with such information and other evidence as either of them may require to satisfy the verification of identity requirements. Submission of an Application Form shall constitute a warranty to the Company and the Underwriters that the Money Laundering Regulations will not be breached by the acceptance of remittance and an undertaking by the acceptor to provide promptly to the Receiving Agent such information as may be specified by the Receiving Agent as being required for the purpose of the Money Laundering Regulations and agree for the Receiving Agent to make a search using a credit reference agency for the purposes of confirming such identity; where deemed necessary a record of the search will be retained.

If Link Asset Services determines that the verification of identity requirements apply to any acceptor or application, the relevant Open Offer Shares (notwithstanding any other term of the Placing and Open Offer) will not be issued to the relevant acceptor unless and until the verification of identity requirements have been satisfied in respect of that acceptor or application. Link Asset Services is entitled, and with the prior written consent of the Underwriters, to determine whether the verification of identity requirements apply to any acceptor or application and whether such requirements have been satisfied, and none of Link Asset Services, the Company or the Underwriters will be liable to any person for any loss or damage suffered or incurred (or alleged), directly or indirectly, as a result of the exercise of such discretion.

If the verification of identity requirements apply, failure to provide the necessary evidence of identity within a reasonable time may result in delays and potential rejection of an application. If, within a reasonable period of time following a request for verification of identity, Link Asset Services has not received evidence satisfactory to it as aforesaid, the Company may, in its absolute discretion, treat the relevant application as invalid, in which event the application monies will be returned (at the acceptor's risk) without interest to the account of the bank or building society on which the relevant cheque or banker's draft was drawn.

The verification of identity requirements will not usually apply if:

(a) the acceptor is a regulated UK broker or intermediary acting as agent and is itself subject to the Money Laundering Regulations;

(b) the acceptor is an organisation required to comply with the EU Money Laundering Directive 2015/849, as amended;

(c) the acceptor is a company whose securities are listed on a regulated market subject to specified disclosure obligations;

(d) the acceptor (not being an acceptor who delivers his/her application in person) makes payment through an account in the name of such acceptor with a credit institution which is subject to the Money Laundering Regulations or with a credit institution situated in a non-EEA State which imposes requirements equivalent to those laid down in that directive; or

(e) the aggregate subscription price for the relevant Open Offer Shares is less than €15,000 (or its Pounds Sterling equivalent).

Where the verification of identity requirements apply, please note the following as this will assist in satisfying the requirements. Satisfaction of these requirements may be facilitated in the following ways:

(i) if payment is made by cheque or banker's draft drawn on a branch of a bank or building society in the United Kingdom and bears a UK bank sort code number in the top right-hand corner, the following applies. Cheques, which are recommended to be drawn on the personal account of the individual investor where they have sole or joint title to the funds, should be made payable to "LMS re: Stobart Group Limited—2020 OO A/C" and crossed "A/C payee only". Third party cheques may not be accepted except for building society cheques or banker's drafts where the building society or bank has confirmed the name of the account holder by stamping or endorsing the building society cheque/banker's draft to such effect. The account name should be the same as that shown on the application;

(ii) if the Application Form is lodged with payment by an agent which is an organisation of the kind referred to in sub-paragraph (b) above or which is subject to anti-money laundering regulations in a country which is a member of the Financial Action Task Force (the non-EU members of which are Argentina, Australia, Brazil, Canada, China, members of the Gulf Co-operation Council (being Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates), Hong Kong, Iceland, India, Israel, Japan, Republic of Korea, Malaysia, Mexico, New Zealand, Norway, the Russian Federation, Saudi Arabia, Singapore, South Africa, Switzerland, Turkey, the United Kingdom and the United States), the agent should provide written confirmation that it has that status with the Application Form(s) and written assurances that it has obtained and recorded evidence of the identity of the person for whom it acts and that it will on demand make such evidence available to the Receiving Agent or the relevant authority; or

(iii) if an Application Form is lodged by hand by the acceptor in person, he or she should ensure that he or she has with him or her evidence of identity bearing his or her photograph (for example, his or her passport) and evidence of his or her address (for example, a recent bank statement).

In order to confirm the acceptability of any written assurance referred to in paragraph (ii) above, or in any other case, the acceptor should contact the Receiving Agent on 0371 664 0321 (or +44 (0) 371 664 0321 if calling from outside the United Kingdom). 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.—5.30 p.m., Monday to Friday excluding public holidays in England and Wales. Please note that Link Asset Services cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

4.10 Issue of Open Offer Shares in certificated form

Definitive share certificates in respect of the Open Offer Shares to be held in certificated form are expected to be despatched within 14 days of Admission, at the risk of the person(s) entitled to them, to accepting Qualifying Non-CREST Shareholders or their agents or, in the case of joint holdings, to the first-named Shareholder, in each case at their registered address (unless lodging agent details have been completed on the Application Form).

5. Action to be taken in relation to Open Offer Entitlements and Excess Open Offer Entitlements credited in CREST

5.1 General

Each Qualifying CREST Shareholder is expected to receive a credit to his or her CREST stock account of his or her Open Offer Entitlements equal to the maximum number of Open Offer Shares for which he or she is entitled to apply to acquire under the Open Offer as well as a credit in respect of his or her Excess Open Offer Entitlements. Any fractional entitlements to Open Offer Shares will be rounded down in calculating entitlements to Open Offer Shares and such fractional entitlements will not be issued to Shareholders but will be aggregated and allocated to Placees or, failing which, to the Underwriters subject to the terms and conditions of the Placing Agreement, with the proceeds ultimately accruing for the benefit of the Company.

The CREST stock account to be credited will be an account under the participant ID and member account ID that apply to the Shares held at the Record Date by the Qualifying CREST Shareholder in

respect of which the Open Offer Entitlements and Excess Open Offer Entitlements have been allocated.

If for any reason it is impracticable to credit the stock accounts of Qualifying CREST Shareholders by 3.00 p.m. on 19 June 2020 or such later time as the Company shall decide, Application Forms shall, unless the Company agrees otherwise, be sent out in substitution for the Open Offer Entitlements and Excess Open Offer Entitlements which have not been so credited and the expected timetable as set out in this document may, with the consent of the Underwriters, be adjusted as appropriate. References to dates and times in this document should be read as subject to any such adjustment. The Company will make an appropriate announcement to a Regulatory Information Service giving details of the revised dates but Qualifying CREST Shareholders may not receive any further written communication.

Qualifying CREST Shareholders who wish to take up all or part of their entitlements in respect of Open Offer Shares should refer to the CREST Manual for further information on the CREST procedures referred to below. If you are a CREST sponsored member, you should consult your CREST sponsor if you wish to take up your entitlement, as only your CREST sponsor will be able to take the necessary action to take up your entitlements in respect of Open Offer Shares. If you have any queries on the procedure for acceptances and payment, you should call Link Asset Services on 0371 664 0321 (or +44 (0) 371 664 0321 if calling from outside the United Kingdom). 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.—5.30 p.m., Monday to Friday excluding public holidays in England and Wales. Please note that Link Asset Services cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

In accordance with the instructions in this Part III, the CREST instruction must have been settled by 11.00 a.m. on 24 June 2020.

5.2 Bona fide market claims

The Open Offer Entitlements and Excess Open Offer Entitlements will constitute a separate security for the purposes of CREST and will have a separate ISIN. Although Open Offer Entitlements and Excess Open Offer Entitlements will be admitted to CREST and be enabled for settlement, applications in respect of Open Offer Entitlements and Excess Open Offer Entitlements may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a *bona fide* market claim transaction. Transactions identified by the CREST Claims Processing Unit as "cum" the Open Offer Entitlement and Excess Open Offer Entitlement will generate an appropriate market claim transaction and the relevant Open Offer Entitlement(s) and Excess Open Offer Entitlement(s) will thereafter be transferred accordingly.

5.3 Excess Application Facility

Qualifying CREST Shareholders who take up their Open Offer Entitlements in full may apply to subscribe for Excess Shares using the Excess Application Facility, which enables Qualifying CREST Shareholders to apply for Open Offer Shares in excess of their Open Offer Entitlement. The number of Excess Shares for which a Qualifying Shareholder may apply under the Excess Application Facility is limited to a maximum number equal to four times the number of that Qualifying Shareholder's Open Offer Entitlements.

Applications for Excess Shares will be satisfied to the extent that other Qualifying Shareholders do not apply for their Open Offer Entitlements. If applications under the Excess Application Facility are received for more than the maximum number of Open Offer Shares available, then such applications will be scaled back at the absolute discretion of the Board in consultation with the Underwriters. Excess monies in respect of applications which are not met in full will be returned to the applicant (at the applicant's risk) without interest as soon as practicable thereafter by way of cheque.

All enquiries in connection with the procedure for application for Excess Open Offer Entitlements should be made to Link Asset Services on 0371 664 0321 (or +44 (0) 371 664 0321 if calling from outside the United Kingdom). 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.—5.30 p.m., Monday to Friday excluding public holidays in England

and Wales. Please note that Link Asset Services cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

An Excess Open Offer Entitlement in CREST may not be sold or otherwise transferred. Save as provided in this Part III in relation to certain Overseas Shareholders, the CREST accounts of Qualifying CREST Shareholders will be credited with an Excess Open Offer Entitlement in order for any applications for Excess Shares to be settled through CREST. The credit of such Excess Open Offer Entitlement does not in any way give Qualifying CREST Shareholders a right to the Open Offer Shares attributable to the Excess Open Offer Entitlement as an Excess Open Offer Entitlement is subject to scaling back in accordance with the terms of this document.

To apply for Excess Shares pursuant to the Open Offer, Qualifying CREST Shareholders should follow the instructions above and must not return a paper form and cheque. Excess Open Offer Entitlements will not be subject to Euroclear's market claims process. CREST Shareholders claiming Excess Open Offer Entitlements by virtue of a *bona fide* market claim are advised to contact the Receiving Agent to request a credit of the appropriate number of entitlements to their CREST account.

Should a transaction be identified by the CREST Claims Processing Unit as "cum" the Open Offer Entitlement and the relevant Open Offer Entitlement(s) be transferred, the Excess Open Offer Entitlement(s) will not transfer with the Open Offer Entitlement(s) claim, but will need to be claimed separately by the purchaser who is advised to contact the Receiving Agent to request a credit of the appropriate number of Excess Open Offer Entitlements to their CREST account. Please note that a separate USE Instruction must be sent in respect of any application under the Excess Open Offer Entitlement.

A Qualifying CREST Shareholder who has made a valid application for Excess Shares under the Excess Application Facility which is not met in full, and from whom payment in full for Excess Shares has been received, will receive a pounds sterling amount equal to the number of Excess Shares applied and paid for, but not allocated to, the relevant Qualifying CREST Shareholder, multiplied by the Offer Price. Monies will be returned as soon as reasonably practicable thereafter, without payment of interest and at the applicant's sole risk.

Fractions of Excess Shares will not be issued under the Excess Application Facility and fractions of Excess Shares will be rounded down to the nearest whole number.

5.4 USE Instructions for some or all of the Open Offer Entitlements

Qualifying CREST Shareholders who are CREST members and who wish to apply for Open Offer Shares in respect of all or some of their Open Offer Entitlements in CREST must send (or, if they are CREST sponsored members, procure that their CREST sponsor sends) a USE Instruction to CREST which, on its settlement, will have the following effect:

(a) the crediting of a stock account of the Receiving Agent under the participant ID and member account ID specified below, with a number of Open Offer Entitlements corresponding to the number of Open Offer Shares applied for; and

(b) the creation of a CREST payment, in accordance with the CREST payment arrangements, in favour of the payment bank of the Receiving Agent in respect of the amount specified in the USE Instruction which must be the full amount payable on application for the number of Open Offer Shares referred to in (a) above.

5.5 Content of USE Instructions in respect of Open Offer Entitlements

The USE Instruction must be properly authenticated in accordance with Euroclear's specifications and must contain, in addition to the other information that is required for settlement in CREST, the following details:

(a) the number of Open Offer Shares for which application is being made (and hence the number of the Open Offer Entitlement(s) being delivered to the Receiving Agent);

(b) the ISIN of the Open Offer Entitlements. This is GG00BMWJ7B89;

(c) the CREST participant ID of the CREST member;

(d) the CREST member account ID of the CREST member from which the Open Offer Entitlements are to be debited;

(e) the participant ID of the Receiving Agent in its capacity as a CREST receiving agent. This is 7RA33;

(f) the member account ID of the Receiving Agent in its capacity as a CREST receiving agent. This is 20728STO;

(g) the amount payable by means of a CREST payment on settlement of the USE Instruction. This must be the full amount payable on application for the number of Open Offer Shares referred to in (a) above;

(h) the intended settlement date. This must be on or before 11.00 a.m. on 24 June 2020;

(i) the Corporate Action Number for the Open Offer. This will be available by viewing the relevant corporate action details in CREST;

(j) a contact name and telephone number (in the free format shared note field); and

(k) a priority of at least 80.

In order for an application under the Open Offer to be valid, the USE Instruction must comply with the requirements as to authentication and contents set out above and must settle on or before 11.00 a.m. on 24 June 2020. CREST members and, in the case of CREST sponsored members, their CREST sponsors, should note that the last time at which a USE Instruction may settle on 24 June 2020 in order to be valid is 11.00 a.m. on that day.

If Admission has not occurred by 8.00 a.m. on 29 June 2020, or such later time and date as the Company and the Joint Global Co-ordinators may agree, being not later than 6 July 2020, the Underwriters may terminate the Placing Agreement. In such circumstances, the Capital Raise will not proceed, the Open Offer Entitlements admitted to CREST will be disabled and the Receiving Agent will refund the amount paid by a Qualifying CREST Shareholder by way of a CREST payment, without interest, as soon as practicable thereafter. The interest earned on such monies, if any, will be retained for the benefit of the Company.

5.6 USE Instructions for the Excess Open Offer Entitlements

Qualifying CREST Shareholders who are CREST members and who wish to apply for Excess Shares in respect of their Excess Open Offer Entitlements in CREST must send (or, if they are CREST sponsored members, procure that their CREST sponsor sends) a USE Instruction to CREST which, on its settlement, will have the following effect:

(a) the crediting of a stock account of the Receiving Agent under the participant ID and member account ID specified below, with a number of Excess Open Offer Entitlements corresponding to the number of Excess Shares applied for; and

(b) the creation of a CREST payment, in accordance with the CREST payment arrangements, in favour of the payment bank of the Receiving Agent in respect of the amount specified in the USE Instruction which must be the full amount payable on application for the number of Excess Shares referred to in (a) above.

5.7 Content of USE Instructions in respect of Excess Open Offer Entitlements

The USE Instruction must be properly authenticated in accordance with Euroclear's specifications and must contain, in addition to the other information that is required for settlement in CREST, the following details:

(a) the number of Excess Shares for which application is being made (and hence the number of the Excess Open Offer Entitlement(s) being delivered to the Receiving Agent);

(b) the ISIN of the Excess Open Offer Entitlements. This is GG00BMWJ7C96;

(c) the CREST participant ID of the CREST member;

(d) the CREST member account ID of the CREST member from which the Excess Open Offer Entitlements are to be debited;

(e) the participant ID of the Receiving Agent in its capacity as a CREST receiving agent. This is 7RA33;

(f) the member account ID of the Receiving Agent in its capacity as a CREST receiving agent. This is 20728STO;

(g) the amount payable by means of a CREST payment on settlement of the USE Instruction. This must be the full amount payable on application for the number of Excess Shares referred to in (a) above;

(h) the intended settlement date. This must be on or before 11.00 a.m. on 24 June 2020;

(i) the Corporate Action Number for the Open Offer. This will be available by viewing the relevant corporate action details in CREST;

(j) a contact name and telephone number (in the free format shared note field); and

(k) a priority of at least 80.

In order for an application under the Open Offer to be valid, the USE Instruction must comply with the requirements as to authentication and contents set out above and must settle on or before 11.00 a.m. on 24 June 2020. CREST members and, in the case of CREST sponsored members, their CREST sponsors, should note that the last time at which a USE Instruction may settle on 24 June 2020 in order to be valid is 11.00 a.m. on that day.

If Admission has not occurred by 8.00 a.m. on 29 June 2020, or such later time and date as the Company and the Underwriters may agree, being not later than 6 July 2020, the Underwriters may terminate the Placing Agreement. In such circumstances, the Capital Raise will not proceed, the Excess Open Offer Entitlements admitted to CREST will be disabled and the Receiving Agent will refund the amount paid by a Qualifying CREST Shareholder by way of a CREST payment, without interest, as soon as practicable thereafter. The interest earned on such monies, if any, will be retained for the benefit of the Company.

5.8 CREST procedures and timings

Qualifying CREST Shareholders who are CREST members and CREST sponsors (on behalf of CREST sponsored members) should note that Euroclear does not make available special procedures in CREST for any particular corporate action. Normal system timings and limitations will therefore apply in relation to the input of a USE Instruction and its settlement in connection with the Open Offer. It is the responsibility of the Qualifying CREST Shareholder concerned to take (or, if the Qualifying CREST Shareholder is a CREST sponsored member, to procure that his CREST sponsor takes) the action necessary to ensure that a valid acceptance is received as stated above by 11.00 a.m. on 24 June 2020. Qualifying CREST Shareholders and (where applicable) CREST sponsors are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

5.9 Validity of application

A USE Instruction complying with the requirements as to authentication and contents set out above which settles by not later by 11.00 a.m. on 24 June 2020 will constitute a valid application under the Open Offer.

5.10 Incorrect or incomplete applications

If a USE Instruction includes a CREST payment for an incorrect sum, the Company, through the Receiving Agent, reserves the right:

(a) to reject the application in full and refund the payment to the CREST member in question (without interest);

(b) in the case that an insufficient sum is paid, to treat the application as a valid application for such lesser whole number of Open Offer Shares as would be able to be applied for with that payment at the Offer Price, refunding any unutilised sum to the CREST member in question (without interest); or

(c) in the case that an excess sum is paid, to treat the application as a valid application for all the Open Offer Shares referred to in the USE Instruction, refunding any unutilised sum to the CREST member in question (without interest).

5.11 Placee participation

Each Placee subscribing for Open Offer Shares in relation to the Placing may apply for, or take up, its Open Offer Entitlement and apply under the Excess Application Facility.

5.12 Effect of application

A CREST member who makes or is treated as making a valid application in accordance with the above procedures thereby:

(a) represents and warrants to each of the Company and the Underwriters that he or she has the right, power and authority, and has taken all action necessary, to make the application under the Open Offer and to execute, deliver and exercise his or her rights, and perform his or her obligations, under any contracts resulting therefrom and that he or she is not a person otherwise prevented by legal or regulatory restrictions from applying for Open Offer Shares or acting on behalf of any such person on a non-discretionary basis;

(b) agrees with each of the Company and the Underwriters to pay the amount payable on application in accordance with the above procedures by means of a CREST payment in accordance with the CREST payment arrangements (it being acknowledged that the payment to the Receiving Agent's payment bank in accordance with the CREST payment arrangements shall, to the extent of the payment, discharge in full the obligation of the CREST member to pay the amount payable on application);

(c) agrees with each of the Company and the Underwriters that all applications under the Open Offer and any contractual or non-contractual obligations resulting therefrom, shall be governed by, and construed in accordance with, the laws of England;

(d) confirms that in making the application he or she is not relying and has not relied on the Underwriters or any other person affiliated with the Underwriters in connection with any investigation of the accuracy of any information contained in this document or his investment decision;

(e) confirms to each of the Company and the Underwriters that in making the application he or she is not relying on any information or representation other than that contained in this document, or any documents incorporated by reference into this document, and the applicant accordingly agrees that no person responsible solely or jointly for this document (including any documents incorporated by reference into this document) or any part thereof, or involved in the preparation thereof, shall have any liability for any information or representation not so contained and further agrees that, having had the opportunity to read this document, including any documentation incorporated by reference, he or she will be deemed to have had notice of all the information contained in this document (including information incorporated by reference);

(f) represents and warrants to the Company and the Underwriters that if he or she has received some or all of his or her Open Offer Entitlements and Excess Open Offer Entitlements from a person other than the Company, he or she is entitled to apply under the Open Offer in relation to such Open Offer Entitlements and Excess Open Offer Entitlements by virtue of a *bona fide* market claim;

(g) represents and warrants to each of the Company and the Underwriters that he or she is the Qualifying Shareholder originally entitled to the Open Offer Entitlements and Excess Open Offer Entitlements or that he or she has received such Open Offer Entitlements and Excess Open Offer Entitlements by virtue of a *bona fide* market claim;

(h) represents and warrants to the Company and the Underwriters that: (a) he or she is not, nor is he or she applying on behalf of any person who is located, a citizen or resident, or a corporation, partnership or other entity created or organised in or under any laws, in or of any Excluded Territory or any jurisdiction in which the application for Open Offer Shares is prevented by law; and (b) he or she is not applying with a view to re-offering, reselling, transferring or delivering any of the Open Offer Shares which are the subject of his or her application to, or for the benefit of, a person who is located, a citizen or resident or which is a corporation, partnership or other entity created or organised in or under any laws, in or of any Excluded Territory or any jurisdiction in which the application for Open Offer Shares is prevented by law, nor acting on behalf of any such

person on a non-discretionary basis nor a person(s) otherwise prevented by legal or regulatory restrictions from applying for Open Offer Shares under the Open Offer;

(i) requests that the Open Offer Shares to which he or she will become entitled be issued to him or her on the terms set out in this document, subject to the Articles; and

(j) represents and warrants to each of the Company and the Underwriters that he or she is not, and nor is he or she applying as nominee or agent for, a person who is or may be liable to notify and account for tax under the Stamp Duty Reserve Tax Regulations 1986 at any of the increased rates referred to in section 93 (depository receipts) or section 96 (clearance services) of the Finance Act 1986.

5.13 Discretion as to rejection and validity of acceptances

The Company may:

(a) reject any acceptance constituted by a USE Instruction, which is otherwise valid, in the event of a breach of any of the representations, warranties and undertakings set out or referred to in this paragraph 5.13 of this Part III. Where an acceptance is made as described in this paragraph 5 which is otherwise valid, and the USE Instruction concerned fails to settle by 11.00 a.m. on 24 June 2020 (or by such later time and date as the Company and the Joint Global Co-ordinators may determine), the Company shall be entitled to assume, for the purposes of their right to reject an acceptance as described in this paragraph 5.13(a), that there has been a breach of the representations, warranties and undertakings set out or referred to in paragraph 5.12 above unless the Company is aware of any reason outside the control of the Qualifying CREST Shareholder or CREST sponsor (as appropriate) concerned for the failure of the USE Instruction to settle;

(b) treat as valid (and binding on the Qualifying CREST Shareholder concerned) an acceptance which does not comply in all respects with the requirements as to validity set out or referred to in this paragraph 5;

(c) accept an alternative properly authenticated dematerialised instruction from a Qualifying CREST Shareholder or (where applicable) a CREST sponsor as constituting a valid acceptance in substitution for, or in addition to, a USE Instruction and subject to such further terms and conditions as the Company may determine;

(d) treat a properly authenticated dematerialised instruction (in this sub-paragraph, the "first instruction") as not constituting a valid acceptance if, at the time at which Link Asset Services receives a properly authenticated dematerialised instruction giving details of the first instruction, either the Company or Link Asset Services has received actual notice from Euroclear of any of the matters specified in CREST Regulations 35(5)(a) in relation to the first instruction. These matters include notice that any information contained in the first instruction was incorrect or notice of lack of authority to send the first instruction; and

(e) accept an alternative instruction or notification from a Qualifying CREST Shareholder or (where applicable) a CREST sponsor, or extend the time for acceptance and/or settlement of a USE Instruction or any alternative instruction or notification if, for reasons or due to circumstances outside the control of any Qualifying CREST Shareholder or (where applicable) CREST sponsor, a Qualifying CREST Shareholder is unable validly to take up all or part of his Open Offer Entitlement or Excess Open Offer Entitlement by means of the above procedures. In normal circumstances, this discretion is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or of any part of CREST) or on the part of facilities and/or systems operated by Link Asset Services in connection with CREST.

5.14 Money Laundering Regulations

If you hold your Existing Shares in CREST and apply to take up all or part of your entitlement as agent for one or more persons and you are not a UK or EU regulated person or institution (e.g. a bank, a broker or another UK financial institution), then, irrespective of the value of the application, the Receiving Agent is entitled to take reasonable measures to establish the identity of the person or persons (or the ultimate controller of such person or persons) on whose behalf you are making the application and any submission of a USE Instruction constitutes agreement for the Receiving Agent to make any search deemed necessary. Such Qualifying CREST Shareholders must therefore contact

the Receiving Agent before sending any USE Instruction or other instruction so that appropriate measures may be taken.

Submission of a USE Instruction which constitutes, or which may on its settlement constitute, a valid acceptance as described above is an undertaking by the applicant to the Company and the Underwriters to provide promptly to the Receiving Agent any information the Receiving Agent may specify as being required for the purposes of the Money Laundering Regulations or FSMA. Pending the provision of evidence satisfactory to the Receiving Agent as to identity, the Receiving Agent, having consulted with the Company, may take, or omit to take, such action as it may determine to prevent or delay settlement of the USE Instruction. If satisfactory evidence of identity has not been provided within a reasonable time, then the Receiving Agent will not permit the USE Instruction concerned to proceed to settlement but without prejudice to the right of the Company to take proceedings to recover any loss suffered by it as a result of failure by the applicant to provide satisfactory evidence.

5.15 Deposit of Open Offer Entitlements into, and withdrawal from, CREST

A Qualifying Non-CREST Shareholder's entitlement under the Open Offer as shown by the number of Open Offer Entitlements set out in his or her Application Form, including the entitlement to apply under the Excess Application Facility, may be deposited into CREST (either into the account of the Qualifying Shareholder named in the Application Form or into the name of a person entitled by virtue of a *bona fide* market claim). Similarly, Open Offer Entitlements and Excess Open Offer Entitlements held in CREST may be withdrawn from CREST so that the entitlement under the Open Offer is reflected in an Application Form. Normal CREST procedures (including timings) apply in relation to any such deposit or withdrawal (these are set out in the Application Form in the case of a deposit into CREST).

A Qualifying Non-CREST Shareholder who wishes to make such a deposit should sign and complete Box 13 of their Application Form, entitled "CREST Deposit Form" and then deposit their Application Form with the CCSS. In addition, the normal CREST stock deposit procedures will need to be carried out, except that (a) it will not be necessary to complete and lodge a separate CREST transfer form (as prescribed under the Stock Transfer Act 1963) with the CCSS and (b) only the Open Offer Entitlement shown in Box 7 of the Application Form may be deposited into CREST. After depositing their Open Offer Entitlement into their CREST account, CREST holders will shortly thereafter receive a credit for their Excess Open Offer Entitlement, which will be managed by Link Asset Services.

If you have received your Application Form by virtue of a *bona fide* market claim, the declaration in Box 11 must be made or (in the case of an Application Form which has been split) marked "Declaration of sale or transfer duly made". If you wish to take up your Open Offer Entitlement, the CREST Deposit Form in Box 13 of your Application Form must be completed and deposited with the CCSS in accordance with the instructions above. A holder of more than one Application Form who wishes to deposit Open Offer Entitlements shown on those Application Forms into CREST must complete Box 13 of each Application Form.

In particular, having regard to normal processing times in CREST and on the part of the Receiving Agent, the recommended latest time for depositing an Application Form with the CCSS, where the person entitled wishes to hold the Open Offer Entitlement set out in such Application Form as an Open Offer Entitlement in CREST and the entitlement to apply under the Excess Application Facility in CREST, is by 3.00 p.m. on 19 June 2020. CREST holders inputting the withdrawal of their Open Offer Entitlement and any Excess Open Offer Entitlement from their CREST account must ensure that they withdraw their Open Offer Entitlement.

Delivery of an Application Form with the CREST deposit form duly completed, whether in respect of a deposit into the account of the Qualifying Shareholder named in the Application Form or into the name of another person, shall constitute a representation and warranty to the Company, the Underwriters and Link Asset Services by the relevant CREST member(s) that it is/they are not in breach of the provisions of the notes under the paragraph headed Application Letter on page 2 of the Application Form, and a declaration to the Company and the Receiving Agent from the relevant CREST member(s) that it/they is/are not located in, or citizen(s) or resident(s) of, any Excluded Territory or any jurisdiction in which the application for Open Offer Shares is prevented by law, and, where such deposit is made by a beneficiary or a market claim, a representation and warranty that the relevant CREST member(s) is/are entitled to apply under the Open Offer by virtue of a *bona fide* market claim.

5.16 Right to issue Open Offer Shares in certificated form

Despite any other provision of this document, the Company reserves the right to issue any Open Offer Shares in certificated form. In normal circumstances, this right is only likely to be exercised in the event of an interruption, failure or breakdown of CREST (or of any part of CREST) or of a part of the facilities and/or systems operated by Link Asset Services in connection with CREST.

6. Taxation

Information on taxation with regard to the Capital Raise for Qualifying Shareholders and Placees who are resident in the United Kingdom for UK tax purposes is set out in Part VIII—Taxation. The information contained in Part VIII—Taxation is intended only as a general guide to the current tax position in the United Kingdom, Qualifying Shareholders and Placees resident in the United Kingdom for UK tax purposes should consult their own tax advisers regarding the tax treatment of the Capital Raise in light of their own circumstances. Shareholders who are in any doubt as to their tax position, or who are subject to tax in any other jurisdiction, should consult an appropriately qualified independent professional adviser immediately.

7. Withdrawal rights

Qualifying Shareholders wishing to exercise or direct the exercise of statutory withdrawal rights after the publication by the Company of a prospectus supplementing this document (if any) must do so by lodging a written notice of withdrawal (which shall include a notice sent by email to withdraw@linkgroup.co.uk) within two Business Days commencing on the Business Day after the date on which the supplementary prospectus is published, which must include the full name and address of the person wishing to exercise statutory withdrawal rights and, if such person is a Qualifying CREST Shareholder, the participant ID and the member account ID of such Qualifying CREST Shareholder. The notice must be sent to the Receiving Agent, Link Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU, United Kingdom by mail or by hand (during normal business hours only) so as to be received by the end of the withdrawal period specified above. Notice of withdrawal given by any other means or which is deposited with or received by the Receiving Agent after expiry of such period will not constitute a valid withdrawal. The Company will not permit the exercise of withdrawal rights after payment by the relevant person for the New Shares applied for in full and the issuance of such New Shares to such persons becomes unconditional, save to the extent required by statute. In such event, Shareholders are advised to seek independent legal advice. Shareholders should note that, in any event, withdrawal rights will not apply once Admission of the Open Offer Shares has occurred.

Following the valid exercise of statutory withdrawal rights, application monies will be returned by post to the relevant Qualifying Shareholders at their own risk and without interest to the address set out in the Application Form and/or the Receiving Agent will refund the amount paid by a Qualifying CREST Shareholder by way of a CREST payment, without interest, as applicable within 14 days of such exercise of statutory withdrawal rights. Interest earned on such monies will be retained for the benefit of the Company. The provisions of this paragraph 7 or this Part III are without prejudice to the statutory rights of Qualifying Shareholders. In such event, Qualifying Shareholders are advised to seek independent legal advice. For further details, Shareholders should call Link Asset Services on 0371 664 0321 (or +44 (0) 371 664 0321 if calling from outside the United Kingdom). 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.—5.30 p.m., Monday to Friday excluding public holidays in England and Wales. Please note that Link Asset Services cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

8. Overseas Shareholders

This document has been approved by the FCA, being the competent authority in the United Kingdom.

It is the responsibility of any person (including, without limitation, custodians, nominees and trustees) outside the United Kingdom wishing to participate in the Capital Raise to satisfy himself, herself or itself as to the full observance of the laws of any relevant territory in connection therewith, including the obtaining of any governmental or other consents which may be required, the compliance with other necessary formalities and the payment of any issue, transfer or other taxes due in such

territories. The comments set out in this paragraph 8 are intended as a general guide only and any Overseas Shareholder who is in doubt as to his or her position should consult his or her professional adviser without delay.

8.1 General

The distribution of this document and the Application Form and the making of the Capital Raise to persons resident in, or who are citizens of, or who have a registered address in countries other than the United Kingdom may be affected by the law of the relevant jurisdiction. Those persons should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to participate in the Capital Raise.

This paragraph sets out the restrictions applicable to Shareholders who have registered addresses outside the United Kingdom, who are physically located outside the United Kingdom, or who are citizens or residents of countries other than the United Kingdom, or who are persons (including, without limitation, custodians, nominees and trustees) who have a contractual or legal obligation to forward this document to a jurisdiction outside the United Kingdom, or who hold Shares for the account or benefit of any such person.

Subject to limited exceptions, Application Forms have not been, and will not be, sent to, and Open Offer Entitlements, Excess Open Offer Entitlements and New Shares will not be credited to CREST accounts of, persons in the Excluded Territories, or to their agent or intermediary.

No person receiving a copy of this document and/or an Application Form and/or any other document issued by the Company in connection with the Placing and Open Offer and Firm Placing and/or receiving a credit of Open Offer Entitlements or Excess Open Offer Entitlements to a stock account in CREST in any territory other than the United Kingdom may treat the same as constituting an invitation or offer to him or her, nor should he or she in any event use the Application Form or deal with Open Offer Entitlements or Excess Open Offer Entitlements in CREST unless, in the relevant jurisdiction, such an invitation or offer could lawfully be made to him and the Application Form or Open Offer Entitlements or Excess Open Offer Entitlements in CREST could lawfully be used or dealt with without contravention of any unfulfilled registration or other legal or regulatory requirements. In such circumstances, where an invitation or offer would contravene any registration or other legal or regulatory requirements, this document and/or an Application Form must be treated as sent for information only and should not be copied or redistributed.

Persons (including, without limitation, custodians, nominees and trustees) receiving a copy of this document and/or an Application Form and/or any other document issued by the Company in connection with the Capital Raise or whose stock account in CREST is credited with Open Offer Entitlements or Excess Open Offer Entitlements should not, in connection with the Placing and Open Offer, distribute or send the same in or into, or transfer Open Offer Entitlements or Excess Open Offer Entitlements in or into, any Excluded Territory, including the United States or any jurisdiction where to do so would or might contravene local security laws or regulations. If an Application Form or credit of Open Offer Entitlements or Excess Open Offer Entitlements in CREST is received by any person in any such territory, or by their agent or nominee, he or she must not seek to take up the entitlements referred to in the Application Form or in this document or transfer the Open Offer Entitlements or Excess Open Offer Entitlements in CREST unless the Company determines that such actions would not violate applicable legal or regulatory requirements. Any person (including, without limitation, custodians, nominees and trustees) who does forward this document or an Application Form into any such territories (whether under contractual or legal obligation or otherwise) should draw the recipient's attention to the contents of this section.

The Company reserves the right to treat as invalid and will not be bound to allot or issue any New Shares in respect of any acceptance or purported acceptance of the application for New Shares or offer of the Open Offer Entitlements or Excess Open Offer Entitlements which:

(i) appears to the Company or its respective agents to have been executed, effected or despatched from the United States or an Excluded Territory or any other jurisdiction outside the United Kingdom in which it would be unlawful to execute, effect or despatch such acceptance or purported acceptance unless the Company is satisfied that such action would not result in the contravention of any registration or legal requirement; or

(ii) in the case of an Application Form, it provides an address for delivery of the definitive share certificates for New Shares in an Excluded Territory, including the United States, or any other jurisdiction outside the United Kingdom in which it would be unlawful to deliver such share certificates or if the Company or its agents believe that the same may violate applicable legal or regulatory requirements; or

(iii) in the case of a credit of New Shares in CREST, the Shareholder's registered address would be in an Excluded Territory, including the United States, or any other jurisdiction outside the United Kingdom in which it would be unlawful to make such a credit or if the Company or its agents believe that the same may violate applicable legal or regulatory requirements.

Despite any other provisions of this document or the Application Form, the Company reserves the right to permit any Overseas Shareholder to take up his or her entitlements as if it were a Qualifying Shareholder if the Company in its sole and absolute discretion is satisfied that the transaction in question is exempt from or not subject to the legislation or regulations giving rise to the restriction in question. If the Company is so satisfied, the Company will arrange for the relevant Overseas Shareholders to be sent an Application Form if he or she is a Qualifying Non-CREST Shareholder or, if he or she is a Qualifying CREST Shareholder, arrange for the Open Offer Entitlements and Excess Open Offer Entitlements to be credited to the relevant CREST stock account.

Those Overseas Shareholders who wish, and are permitted, to take up their entitlement should note that payments must be made as described in paragraphs 4 and 5 of this Part III.

Overseas Shareholders should note that all subscription monies must be paid in pounds sterling by cheque and should be drawn on a bank in the United Kingdom, made payable to "LMS re: Stobart Group Limited—2020 OO A/C" and crossed "A/C payee only".

The provisions of this paragraph 8 will apply generally to non-Qualifying Shareholders and other Overseas Shareholders who do not or are unable to take up New Shares provisionally allotted or issued to them.

8.2 United States of America

The New Shares have not been and will not be registered under the Securities Act or under any securities laws of any state or other jurisdiction of the United States, and may not be offered, sold, taken up, resold, transferred or delivered, directly or indirectly, into or within the United States absent registration or an applicable exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States.

The Company is not extending the offer of the New Shares into the United States unless an exemption from the registration requirements of the Securities Act is available and, subject to certain exceptions, neither this document nor the Application Form constitutes or will constitute an offer, or an invitation to apply for, or an offer or invitation to acquire, any New Shares in the United States. Subject to certain exceptions, neither this document nor any Application Forms will be sent to, and the New Shares, Open Offer Entitlements and Excess Open Offer Entitlements will not be credited to the CREST account of, any Qualifying Shareholder with a registered address in the United States.

Subject to certain exceptions, envelopes containing Application Forms should not be postmarked in the United States or otherwise despatched from the United States, and all persons acquiring New Shares and wishing to hold such shares in registered form must provide an address for registration of the New Shares issued upon exercise thereof outside the United States.

Save with the prior consent of the Company, any person who acquires the New Shares will be deemed to have declared, warranted and agreed, by accepting delivery of this document or the Application Form and delivery of the New Shares, that it is not, and that at the time of acquiring the New Shares it will not be, in the United States or acting on behalf of, or for the account or benefit of a person on a non-discretionary basis in the United States.

Neither the New Shares, the Application Form, this document nor any other document connected with the Capital Raise have been or will be approved or disapproved by the SEC or by the securities commissions of any state or other jurisdiction of the United States or any other regulatory authority, nor have any of the foregoing authorities or any securities commission passed upon or endorsed the merits of the offering of the New Shares, the Application Form, or the accuracy or adequacy of this

document or any other document connected with this Placing and Open Offer and Firm Placing. Any representation to the contrary is a criminal offence in the United States.

The Company reserves the right to treat as invalid any Application Form: (i) that appears to it or its agents to have been executed in or despatched from the United States or that provides an address in the United States for delivery of definitive share certificates; (ii) that does not include the relevant warranty set out in the Application Form to the effect that the person executing the Application Form does not have a registered address (and is not otherwise located) in the United States and is not acquiring the New Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such New Shares in the United States; or (iii) where the Company believes acceptance of such Application Form may violate applicable legal or regulatory requirements. The Company will not be bound to allot (on a non-provisional basis) or issue any New Shares in respect of any such Application Form. In addition, the Company and the Receiving Agent reserve the right to reject any USE Instruction sent by or on behalf of any CREST member with a registered address in the United States in respect of the New Shares.

Notwithstanding the foregoing, the Company reserves the right to offer and deliver the Open Offer Entitlements and Excess Open Offer Entitlements to, and the New Shares may be offered to and acquired by, a limited number of Shareholders and investors in the United States reasonably believed to be QIBs, within the meaning of Rule 144A, in offerings exempt from or in a transaction not subject to, the registration requirements under the Securities Act. The Open Offer Entitlements, Excess Open Offer Entitlements and New Shares being offered outside the United States are being offered in reliance on Regulation S. If you are a QIB located in the United States, in order to acquire any New Shares you must sign and deliver an investor letter in the form provided by the Company. If you sign such an investor letter, you will be, amongst other things: representing that you and any account for which you are acquiring the New Shares are a QIB; and agreeing not to reoffer, sell, pledge or otherwise transfer the New Shares except: in an offshore transaction in accordance with Rule 904 of Regulation S (which, for the avoidance of doubt, includes a sale over the London Stock Exchange), and neither the seller nor any person acting on its behalf knows that the transaction has been pre-arranged with a buyer in the United States; to a QIB in a transaction in accordance with Rule 144A; with respect to the New Shares only, pursuant to Rule 144 under the Securities Act (if available); or in another transaction pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act, and, in each case, in compliance with any applicable securities laws of any state or other jurisdiction of the United States. Any person in the United States who obtains a copy of this document and/or an Application Form and who is not a QIB is required to disregard them.

In addition, until 40 days after commencement of the Capital Raise, an offer, sale or transfer of the New Shares within the United States by a dealer (whether or not participating in the Capital Raise) may violate the registration requirement of the Securities Act.

8.3 Other Excluded Territories

Having considered the circumstances, the Directors have formed the view that it is necessary or expedient to restrict the ability of persons in the other Excluded Territories (i.e. other than the United States) to participate in the Capital Raise due to the time and costs involved in the registration of this document and/or compliance with the relevant local legal or regulatory requirements in those jurisdictions. Therefore, subject to certain exceptions, no Application Forms will be sent to, and no Open Offer Entitlements or Excess Open Offer Entitlements will be credited to a stock account in CREST of, persons with registered addresses in the other Excluded Territories. No offer of or invitation to acquire New Shares is being made by virtue of this document or the Application Form into the other Excluded Territories.

8.4 Other overseas territories

Application Forms will be posted to Qualifying Non-CREST Shareholders with registered addresses in other overseas territories and Open Offer Entitlements and Excess Open Offer Entitlements will be credited to the CREST stock accounts of Qualifying CREST Shareholders with registered addresses in other overseas territories. Overseas Shareholders in jurisdictions other than the Excluded Territories may, subject to the laws of their relevant jurisdiction, accept their entitlements under the Placing and Open Offer and Firm Placing in accordance with the instructions set out in this document and, in the case of Qualifying Non-CREST Shareholders only, the Application Form.

Qualifying Shareholders who have registered addresses in or who are resident in, or who are citizens of, all countries other than the United Kingdom should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to take up their Open Offer Entitlements or Excess Open Offer Entitlements.

(i) Member States of the European Economic Area (other than the United Kingdom)

In relation to each member state of the European Economic Area (except the United Kingdom) (each, a ***Relevant Member State***), none of the New Shares, the Open Offer Entitlements or the Excess Open Offer Entitlements may be offered or sold to the public in that Relevant Member State prior to the publication of this document in relation to the New Shares, the Open Offer Entitlements and the Excess Open Offer Entitlements, which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with Regulation 2017/1129/EU (the ***Prospectus Regulation***), other than the offers contemplated in this document in a Relevant Member State after the date of such publication or notification, and except that an offer of such New Shares, Open Offer Entitlements or Excess Open Offer Entitlements may be made to the public in that Relevant Member State:

(i) to any legal entity which is a qualified investor as defined in the Prospectus Regulation;

(ii) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation) per Relevant Member State, subject to obtaining the prior consent of the Joint Global Co-ordinators for any such offer; or

(iii) in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of New Shares, Open Offer Entitlements or Excess Open Offer Entitlements shall require the Company to publish a prospectus pursuant to Article 3 of the Prospectus Regulation and each person who initially acquires any New Shares, Open Offer Entitlements or Excess Open Offer Entitlements or to whom any offer is made under the Capital Raise will be deemed to have represented, acknowledged, and agreed that it is a "qualified investor" within the meaning of Article 2(e) of the Prospectus Regulation.

For the purposes of this selling restriction, the expression an "offer of New Shares, Open Offer Entitlements or Excess Open Offer Entitlements to the public" in relation to any New Shares, Open Offer Entitlements or Excess Open Offer Entitlements in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the New Shares, the Open Offer Entitlements or the Excess Open Offer Entitlements to be offered so as to enable an investor to decide to acquire the New Shares, the Open Offer Entitlements or the Excess Open Offer Entitlements.

In the case of the New Shares, the Open Offer Entitlements or the Excess Open Offer Entitlements being offered to a financial intermediary, as that term is used in the Prospectus Regulation, such financial intermediary will also be deemed to have represented, acknowledged and agreed that the New Shares, Open Offer Entitlements or Excess Open Offer Entitlements acquired by it have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, persons in circumstances which may give rise to an offer of any New Shares, Open Offer Entitlements or Excess Open Offer Entitlements to the public other than their offer or resale in a Relevant Member State to "qualified investors" within the meaning of Article 2(e) of the Prospectus Regulation. The Company, the Underwriters and their respective affiliates will rely upon the truth and accuracy of the foregoing representation, acknowledgement and agreement.

(ii) Switzerland

This document is being communicated in or from Switzerland to a small number of selected Shareholders only. Each copy of this document and/or the Application Form is addressed to a specifically named recipient and may not be copied, reproduced, distributed or passed on to others without the Company's prior written consent. The New Shares, Open Offer Entitlements and Excess Open Offer Entitlements may not be publicly offered, sold or advertised, directly or indirectly, in or from Switzerland and will not be listed on the SIX Swiss Exchange (***SIX***) or on any other stock exchange or regulated trading facility in Switzerland. This document has been prepared without regard to the

disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under art. 27 ff. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to the New Shares, Open Offer Entitlements and Excess Open Offer Entitlements or the offering may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this document nor any other offering or marketing material relating to the Capital Raise, the Company, the New Shares, the Open Offer Entitlements and the Excess Open Offer Entitlements have been or will be filed with or approved by any Swiss regulatory authority. In particular, this document will not be filed with, and the offer of the New Shares, Open Offer Entitlements and Excess Open Offer Entitlements will not be supervised by, the Swiss Financial Market Supervisory Authority FINMA.

9. Representations and warranties relating to Shareholders

9.1 Qualifying Non-CREST Shareholders

Any person accepting an Application Form or requesting subscription to the New Shares as set out therein represents and warrants to the Company and the Underwriters that, except where proof has been provided to the Company's satisfaction that such person's use of the Application Form will not result in the contravention of any applicable legal requirements in any jurisdiction: (i) such person is not accepting an Application Form from within the United States or the Excluded Territories; (ii) such person is not in any territory in which it is unlawful to make or accept an offer to subscribe for New Shares or to use the Application Form in any manner in which such person has used or will use it; (iii) such person is not acting on a non-discretionary basis for a person located within the United States or any Excluded Territory or any territory referred to in (ii) above at the time the instruction to accept was given unless (a) the instruction to request registration was received from a person outside the United States, (b) the person giving such instruction has confirmed that it has the authority to give such instruction, and (c) either (A) has investment discretion over such account or (B) is an investment manager or investment company, and that, in the case of each of (i) and (ii), is acquiring the New Shares in an offshore transaction within the meaning of Regulation S; and (iv) such person is not acquiring New Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such New Shares into the United States or any Excluded Territory or any territory referred to in (ii) above.

The Company may treat as invalid any acceptance or purported acceptance of the allotment or issuance of New Shares comprised in an Application Form if it: (a) appears to the Company to have been executed in or despatched from the United States or any other Excluded Territory or otherwise in a manner which may involve a breach of the laws of any jurisdiction or if it believes the same may violate any applicable legal or regulatory requirement; (b) provides an address in the United Sates or any Excluded Territory for delivery of definitive share certificates for New Shares (or any jurisdiction outside the United Kingdom in which it would be unlawful to deliver such certificates); or (c) purports to exclude the warranty required by this paragraph 9.1.

9.2 Qualifying CREST Shareholders

A CREST member or CREST sponsored member who makes a valid acceptance in accordance with the procedure set out in this Part III represents and warrants to the Company and the Underwriters that, except where proof has been provided to the Company's satisfaction that such person's submission of a USE Instruction will not result in the contravention of any applicable regulatory or legal requirement in any jurisdiction: (i) he or she is not within the United States or any of the Excluded Territories; (ii) he or she is not in any territory in which it is unlawful to make or accept an offer to acquire or subscribe for New Shares; (iii) he or she is not acting on a non-discretionary basis for a person located within the United States or any other Excluded Territory or any territory referred to in (ii) above at the time the instruction to accept was given; and (iv) he or she is not acquiring New Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such New Shares into the United States or any other Excluded Territory or any territory referred to in (ii) above.

The Company may treat as invalid any USE Instruction which: (a) appears to the Company to have been despatched from the United States or any other Excluded Territory or otherwise in a manner

which may involve a breach of the laws of any jurisdiction or which it believes may violate any applicable legal or regulatory requirement; or (b) purports to exclude the warranty required by this section.

10. Waiver

The provisions of paragraphs 8 and 9 of this Part III and of any other terms of the Placing and Open Offer and Firm Placing relating to non-Qualifying Shareholders may be waived, varied or modified as regards specific Shareholder(s) or on a general basis by the Company in its absolute discretion. Subject to this, the provisions of paragraphs 8 and 9 of this Part III supersede any terms of the Placing and Open Offer and Firm Placing inconsistent therewith. References in paragraphs 8 and 9 of this Part III and in this paragraph 10 to Shareholders shall include references to the person or persons executing an Application Form and, in the event of more than one person executing an Application Form, the provisions of paragraphs 8 and 9 of this Part III and this paragraph 10 shall apply jointly to each of them.

11. Times and dates

The Company shall in its discretion be entitled to amend the dates that Application Forms are despatched or dealings in New Shares commence and amend or extend the latest date for acceptance under the Capital Raise and all related dates set out in this document and in such circumstances shall announce such amendments via a Regulatory Information Service and, if appropriate, notify Shareholders.

12. Governing law

The terms and conditions of the Capital Raise as set out in this document and the Application Form and any non-contractual obligations arising out of or in relation to the Capital Raise shall be governed by, and construed in accordance with, English law.

13. Jurisdiction

The English courts shall have exclusive jurisdiction in relation to all disputes arising out of or in connection with the Capital Raise, this document or the Application Form including, without limitation disputes arising out of or in connection with any non-contractual obligations arising out of or in connection with any of them. By accepting entitlements under the Capital Raise in accordance with the instructions set out in this document and, in the case of Qualifying Non-CREST Shareholders, the Application Form, Qualifying Shareholders irrevocably submit to the jurisdiction of the English courts and waive any objection to the exercise of such jurisdiction. Such Qualifying Shareholders also irrevocably waive any objection to the recognition or enforcement in the courts of any other country of a judgment delivered by an English court exercising jurisdiction pursuant to this clause.

PART IV—BUSINESS OVERVIEW OF THE GROUP

Overview

Stobart Group is a UK infrastructure group with operations across the United Kingdom in the aviation, biomass energy and civil engineering industries. The Group's operations are organised across two core and three non-core operating divisions.

The Group's core operating divisions are:

- **Stobart Aviation**—The Group owns and operates London Southend Airport and provides management services to the Tees Valley Combined Authority in respect of the Teesside International Airport. In addition, Stobart Aviation Services, one of the businesses within the division, provides check-in, baggage handling and cargo services for 16 airlines at London Stansted, London Southend, Manchester, Edinburgh and Glasgow airports. Stobart Aviation accounted for £56.8 million of total revenue (before adjustments and eliminations) in FY19/20.
- **Stobart Energy**—The Directors believe that the Group is the United Kingdom's largest supplier of waste wood fuel to UK biomass energy plants, with long-term exclusive contracts in place with some of the largest biomass energy plants in the United Kingdom. The Group has contracts in place to supply 1.7 million tonnes of waste wood fuel and in FY19/20 supplied 1.5 million tonnes. Stobart Energy accounted for £76.3 million of total revenue (before adjustments and eliminations) in FY19/20.

The Group's non-core operating divisions are:

- **Stobart Rail & Civils**—The Group is an established provider of rail and non-rail civil engineering services in the United Kingdom. Stobart Rail & Civils accounted for £41.5 million of total revenue (before adjustments and eliminations) in FY19/20. As a result of recent poor performance, the Group is actively engaging to exit the Rail & Civils business within the next six months. There are currently 26 open contracts including 12 operationally live projects. The Directors expect all of these to be substantially concluded in the next six months.
- **Stobart Investments**—The Group holds an 11.8 per cent. stake in Eddie Stobart Logistics plc and a 19.5 per cent. stake in luggage transportation company, AirportR. The Group holds a 30 per cent. stake in Connect Airways, and on 10 March 2020 Connect Airways, which owns Flybe, entered into Administration following Flybe entering into Administration on 5 March 2020. In addition, on 27 April 2020, the Group announced it had reached agreement with the administrators of Connect Airways to acquire Stobart Air and Propius, and the Group now holds a 40 per cent. voting and 75 per cent. economic interest in Everdeal, the ultimate holding company of both businesses, and a 15 per cent. shareholding in the company that holds the remaining 60 per cent. voting interest and 25 per cent. economic interest in Everdeal, Everdeal Employees 2019 Limited. Stobart Investments accounted for £2.1 million of total revenue (before adjustments and eliminations) in FY19/20.
- **Stobart Infrastructure**—The Group holds a portfolio of non-strategic property and infrastructure assets, including the Carlisle Lake District Airport, with a book value of £47.3 million as at 29 February 2020. The Group aims to divest all of its non-core assets within the next three years, other than Carlisle Lake District Airport, with the aim of realising value over time from a position of strength when market conditions are right. Stobart Infrastructure accounted for £2.8 million of total revenue (before adjustments and eliminations) in FY19/20.

Stobart Group is registered in Guernsey, headquartered in London and it employed 1,550 people in the United Kingdom as at 29 February 2020.

The Company has been listed on the London Stock Exchange since 2007, at which point it was primarily a logistics provider. Shortly after the listing, the Group expanded its portfolio to include a rail and civil engineering business in 2008, London Southend Airport in 2008, Carlisle Lake District Airport in 2009 and a biomass energy business in 2010. Since then, the Group has continued to develop its business through organic operations and selected acquisitions and disposals.

For the year ended 29 February 2020, the Group's revenue was £170.2 million, its loss for the year from continuing operations was £149.6 million and its Underlying Adjusted EBITDA was £16.0 million.

Recent Developments

Whilst the Group's two core operating divisions performed broadly in line with management expectations in FY19/20, the COVID-19 pandemic has significantly impacted the Group's revenue and costs in the first three months of FY20/21, in particular in the Stobart Aviation and Stobart Energy operating divisions.

Stobart Aviation

Passenger numbers at London Southend Airport fell from approximately 5,500 passengers per day to nearly zero over the course of March 2020 and aircraft movements (i.e. landings or take-offs) fell from approximately 50 to fewer than 10 per day in the same period. Passenger numbers remain near zero and aircraft movements (primarily relating to logistics) remain near 10 as at the date of this document, and the Group expects this to continue until at least the end of September 2020 (and until the end of March 2021 under a 'reasonable worst case scenario'), with a slow recovery until the end of February 2021 (or until end of June 2021 under a 'reasonable worst case scenario'). This has driven both aeronautical and non-aeronautical revenue to virtually zero, with the exception of logistics and some long-term parking income. At the same time, the Group has been required to continue to fund its largely fixed cost base in regulated areas including security, air traffic control and fire safety to support logistics operations. Furthermore, the Stobart Aviation operating division experiences marked seasonality, with most of its profits coming from the summer months, which are set to be significantly affected by the COVID-19 pandemic.

In addition, on 5 March 2020 Flybe announced it had entered into Administration, and on 10 March 2020 Flybe's parent company, Connect Airways, also entered into Administration. The Group has a 30 per cent. ownership stake in Connect Airways, and Flybe accounted for approximately six per cent. of the passenger traffic at London Southend Airport in FY19/20.

As at the date of this document, the operations of London Southend Airport's airline partners are, for the most part, still suspended, with airlines taking the opportunity to ground fleets at London Southend Airport. Over 15 aircraft are currently parked on the airport's stands, which generates approximately £5,000 to £10,000 per week.

The airport's global logistics customer, which imports and exports goods to and from the United Kingdom, continues to operate as normal. The importance of maintaining the logistics network in the United Kingdom means that people working in that operation have been given "key worker" status. Strict safety protocols and procedures are in place across the Group's locations in order to protect people still at work, including aircraft cleaning after every flight and separation of flight and ground crews. The Group is also undertaking a variety of pro bono activities to support community groups and furloughed staff.

Stobart Energy

Stobart Energy is currently maintaining its operations as biomass energy plants continue to require waste wood fuel in order to service the United Kingdom's electricity needs. The importance of supplying fuel to support these plants and ensuring the waste supply chain continues to function has meant drivers and associated employees have been assigned "key worker" status.

The key risk to Stobart Energy's ongoing operations is the availability of waste wood. The COVID-19 pandemic has led to a significant slowdown in construction activity, a 75 per cent. decrease in commercial and industrial waste arisings year-on-year and the closure of household waste and recycling centres. Without these key sources of supply, the Group's inbound waste wood supply decreased as much as 80 per cent. year-on-year, although is starting to recover. The profitability of the Group's production of waste wood fuel is, in part, related to the gate fees it charges to third parties for taking waste wood from them. The low supply of available waste wood is negatively impacting gate fee pricing and may continue to do so for an extended period and may result in an inability of the Group to fulfil its requirements under its supply agreements with its biomass energy plant customers.

As a result, the Group has issued force majeure notices to many of its biomass energy plant customers pursuant to the terms of certain of its supply agreements. The Group is working with its customers to discuss options around supply and determine future volumes for when lockdown restrictions are relaxed, and the Group has developed volume models to help support these discussions. For more detail, see the risk factor titled "*The Stobart Energy operating division is*

dependent on the availability of raw materials for the production of waste wood fuel and the viability of the Group's supply chain".

The Group is engaged with the UK Government to request the reopening of household waste and recycling centres and recommend that all available waste wood is prioritised for the use in biomass energy plants. The Group, along with its biomass energy plant customers, is also engaged with the UK Government to extend the expiration of the ROC subsidy scheme beyond the current expiration date in 2037 to compensate for the COVID-19 related slowdown in production.

The Group aims to identify a strategic buyer or infrastructure investor to monetise Stobart Energy in the next 18-24 months in order to fund future growth at London Southend Airport.

Stobart Rail & Civils

In FY19/20 Stobart Rail & Civils traded below expectations, in part due to delays in Network Rail awarding contracts at the start of its Control Period 6 and the Group's continued exposure to a poor performing legacy project. In the first three months of FY20/21 the division has been negatively impacted by the closure of certain work sites due to the COVID-19 pandemic. As a result of the recent poor performance, the Group is actively engaging to exit the Rail & Civils business within the next six months. There are currently 26 open contracts including 12 operationally live projects. The Directors expect all of these to be substantially concluded in the next six months.

Group COVID-19 response

Given the pressure on the Group's revenue and balance sheet, the Group has implemented the following measures to manage costs and preserve liquidity:

- The Group has frozen all capital expenditure other than where it is considered critical for safety reasons and has deferred all discretionary spend.
- The Group has utilised the UK Government's Job Retention Scheme to put on furlough approximately 50 per cent. of the Group's approximately 1,550 employees as of 1 April 2020. All employees in continuing roles that allow them to work from home are doing so.
- The Directors and members of the Management Board have agreed to 20 per cent. pay reductions and all other non-furloughed management have accepted 10 per cent. pay reductions.
- A recruitment freeze has been in place since early March 2020 and all variable pay awards have been deferred to August 2020 at the earliest.
- The Group has utilised a number of measures made available by the UK Government to help conserve cash.

The Group also announced on 6 April 2020 that it withdrew all previously made financial guidance.

New revolving credit facility

The Company has entered into an amended Facility Agreement comprising the original £80.0 million revolving credit facility under which the Group is fully drawn (***Facility A***) and a new £40.0 million revolving credit facility (***Facility B***). Under Facility B, the Group can draw up to £10.0 million during the period commencing 5 June 2020 up to and including the date of Admission, subject to certain liquidity conditions. Pursuant to the terms of Facility B, the Group will use a portion of the proceeds of the Capital Raise (up to £10.0 million) to repay the amount drawn under Facility B as at the date of Admission within three Business Days of that date. Following such repayment, the Group can draw down under Facility B subject to conditions, as detailed in paragraph 15.1.2(i) of Part IX of this document.

Stobart Air and Propius

On 27 April 2020, the Group announced it had reached agreement with the administrators of Connect Airways to acquire Stobart Air and Propius, and the Group now holds a 40 per cent. voting and 75 per cent. economic interest in Everdeal, the ultimate holding company of both businesses, and a 15 per cent. shareholding in the company that holds the remaining 60 per cent. voting interest and 25 per cent. economic interest in Everdeal, Everdeal Employees 2019 Limited.

This provides the Group with an effective indirect economic interest of 78.75 per cent. in Stobart Air and Propius. This structure was in place prior to the Group's disposal of Stobart Air and Propius and is required to ensure that Stobart Air meets the requirements of its Air Operator Certificate to operate out of Ireland.

Propius is an aircraft leasing business that leases eight ATR aircraft from the GOAL Lessors, and leases those aircraft on to Stobart Air. Stobart Air is a regional airline that has operated under the Aer Lingus brand through a franchise relationship since 2010 and also provides private charter flights and wet-leasing services whereby it provides an aircraft, complete crew, maintenance and insurance (ACMI) to other airlines.

The businesses were owned previously by the Group, which entered into an agreement to sell the businesses to Connect Airways in February 2019. The Group is a guarantor for various obligations of Propius following a sale and leaseback of aircraft arrangement which was entered into by Propius in April 2017, including maintenance commitments under the aircraft leases. Guarantees were also granted by the Group with respect to the obligations owed by Stobart Air arising under the franchise agreement with Aer Lingus and certain fuel and currency hedging arrangements entered into when the businesses were under the Group's ownership. These guarantees were required to remain with the Group following the completion of the Connect Sale, as the holders of the guarantees were not prepared to see them released in view of the perceived covenant quality of Connect Airways. As part of the Connect Sale, it was also agreed that the Group would continue to make repayments of a loan in respect of aircraft maintenance reserves advanced by Propius over time rather than in a single payment at completion.

The Board reviewed the options available to the Company in relation to the future of Stobart Air and Propius during this unprecedented time. This included allowing the businesses to enter some form of insolvency process and a range of ways to support them going forward particularly in light of the strong relationship which exists between the Group and Aer Lingus. The Board concluded that the best course of action financially for the Company and its Shareholders was for it to buy back Stobart Air and Propius. This action will give the Group considerable influence over the pre-existing obligations it has in respect of those businesses. The intention is that the Group will continue its current positive dialogue with Aer Lingus to conclude a long-term franchise extension, as the current franchise agreement term expires on 31 December 2022, and ensure that the businesses are put on a sound financial footing.

The Group's aviation strategy has not changed as a result of this transaction and the Company will work with Aer Lingus to identify a new financial partner to support the business for the future with the Group exiting its involvement in a controlled way at the appropriate time.

The consideration for the Stobart Air and Propius acquisition is a payment of up to £8.55 million on the following basis:

- an initial consideration of £300,000 paid in cash at completion;
- a deferred consideration of £2 million to be paid no later than 15 December 2020; and
- a contingent deferred consideration up to a maximum of £6.25 million based on the value achieved (after disposal costs) on a realisation of value in respect of one or both of the businesses by the Group prior to 31 December 2023, by reference to:
    - 75 per cent. of the first £5 million of value being a payment of up to £3.75 million;
    - 50 per cent. of the next £5 million of value being a payment of up to £2.5 million; and
    - any value above £10 million is retained by the Group.

The Group expects to fund the operations of Stobart Air and Propius over the period through to achieving positive cash flow. The businesses have actively sought to reduce their cash requirements during the COVID-19 period and the Group expects to fund approximately €25 million over the period to 31 December 2021, including the lease payments discussed below.

As part of the acquisition, a €20 million loan by the Group to the holding company of Stobart Air and Propius, and subsequently novated from the Group to Connect Airways in connection with the sale of Stobart Air and Propius to Connect Airways, will be novated back to the Group. This is included within the overall consideration referred to above and the loan became an intra-Group matter following the acquisition.

The value of the combined gross assets of Stobart Air and Propius as at 31 August 2019 was £91.2 million. While valuation work in respect of the Group's acquisition of Stobart Air and Propius in April 2020 is currently in progress, the value of assets acquired is likely to be significantly lower than that as at 31 August 2019. Propius has annual commitments (guaranteed by the Group) under aircraft leases totalling $15.4 million per annum until April 2027 with a break clause in April 2023 if the Aer Lingus franchise is not extended beyond December 2022, on payment of a break fee of $21.2 million plus associated break fee finance costs. The lease payments falling due within the 12 months following the acquisition are reflected in the funding requirement for Stobart Air and Propius of €25 million referred to above. The combined profits before tax for Stobart Air and Propius for the year ended 28 February 2019 were £5.5 million.

Sale of the Stobart and Eddie Stobart brands

As announced on 21 May 2020, the Group has sold the Eddie Stobart and Stobart trademarks and designs to Eddie Stobart for a total consideration of £10 million. The Company will put forward a resolution at a general meeting of Shareholders to change its corporate name prior to 28 February 2021.

Until completion of the sale, the Group owned the Eddie Stobart and Stobart trademarks and designs and all associated intellectual rights. In February 2014, the Group entered into an agreement to licence the Eddie Stobart trademarks and designs to Eddie Stobart in consideration of a £13.7 million premium fee as part of the initial partial sale of the Eddie Stobart business. That 15-year licence agreement provided the first six years to 29 February 2020 royalty free.

From 1 March 2020, a licence fee of £3 million per annum became payable until February 2029. However, that agreement was terminable by Eddie Stobart on six months' written notice. The annual licence fee was also conditional on Eddie Stobart achieving certain performance targets. If Eddie Stobart did not achieve these performance targets in any given year, the £3 million licence fee was to accrue and only become payable at subsequent dates once these performance targets had been achieved.

The sale of the Eddie Stobart and Stobart trademarks and designs resulted in an immediate cash receipt. It will also have the effect of helping investors and stakeholders to more easily differentiate between Eddie Stobart's business and Stobart Group's aviation and energy businesses through Stobart Group transitioning to a different name.

The consideration for the sale is £10.0 million, of which £6.0 million was received on completion, £2.5 million is payable on or before 1 December 2020 and £1.5 million is payable 36 months following completion of the sale. The cash consideration will be used for general working capital purposes.

The Company will change its name prior to February 2021. However, there are a number of Stobart divisions that will continue to use the brand for up to 36 months after completion and this will be licenced on a royalty free basis from Eddie Stobart.

Stobart Air may continue to use its name so long as it is owned by the Group. If the Group sells the Stobart Air business, it must use reasonable endeavours to procure a change of name as part of that sale.

Competitive Strengths and Long-term Strategy

The Group expects that the key competitive strengths set out below will help the Group to realise its strategic goals and reinforce its competitive position.

- ***Owner and operator of key London Southend Airport***—Once the unprecedented effects of COVID-19 have subsided, the Directors believe that low-cost carriers (***LCCs***) will benefit from their lower cost bases and will likely return to normalised operations faster than non-LCCs. The Directors believe that LCCs will likely be focused on seeking a low cost base for operations and hub capacity at suitable prices and service levels. The pace at which this capacity is required will largely depend on the demand from passengers to return to international travel, the ability of airlines to react to that demand and the preparedness of airports to respond to the changing expectations of passengers and airlines alike. Airports will be expected to provide clean, secure and spacious environments in which passengers are not expected to gather in confined retail spaces, where cleaners are highly visible and where people can move through central search areas efficiently. The Directors believe that London Southend Airport has a highly flexible,

modular and cost-efficient capital expenditure plan with minimal passenger disruption. The Directors believe that London Southend Airport has an opportunity therefore to make use of significant unutilised space and enhanced technology, provide a cost-efficient base for airlines given the airport's lower capital expenditure to date, and deliver a passenger-focused experience for its customers.

- ***Market leading position in the waste wood fuel supply chain***—The Directors believe that the Group is the United Kingdom's largest supplier of waste wood fuel to UK biomass energy plants, and in FY19/20 the Group supplied 1.5 million tonnes of waste wood fuel. Bioenergy (including waste wood fuel) is Britain's second largest source of renewable electricity (according to UK Department for Business, Energy & Industrial Strategy statistics), and the UK Committee on Climate Change has stated that sustainably sourced bioenergy could provide up to 15 per cent. of the United Kingdom's primary energy by 2050. The Group is the exclusive supplier to some of the largest biomass energy plants in the United Kingdom, and the Group does not expect new plants to become operational following the closure of the Renewables Obligations scheme to new participants in September 2018. The Directors consider that it is therefore a mature, highly cash generative and stable business.
- ***Experienced management team with a proven track record***—The Group's CEO and CFO have extensive experience in the aviation industry, and they are supported by a senior management team and divisional leadership with a depth of knowledge and experience across all of the Group's industries. The divisional leadership teams maintain strong relationships with key customers, suppliers and other counterparties, and the Group's management structure is aligned to its strategy enabling agile decision making.

The Group has the following strategic goals:

- ***Stobart Aviation***—The Group aims to balance commercial revenues with a spacious, convenient, safe and secure environment suitable to address COVID-19 related travel requirements, and to provide its low-cost carrier customers with a low cost base for operations and hub capacity at suitable prices and service levels. The Group is further targeting to deliver £8 Underlying Adjusted EBITDA per passenger in the medium term, which compares to an average of £7.90 for London's airports (excluding Heathrow) and £6.50 the United Kingdom's other large airports. As Underlying Adjusted EBITDA is a non-IFRS measure and therefore is not calculated in a consistent manner by other companies, these averages have been calculated by the Company using publicly available information with certain adjustments applied by the Company.
- ***Stobart Energy***—The Group aims to identify a strategic buyer or infrastructure investor to monetise Stobart Energy in the next 18-24 months in order to fund future growth at London Southend Airport.
- ***Non-strategic assets***—The Group aims to divest all of its non-core assets within the next three years, other than Carlisle Lake District Airport, with the aim of realising value over time from a position of strength when market conditions are right. Non-core infrastructure assets, other than Carlisle Lake District Airport, had a book value of £38.4 million as at 29 February 2020. The Group has assumed zero proceeds from asset sales in its base case business plan.

Business Operations

The Group's operations are organised across two core and three non-core operating divisions. The core operating divisions are Stobart Aviation and Stobart Energy, and the non-core operating divisions are Stobart Rail & Civils, Stobart Investments and Stobart Infrastructure.

Stobart Aviation

Stobart Aviation's principal asset is London Southend Airport, which has been rated the best London airport in 2019 for the sixth consecutive year in the *Which? Airport Passenger Survey* and was the United Kingdom's fastest growing airport in 2019 according to CAA data.

In addition, Stobart Aviation Services, which started operations in FY17/18, provides check-in, baggage handling and cargo services for 16 airlines at London Stansted, London Southend, Manchester, Edinburgh and Glasgow airports. The Group also provides management services to the Tees Valley Combined Authority in respect of the Teesside International Airport.

In FY19/20, London Southend Airport (including the hotel and Stobart Jet Centre) accounted for approximately three-quarters of Stobart Aviation's revenue and substantially all of its Underlying Adjusted EBITDA, and Stobart Aviation Services accounted for approximately one-quarter of Stobart Aviation's revenue and generated an Underlying Adjusted EBITDA loss of approximately £1 million.

The Group also owns and operates the Carlisle Lake District Airport, which is operated and accounted for in Stobart Infrastructure, as discussed below.

Revenue generation

The Group's airports generate two types of revenue: aeronautical revenue, which is generated from fees charged to airlines for use of the airports' facilities, and non-aeronautical revenue from a variety of sources. During FY17/18, FY18/19 and FY19/20, the majority of Stobart Aviation's revenue comprised non-aeronautical revenue.

Aeronautical revenue

Aeronautical revenue reflects the tariffs levied by the Group's airports on their airline customers. The tariff structure through which the aeronautical revenue is recovered from airlines includes three key elements:

- **Departing passenger fees**—Fees per passenger are based on the number of passengers on board an aircraft and are levied in respect of all departing passengers. Fees can vary depending on the route and are subject to minimum levels.
- **Landing charges**—Landing charges are levied for substantially all aircraft and are calculated with respect to the weight of the aircraft, as well as other factors such as noise rating and emissions levels.
- **Parking charges**—Aircraft parking charges are levied on aircraft after they have exceeded a minimum parking time.

Non-aeronautical revenue

The Group generates non-aeronautical income from a variety of sources, including:

- the sale of jet fuel to the Group's airline customers;
- concession fees from retail operators;
- revenue generated by the train station at London Southend Airport;
- revenue generated by the hotel at London Southend Airport;
- direct revenue from car parks and advertising;
- the leasing of airport premises such as aircraft hangars, warehouses, cargo storage facilities, maintenance facilities, offices and airline lounges; and
- through Stobart Aviation Services, the provision of check-in, baggage handling and cargo services.

Market Overview

The first three months of FY20/21 have seen unprecedented challenges for the global aviation industry as a result of the COVID-19 pandemic, which has had a material impact on the sector. However, the UK Government has offered support to business, including aviation, and the Group anticipates that such support will help the industry recover once travel restrictions are lifted in the United Kingdom and abroad.

With a long-term view, the Group considers that the underlying fundamentals of the London aviation market remain strong. The London aviation market is the largest in the world and, over the long term, has continued to grow in excess of UK GDP despite significant constraints at the majority of London airports. As a result, the Directors believe the growth trajectory will resume and continue once the COVID-19 pandemic passes, although there is considerable uncertainty as to the duration and impact of the pandemic. London is the largest metropolitan area in Europe, with over 14 million residents and

in 2018 ranked in the top three visitor destinations in the world by number of visitors. It also serves as a major global international commercial centre.

London metropolitan area air traffic is the busiest in the world with 181 million passengers in 2019 and is 25 per cent. larger than New York, the second busiest city. As a consequence, both the network carriers and low-cost carriers (***LCCs***) have been growing their capacity. Since 2014, LCCs have added 9.2 million seats (a 32 per cent. increase) to the London market, or the equivalent of 41 daily aircraft (a 27 per cent. increase).

Once the unprecedented effects of COVID-19 have subsided, the Directors believe that LCCs will benefit from their lower cost bases and will likely return to normalised operations faster than non-LCCs. The Directors believe that LCCs will likely be focused on seeking a low cost base for operations and hub capacity at suitable prices and service levels.

The pace at which this capacity is required will largely depend on the demand from passengers to return to international travel, the ability of airlines to react to that demand and the preparedness of airports to respond to the changing expectations of passengers and airlines alike. Airports will be expected to provide clean, secure and spacious environments in which passengers are not expected to gather in confined retail spaces, where cleaners are highly visible and where people can move through central search areas efficiently. The Directors believe that London Southend Airport has an opportunity therefore to make use of significant unutilised space and enhanced technology, provide a cost-efficient base for airlines given the airport's lower capital expenditure to date, and deliver a passenger-focused experience for its customers.

London Southend Airport

London Southend Airport is located in the county of Essex, England, approximately 36 miles east of central London. The airport has a known catchment area of 8.2 million people and served 1.13 million, 1.49 million and 2.14 million passengers in FY17/18, FY18/19 and FY19/20, respectively.

Underlying Adjusted EBITDA per passenger at London Southend Airport decreased from £4.97 in FY17/18 to £3.17 in FY18/19 primarily due to the fact that Underlying Adjusted EBITDA in FY17/18 included the profit on the sale and leaseback of the hotel at the airport. Underlying Adjusted EBITDA per passenger increased to £4.53 in FY19/20 primarily due to the start of operations with the global logistics customer, more passengers arriving by train, new parking charges and an improved retail offer.

In early 2020, London Southend Airport served approximately 40 destinations across Europe and the United Kingdom with flights operated by easyJet, Ryanair, Loganair, Wizz Air and Flybe, amongst others. Since year-end, Flybe has entered into Administration and ceased flight operations. In FY19/20, easyJet and Ryanair accounted for, in aggregate, approximately 85 per cent. of the airport's passenger traffic.

London Southend Airport has more than 1,100 square metres of retail space served by seven retail clients operating 10 retail outlets. The largest retail client in London Southend Airport is The Restaurant Group, which operates a number of food concessions and in FY19/20 comprised more than a third of the airport's retail concession fees.

The airport also has a hotel facility on site. The Group sold the hotel to Interstate Hotels & Resorts in FY17/18 pursuant to a sale and leaseback agreement under which the Group continues to operate and generate revenue from the hotel.

In October 2019, the Group announced that it had entered into an initial two-year agreement with a global logistics customer to provide facilities and expertise to support the import and export of goods at London Southend Airport. The Group provides runway access and import/export facilities by converting existing hangarage on the north side of the runway, away from the south-side based commercial passenger operations.

In 2011, the Stobart Rail & Civils operating division built a train station at London Southend Airport which serves central London with up to six trains per hour during peak times. The journey to London takes approximately 52 minutes, and in FY19/20 approximately 30 per cent. of London Southend Airport passengers travelled to/from the airport by train. The Group receives a share of ticket fares from people using the station at London Southend Airport.

The Group also operates the Stobart Jet Centre located at the London Southend Airport, which offers private aviation services. The Stobart Jet Centre had 908, 1,660 and 1,512 movements in FY17/18, FY18/19 and FY19/20.

Passenger experience

The Directors believe that, as a result of COVID-19, airports will be expected to provide clean, secure and spacious environments in which passengers are not expected to gather in confined retail spaces, where cleaners are highly visible and where people can move through central search areas efficiently. The Directors believe that London Southend Airport has a highly flexible, modular and cost-efficient capital expenditure plan with minimal passenger disruption. The Directors believe that London Southend Airport has an opportunity therefore to make use of significant unutilised space and enhanced technology, provide a cost-efficient base for airlines given the airport's lower capital expenditure to date, and deliver a passenger-focused experience for its customers.

The enhancements that the Company expects to make to London Southend Airport as a result of COVID-19 include the following:

- Thermal cameras are expected to be installed to monitor passenger temperatures as they approach the entrance to the departure terminal, allowing airport staff to identify potential infected people and take appropriate action. Social distancing markers will be located on the floor. Only passengers and staff will be allowed in the terminal during the short term.
- Face masks will be mandatory on entering the airport and masks will be provided to all passengers that do not have their own. Over 30 hand sanitiser stations and large wipe dispensers will be strategically located throughout the airport journey. The airport's cleaning team will be highly visible.
- Bio shields are expected to be installed to protect passengers and staff when presenting at check-in. Automated self-service check-in and bag drops are expected to be introduced in 2021.
- Passengers will use self-service boarding card machines. The security process will use non-contact CTiX search machines, and advanced baggage scanning devices have now been installed.
- After security, passengers will move through to a large, open-plan departure lounge. The airport will use short-queue departure gates with passengers called to their gate in small groups according to their row number.
- Arriving passengers will be kept separate to departing passengers. Their luggage will be scanned by ultraviolet technology. Security and departures terminal areas are expected to be extended in 2023 following the construction of a new arrivals terminal.

Stobart Aviation Services

Stobart Aviation Services began operating in FY17/18 and provides check-in, baggage handling and cargo services at London Stansted, London Southend, Manchester, Edinburgh and Glasgow airports. The Group has contracts with 16 airlines, including easyJet, Scandinavian airlines (SAS), Loganair, Wizz, Titan, Ryanair, Norwegian, Eurowings and SN Brussels. The Group's Aviation Services contracts employ cost-plus, fixed cost and price per turn contracts used to appeal to both larger and smaller airlines to be handled on a frequent or ad hoc basis, and the contracts vary in duration, but are typically three to five years.

Teesside International Airport—Strategic Partnership

In March 2019, the Group entered into a strategic partnership with the Tees Valley Combined Authority (***TVCA***) to provide management services in respect of the Teesside International Airport, for which the Group receives an annual fee. The Group also holds a stake in the airport's holding company, which provides for the Group to share in a portion of the equity.

Teesside International Airport largely serves the private aviation market and also includes a flight school, air ambulance operations, a fire training centre and a base for defence contractors. In early 2020, Teesside International Airport announced that commercial flights would begin to a number of destinations in the United Kingdom and Europe. However, commercial flight operations have been suspended due to the COVID-19 pandemic.

Airport Regulation

The Group's airports are regulated by the Civil Aviation Authority (***CAA***). The CAA is the independent aviation regulator in the United Kingdom, responsible for economic regulation, airspace policy, safety and consumer protection.

Under the current regulatory regime, the Group's airports will not be subject to economic regulation by the CAA unless one or part of them is found in the future to satisfy the significant market power test set out in the Civil Aviation Act 2012.

Other duties to which the CAA must have regard include:

- the need to secure that each holder of a licence is able to finance its provision of airport operation services in the area for which the licence is granted;
- the need to secure that all reasonable demands for airport operation services are met;
- the need to promote economy and efficiency on the part of each holder of a licence in its provision of airport operation services at the airport to which the licence relates;
- the need to secure that each holder of a licence is able to take reasonable measures to reduce, control or mitigate the adverse environmental effects of the airport to which the licence relates, facilities used or intended to be used in connection with that airport and aircraft using that airport;
- any guidance issued to the CAA by the Secretary of State for Transport;
- any international obligation of the United Kingdom notified to the CAA by the Secretary of State for Transport; and
- the principles that regulatory activities should be carried out in a way which is transparent, accountable, proportionate and consistent, and that regulatory activities should be targeted only at cases in which action is needed.

As part of the aerodrome licencing regime, an airport operator must demonstrate that it is competent to conduct aerodrome operations safely. The CAA must grant a licence in respect of any aerodrome in the United Kingdom if it is satisfied that:

- the applicant is competent, having regard to its previous conduct and experience, equipment, organisation, staffing, maintenance and other arrangements, to secure that the aerodrome and the airspace within which its visual traffic pattern is normally contained are safe for use by aircraft; and
- the aerodrome is safe for use by aircraft, having regard in particular to the physical characteristics of the aerodrome and of its surroundings.

Carlisle Lake District Airport maintains a CAA aerodrome licence, whereas London Southend Airport has transitioned from a CAA aerodrome licence to a certificate issued in accordance with the European Aviation Safety Agency's (***EASA***) regime. Under the EASA regime, the CAA is still the primary regulatory point of contact for London Southend Airport, and it remains the CAA's responsibility to conduct audits of the airport in its capacity as a National Aviation Authority. However, EASA may conduct audits of the CAA (and other National Aviation Authorities) to ensure standardisation across member states. The UK Government has stated that the United Kingdom will no longer participate in the EASA regime after the end of the Brexit transition period, and so the Group anticipates that London Southend Airport will transition back to a CAA aerodrome licence.

Environment

Rapid airport growth often raises concerns in neighbouring communities about aspects of environmental impact. Although it can be difficult to address all community concerns whilst continuing to grow, the Directors consider that London Southend Airport has always complied in full with all of the requirements placed upon it by its planning authorities.

Aircraft noise in and around UK airports is subject to European, UK and local regulation. The UK Government has a key role in setting and developing the policy framework for aircraft noise control at UK airports, although individual procedures are generally agreed with local planning authorities. A range of noise controls relating to aircraft operations are set out in statutory notices and published in the UK Aeronautical Information Package and elsewhere as appropriate. These controls cover

aspects such as departure noise limits and night flight restrictions. Additional noise-related controls are a feature of the local planning system that often introduces planning obligations in Section 106 agreements between airport operators and planning authorities.

Stobart Aviation's airports are also subject to or influenced by various regulations and legislation designed to improve air quality and reduce carbon emissions. These include global agreements binding the United Kingdom to reduce its carbon emissions and EU law requiring local air quality (whether from airport or other activities) to achieve minimum standards.

Since 2016, the Group has operated a 3.2 hectare solar farm at London Southend Airport with the objective of reducing its carbon footprint and electricity requirement from the National Grid network. Almost 20 per cent. of London Southend Airport's electricity comes from renewable sources.

Stobart Energy

The Directors believe that the Group is the United Kingdom's largest supplier of waste wood fuel to UK biomass energy plants, with long-term exclusive contracts in place with some of the largest biomass energy plants in the United Kingdom. The Group has contracts in place to supply 1.7 million tonnes of waste wood fuel and in FY19/20 supplied 1.5 million tonnes. The Group aims to identify a strategic buyer or infrastructure investor to monetise Stobart Energy in the next 18-24 months in order to fund future growth at London Southend Airport.

Biomass energy (including waste wood fuel) is generated using plant-based products, including wood pellets and wood chips, bioenergy crops and agricultural and domestic waste. The plant-based products are processed to create a low-carbon, renewable alternative to fossil fuels. Bioenergy (including waste wood fuel) is Britain's second largest source of renewable electricity (according to UK Department for Business, Energy & Industrial Strategy statistics), and the UK Committee on Climate Change has stated that sustainably sourced bioenergy could provide up to 15 per cent. of the United Kingdom's primary energy by 2050.

The Group offers a range of solutions across the biomass energy supply chain, from commercial waste collection through to producing fuel to a specification and delivering fuel to biomass energy plants using its large logistics function. The Group has expertise in waste wood, virgin wood, refuse derived fuel (***RDF***) and solid recovered fuel (***SRF***). Stobart Energy employs more than 350 people, operates 145 walking floor vehicles and operates six large fuel production and storage facilities, with a significant number of other fuel production and storage sites contracted to third parties to operate. The Group supplies more than 15 large, and a significant number of smaller, biomass energy plants in the United Kingdom and Ireland.

The following table sets forth Stobart Energy's actual tonnage of waste wood fuel supplied, revenue, profit before tax from continuing operations and Underlying Adjusted EBITDA for the periods indicated.

	FY19/20	FY18/19	FY17/18
Waste wood fuel supplied[(1)]	1.5	1.3	0.9
Revenue[(2)]	76,339	65,143	54,697
Profit before tax from continuing operations[(2)]	5,192	5,324	2,343
Underlying Adjusted EBITDA[(3)]	24,166	19,200	12,041

Notes:

(1) Figures represent millions of tonnes of waste wood fuel supplied to third-party biomass energy plants.

(2) Figures are presented in thousands of pounds sterling.

(3) Figures are presented in thousands of pounds sterling. Underlying Adjusted EBITDA is referred to as Underlying EBITDA in the FY18/19 Financial Statements and FY19/20 Financial Statements.

Market and Competition

Gate fees in November 2019 declined significantly due to a combination of a seasonal decline in waste wood supply, demand from UK biomass energy plants peaking and a six-month drop in construction output due to Brexit uncertainties. The COVID-19 pandemic has exacerbated this trend, leading to a significant slowdown in construction activity, a 75 per cent. decrease in commercial and industrial waste arisings year-on-year and the closure of household waste and recycling centres. Without these key sources of supply, the Group's inbound waste wood supply decreased as much as 80 per cent. year-on-year, although has started to recover.

Pre-COVID-19, approximately five million tonnes of waste wood were produced annually in the United Kingdom, with a large proportion of this used as fuel for biomass energy plants. Supply of timber is generally low in the winter months in the United Kingdom, whilst fuel demand increases during that time due to the cold weather.

In the long term when the market returns to normal, the Group believes that waste wood suppliers will continue to find it cheaper and more environmentally responsible to provide waste wood to biomass energy producers than to send it to landfill.

In addition, accreditation under the Renewables Obligation scheme closed to new biomass energy plants in September 2018. As a result, the Group does not expect any new plants to become operational. The Renewables Obligation scheme will terminate altogether in 2037, although the Group, along with its biomass energy plant customers, is engaged with the UK Government to extend the expiration of the scheme to compensate for the COVID-19 related slowdown in production.

Fuel Production and Storage

The Group operates six large fuel production and storage facilities in England, located at Port Clarence, Pollington, Rotherham, Widnes and two at Tilbury. The facilities receive waste wood and other biomass materials, such as virgin wood, and convert the materials into fuel. Each facility has a dedicated laboratory where qualified technicians measure moisture, particle size and bulk density to monitor energy content and plant suitability to meet customer requirements.

One of the Group's fuel production facilities includes its own port facility to receive raw materials by water, and the Group has port operations in Cardiff and Shoreham as well. The Group also operates a drying facility in Port Clarence to receive and treat virgin wood and other wastes from across the United Kingdom.

The Group's own facilities can store up to 85,000 tonnes of waste wood fuel, which equates to approximately two months' worth of supply. In addition, the Group has a significant number of other fuel production and storage facilities in strategic locations around the United Kingdom that are operated by third-party contractors for supply into UK biomass energy plants. This helps the Group to balance seasonal demand and supply, as supply of timber is generally low in the winter months in the United Kingdom, whilst fuel demand increases during that time due to the cold weather. The Group's national network of fuel production and storage facilities are critical to the operation of many of the United Kingdom's largest biomass energy power plants, which are not always able to store large volumes of processed material at their own sites.

Customers and Contracts

The Group supplies more than 15 large, and a significant number of smaller, biomass energy plants in the United Kingdom and Ireland. The Group has contracts in place with all of its large and many of its smaller customers, with an average remaining contract duration of 13 years. By the end of FY19/20, all of the plants currently supplied by the Group had successfully completed commissioning and are fully operational. The Group supplied 1.5 million tonnes of waste wood fuel in FY19/20.

As discussed in more detail in "*Recent Developments*" above, the COVID-19 pandemic has led to a shortage of waste wood supply, which may result in an inability of the Group to fulfil its requirements under its supply agreements with its biomass energy plant customers. As a result, the Group has issued force majeure notices to many of its biomass energy plant customers pursuant to the terms of certain of its supply agreements. The Group is working with its customers to discuss options around supply and determine future volumes for when lockdown restrictions are relaxed, and the Group has developed volume models to help support these discussions. For more detail, see the risk factor titled "*The Stobart Energy operating division is dependent on the availability of raw materials for the production of waste wood fuel and the viability of the Group's supply chain*". The Group is engaged with the UK Government to request the reopening of household waste and recycling centres and recommend that all available waste wood is prioritised for the use in biomass energy plants. The Group, along with its biomass energy plant customers, is also engaged with the UK Government to extend the expiration of the ROC subsidy scheme beyond the current expiration date in 2037 to compensate for the COVID-19 related slowdown in production.

The Group's seven largest biomass energy plant customers accounted for approximately 74 per cent. of the tonnage supplied by the Group in FY19/20, and the Group is the exclusive supplier to six of these seven customers.

A majority of the Group's supply agreements with its large biomass energy plant customers contain "take or pay" provisions whereby the plant customer is obligated to pay penalties if it doesn't meet contracted demand levels or a specified percentage thereof. Similarly, the Group is obligated to pay penalties if it cannot supply minimum contracted levels or a specified percentage thereof.

Procurement and Supply

The Group has relationships with over 300 suppliers, ranging from local skip companies to tier 1 waste companies, as well as virgin wood suppliers.

For the collection of waste wood, the Group charges third parties a gate fee for taking wood from them. The Group's gate fees are not contracted with many of its waste wood suppliers, and in many cases such suppliers are not committed to supplying any minimum volume. Therefore, the Group's gate fee revenue is variable and subject to shifts in demand and availability of supply. For example, gate fees in November 2019 declined significantly due to a combination of a seasonal decline in waste wood supply, demand from UK biomass energy plants peaking and a six-month drop in construction output due to Brexit uncertainties. As discussed in more detail in "*Recent Developments*" above, the COVID-19 pandemic has exacerbated this supply shortage, which is negatively impacting gate fee pricing and may continue to do so for an extended period. Gate fees impact on pricing into the Group's own facilities and the facilities operated by its contracted fuel producers. Therefore, gate fees have a large impact on both the revenue and cost base of the business.

The Group employs an integrated supply chain IT system that provides real-time data to various functions within the business. The system tracks supply from the time of supply order, through the fuel production, transportation and delivery to customers, and it provides detailed management information to enable quick decision-making.

Transport

The Group operates a fleet of 145 walking floor vehicles located in depots across the United Kingdom. The vehicles are specifically designed for the transport of waste wood, virgin wood and RDF. The Group also provides services for the transportation of other waste products, renewable fuels and power plant residues.

The Group operates a rolling three-year replacement programme of its fleet to ensure the fleet is operating with the most efficient and environmentally friendly vehicles available. The Group's drivers undertake regular training including tailored annual appraisals, certificate of professional competence training and career development programmes.

Renewables Obligation Certificates

The Renewables Obligation scheme was introduced in Great Britain in 2002. The scheme is administered by Ofgem, which is Great Britain's government regulator for gas and electricity. A similar scheme operates in Northern Ireland.

Under the scheme, a Renewables Obligation Certificate (***ROC***) is issued by Ofgem to an operator of an accredited renewable energy generator for every megawatt hour of renewable energy that it generates. The operator then sells its ROCs to electricity suppliers alongside the electricity supplied, thereby allowing the operator to receive a premium in addition to the wholesale electricity price. Suppliers submit their purchased ROCs to Ofgem to demonstrate compliance with the Renewables Obligation scheme. Non-compliant suppliers must pay a penalty.

Accreditation under the Renewables Obligation scheme closed to new biomass energy plants in September 2018. Of the biomass energy plants with which the Group had supply agreements, all but one completed the commissioning phase before the deadline and have therefore been accredited. The one plant that did not obtain accreditation is not currently operating and has terminated its supply agreement with the Group.

The Renewables Obligation scheme will terminate in 2037. The Group, along with its biomass energy plant customers, is engaged with the UK Government to extend the expiration of the scheme to compensate for the COVID-19 related slowdown in production.

Other Regulatory and Environmental Issues

The Group's fuel production and storage facilities, as well as its industrial scale drying facility, operate under environmental permits issued and regulated by the UK Environment Agency. Compliance under the permits is audited at least once per year by the UK Environment Agency and on a regular basis by the Group's own health, safety, quality and environment team, which reports directly to the Board.

The quality teams in place at each fuel production facility provides customers with advice on the sampling and testing of fuels, the environmental characteristics and the best ways to meet UK and international standards.

The Group also has a number of bespoke permit variations for its fuel production and storage facilities, allowing storage of material in larger stockpiles and longer periods for finished fuel.

Stobart Rail & Civils

The Group is an established provider of rail and non-rail civil engineering projects in the United Kingdom. The Group delivers design, construction, maintenance and enhancement projects, offering complete packages including structures, earthworks and geotechnical, lineside infrastructure, drainage and permanent way works. The division also manages specialist industrial and commercial schemes, including multi-modal distribution warehouses, terminal and office buildings, racecourses, airport aprons, stands and taxiways.

The Group is a key partner to Network Rail, the UK Government-owned entity that owns the rail tracks and infrastructure (including signalling and stations) in the United Kingdom. The Group supports Network Rail through framework contracts in three of the five regions it operates. These three regions cover 75 per cent. of the United Kingdom.

In 2019, the Group became the Civils Partner for the Northern Alliance track renewals programme being managed by Babcock, and the Group also secured a milestone £4.8 million contract with Nexus, a public body that delivers public transport services, following a competitive bid process. As a result, the Group worked alongside Nexus and other key partners and successfully completed full track renewals across four sites on the Tyne and Wear Metro in the north of England.

Historically, a significant portion of Stobart Rail & Civils' revenue was generated from projects for other Group operating divisions. For example, Stobart Rail & Civils delivered a runway improvement project and new train station at London Southend Airport, constructed the new terminal at Carlisle Lake District Airport and undertakes improvement works at Stobart Energy facilities. In FY18/19, the Group implemented a strategic plan aimed at both increasing work with existing partners and securing new contracts. The following table sets forth Stobart Rail & Civils' internal and external revenue during the periods indicated.

	FY19/20	FY18/19	FY17/18
		(£'000)	
Internal revenue	13,404	20,480	24,701
External revenue	28,077	31,867	16,253
Total revenue[(1)]	**41,481**	**52,347**	**40,954**

Note:

(1) Total revenue is stated before the elimination of intercompany revenue. Please see Note 3 in the FY19/20 Financial Statements and FY18/19 Financial Statements for further information.

In FY19/20 Stobart Rail & Civils traded below expectations, in part due to delays in Network Rail awarding contracts at the start of its Control Period 6 and the Group's continued exposure to a poor performing legacy project. In in the first three months of FY20/21 the division has been negatively impacted by the closure of certain work sites due to the COVID-19 pandemic. As a result of the recent poor performance, the Group is actively engaging to exit the Rail & Civils business within the next six months. There are currently 26 open contracts including 12 operationally live projects. The Directors expect all of these to be substantially concluded in the next six months.

Significant Recent Projects

Lineside Civils

In May 2019, the Group delivered on a £2.8 million contract with BAM Nuttal to install concrete toughing over 23 miles in length ready for the signalling and telecommunications contract to lay cables and install bases, as part of the Highland Enhancement Programme.

Building and Civils

Throughout FY19/20, the £12.7 million contract works for Northern Rail at Newton Heath have progressed with an anticipated completion date in July 2020, subject to any COVID-19 related delays. The contract works consist of two separate contracts for the design and construction of a maintenance facility for Northern Rail's new fleet of trains and of a wheel lathe facility. There has been an additional £6.5 million of costs and changes, of which £4.5 million is being disputed. If the Group is not successful in this dispute, it will not recover the additional costs.

In March 2019, the Group completed on a £4.5 million contract with Arena Racing Company, the operator of Southwell Racecourse, to design and install a flood lighting system to the full track. The team laid 8,000 metres of plastic ducting, and augered six metres at each location into the ground to construct the foundations for 56 lighting columns ranging from 21 metres high to 31 metres high. The team installed 45,000 metres of cabling and made over 3,000 terminations. To supply the power, the team constructed a new HV income unit and three HV/LV package substations located around the racecourse.

In FY19/20, works were completed during the year on the Inverness Rail Depot under a £2.3 million Scotrail project to upgrade the rail track infrastructure with associated civils works, awarded to the Group by subcontract from Doig and Smith.

Vegetation Management

The Group continues to work on a £1.9 million contract with Fusion JV to install more than 20,000 metres of new perimeter fencing with associated vegetation clearance alongside the HS2 route. The Group is being instructed on further packaged works in association with this project on a regular basis.

Track Associated Contracts

In FY19/20, the Group completed a £1.8 million contract for Galliford Try to complete gauging works to enable Northern Rail's new fleet of CAF trains to run without fouling.

In July 2019, the Group completed a four-site track renewal for NEXUS (the operator of the Tyne and Wear Metro) using its own fleet of rail and non-rail plant and equipment under a £4.8 million contract.

Environmental Regulation

Stobart Rail & Civils is subject to national and local environmental laws and regulations in each of the communities and areas in which it operates. These laws and regulations govern, among other things, wastewater discharges, soil and groundwater contamination and the handling of hazardous materials. The Group's operations involve, among others, the risks of fuel spillage or seepage, environmental damage and hazardous waste disposal. It is the Group's policy to comply with all applicable environmental laws and regulations.

Stobart Investments

Stobart Investments holds an 11.8 per cent. stake in Eddie Stobart Logistics plc and a 19.5 per cent. stake in luggage transportation company, AirportR. The Group holds a 30 per cent. stake in Connect Airways, which owns Flybe. Flybe and Connect Airways entered into Administration on 5 March 2020 and 10 March 2020, respectively.

Stobart Air and Propius

On 27 April 2020, the Group announced it had reached agreement with the administrators of Connect Airways to acquire Stobart Air and Propius, and the Group now holds a 40 per cent. voting and 75 per cent. economic interest in Everdeal, the ultimate holding company of both businesses, and a 15 per

cent. shareholding in the company that holds the remaining 60 per cent. voting interest and 25 per cent. economic interest in Everdeal, Everdeal Employees 2019 Limited.

This provides the Group with an effective indirect economic interest of 78.75 per cent. in Stobart Air and Propius. This structure was in place prior to the Group's disposal of Stobart Air and Propius and is required to ensure that Stobart Air meets the requirements of its Air Operator Certificate to operate out of Ireland.

Propius is an aircraft leasing business that leases eight ATR aircraft from the GOAL Lessors, and leases those aircraft on to Stobart Air. On 5 April 2017, the Company granted, in favour of each GOAL Lessor, a guarantee of punctual performance and payment in respect of Propius' obligations and liabilities under each lease agreement.

Stobart Air is a regional airline that has operated under the Aer Lingus brand through a franchise relationship since 2010. Prior to the suspension of most of its flights as a result of the COVID-19 pandemic, Stobart Air operated Aer Lingus Regional flights from Dublin, Shannon and Cork to 25 destinations. During the COVID-19 pandemic, Stobart Air has been flying "Public Service Obligation" routes only. The Aer Lingus franchise agreement generated approximately €127 million of revenue for Stobart Air in the year ended 28 February 2019. The franchise agreement expires on 31 December 2022, and the Group intends to continue its current positive dialogue with Aer Lingus to conclude a long-term franchise extension and ensure that the Stobart Air business is put on a sound financial footing. In the event that Aer Lingus chooses a different airline partner going forward, the Group intends to redeploy the existing fleet with a new partner.

Stobart Air also provides private charter flights and wet-leasing services whereby it provides an aircraft, complete crew, maintenance and insurance (ACMI) to other airlines.

In 2019, Stobart Air carried 1.4 million passengers and was the third largest airline at Dublin Airport, with a nine per cent. share of all Dublin slots. Stobart Air leases a fleet of 15 aircraft (eight from Propius), consisting of 12 ATR 72 600 (2013—17), one ATR 42 600 (2018) and two Embraer E190 (2008). The 13 ATR aircraft are used for the Aer Lingus franchise flights and the two E190 aircraft are non-operational and being returned to their lessors.

The total outstanding financial liability of Stobart Air is $2.2 million per month for all aircraft leases, including those with Propius. The eight Propius ATR aircraft leases have monthly cash flow payments of $1.3 million. Stobart Air and Propius had a cash outflow in May 2020 of €3.5 million, and the Directors believe that such cash outflow in June 2020 will be €5.5 million (in the management base case business plan).

Stobart Air uses, on average, €3.5 million of cash per month when closed for passengers (other than "Public Service Obligation" routes). The Directors believe that Stobart Air will achieve cash break-even in January 2021—March 2021 based on the management base case business plan and assuming the COVID-19-related disruption dissipates. Under this base case, the Group expects to fund approximately €25 million in the period to 31 December 2021. Under a 'reasonable worst case scenario', the Directors estimate that €40 million would be required to fund the businesses in that period.

The Group aims to manage costs in these businesses whilst passenger volume is reduced with the following measures:

- engine maintenance management in light of operational levels;
- lease payment holidays and deferrals;
- temporary COVID-19 Wage Subsidy Scheme;
- staff pay cuts across the airline;
- airport and supplier negotiation; and
- airline passenger duty payment timing delay.

When passenger volumes recover, the Group aims to manage costs in these businesses with the following measures:

- managing the cost base;
- renegotiate handling terms (and take advantage of Stobart Aviation Services synergies);

- renegotiate other supplier terms where possible;
- review pay scales and structure of the businesses;
- agree the Franchise Agreement extension with Aer Lingus; and
- renegotiate aircraft leases where possible.

If a managed wind down of Stobart Air is required as a result of the non-renewal of the Aer Lingus franchise agreement, such wind down would include the crystallisation of parent guarantees with Aer Lingus of up to a maximum of €18 million, liabilities associated with the Propius aircraft leases of $15.4 million per annum, a break fee of $21.2 million plus associated break fee finance costs (which, once the break fee is paid, would end lease payment obligations to the GOAL Lessors) and $21 million of maintenance reserve liabilities outstanding against the Propius aircraft. The Group would seek to sell its valuable Dublin Airport slots owned by Stobart Air, would seek a standstill agreement with the GOAL Lessors and Aer Lingus in order to optimise the satisfaction of the liabilities in time and quantum and would seek to redeploy the Propius fleet to another carrier.

Rationale for the acquisition

Stobart Air and Propius were owned previously by the Group, which entered into an agreement to sell the businesses to Connect Airways in February 2019. The Group is a guarantor for various obligations of Propius following a sale and leaseback of aircraft arrangement which was entered into by Propius in April 2017, including maintenance commitments under the aircraft leases. Guarantees were also granted by the Group with respect to the obligations owed by Stobart Air arising under the franchise agreement with Aer Lingus and certain fuel and currency hedging arrangements entered into when the businesses were under the Group's ownership. These guarantees were required to remain with the Group following the completion of the Connect Sale, as the holders of the guarantees were not prepared to see them released in view of the perceived covenant quality of Connect Airways. As part of the Connect Sale, it was also agreed that the Group would continue to make repayments of a loan in respect of aircraft maintenance reserves advanced by Propius over time rather than in a single payment at completion.

The Board reviewed the options available to the Company in relation to the future of Stobart Air and Propius during this unprecedented time. This included allowing the businesses to enter some form of insolvency process and a range of ways to support them going forward particularly in light of the strong relationship which exists between the Group and Aer Lingus. The Board concluded that the best course of action financially for the Company and its Shareholders was for it to buy back Stobart Air and Propius. This action will give the Group considerable influence over the pre-existing obligations it has in respect of those businesses. The intention is that the Group will continue its current positive dialogue with Aer Lingus to conclude a long-term franchise extension, as the current franchise agreement term expires on 31 December 2022, and ensure that the businesses are put on a sound financial footing.

The Group's aviation strategy has not changed as a result of this transaction and the Company will work with Aer Lingus to identify a new financial partner to support the business for the future with the Group exiting its involvement in a controlled way at the appropriate time.

Terms of the acquisition

The consideration for the Stobart Air and Propius acquisition is a payment of up to £8.55 million on the following basis:

- an initial consideration of £300,000 paid in cash at completion;
- a deferred consideration of £2 million to be paid no later than 15 December 2020; and
- a contingent deferred consideration up to a maximum of £6.25 million based on the value achieved (after disposal costs) on a realisation of value in respect of one or both of the businesses by the Group prior to 31 December 2023, by reference to:
    - 75 per cent. of the first £5 million of value being a payment of up to £3.75 million;
    - 50 per cent. of the next £5 million of value being a payment of up to £2.5 million; and
    - any value above £10 million is retained by the Group.

The Group expects to fund the operations of Stobart Air and Propius over the period through to achieving positive cash flow. The businesses have actively sought to reduce their cash requirements during the COVID-19 period and the Group expects to fund approximately €25 million over the period to 31 December 2021, including the lease payments discussed below.

As part of the acquisition, a €20 million loan by the Group to the holding company of Stobart Air and Propius, and subsequently novated from the Group to Connect Airways in connection with the sale of Stobart Air and Propius to Connect Airways, will be novated back to the Group. This is included within the overall consideration referred to above and the loan became an intra-Group matter following the acquisition.

The value of the combined gross assets of Stobart Air and Propius as at 31 August 2019 was £91.2 million. While valuation work in respect of the Group's acquisition of Stobart Air and Propius in April 2020 is currently in progress, the value of assets acquired is likely to be significantly lower than that as at 31 August 2019. Propius has annual commitments (guaranteed by the Group) under aircraft leases totalling $15.4 million per annum until April 2027 with a break clause in April 2023 if the Aer Lingus franchise is not extended beyond December 2022, on payment of a break fee of $21.2 million plus associated break fee finance costs. The lease payments falling due within the 12 months following the acquisition are reflected in the funding requirement for Stobart Air and Propius of €25 million referred to above. The combined profits before tax for Stobart Air and Propius for the year ended 28 February 2019 were £5.5 million.

Stobart Infrastructure

Stobart Infrastructure holds a portfolio of non-strategic property and infrastructure assets with a book value of £47.3 million as at 29 February 2020 (compared to £82.6 million as at 28 February 2019). The portfolio includes Carlisle Lake District Airport, the Group’s Widnes and Pollington biomass fuel production facilities and a stake in Mersey Bioenergy Holdings Limited, among others.

The Group aims to divest all of its non-core assets within the next three years, other than Carlisle Lake District Airport, with the aim of realising value over time from a position of strength when market conditions are right. Non-core infrastructure assets, other than Carlisle Lake District Airport, had a book value of £38.4 million as at 29 February 2020. The Group has assumed zero proceeds from asset sales in its base case business plan.

Carlisle Lake District Airport

The Group acquired Carlisle Lake District Airport, which largely serves the private aviation market, in 2009. The airport has also housed an air freight distribution centre since 2015, which is leased to Eddie Stobart.

The airport had 15,183, 6,067 and 14,007 movements in FY17/18, FY18/19 and FY19/20. The decline in FY18/19 was due to the airport being closed whilst the new runway was being built.

In 2018, Stobart Rail & Civils completed construction of a new terminal, which began welcoming commercial Loganair flights in July 2019, although these flights were subsequently suspended in late March 2020 due to the COVID-19 pandemic. The Group, along with local government partners, is in discussions with the UK Government with a view to having services to and from the airport designated as “Public Service Obligation” routes and therefore able to benefit from UK Government funding. This would reduce commercial risk to airlines and therefore encourage operations by other carriers. In FY19/20, Carlisle Lake District Airport served approximately 15,000 commercial passengers.

Going forward, the Group plans to explore broadening the airport’s non-commercial operations.

Carlisle Lake District Airport’s results are accounted for in Stobart Infrastructure due to the infrastructure potential at the site.

Health and Safety

The Group has documented systems in place designed to ensure legal compliance with health and safety legislation. Documentation is supported by detailed training for staff, monitoring and reporting routines, key risk analysis and regular internal and external inspections and audits.

The Group Safety and Compliance team oversees, steers and challenges the progress of the Group’s safety performance, and ensures that the Group continues to deliver. Divisional senior managers are

directly responsible for their risks and manage the actions to mitigate or remove risks within their division. They also identify, through continuous monitoring and review, where potential new hazards could emerge within the business. There are regular audits of compliance at all levels within the business.

The Group's strategic objective for enhancing safety is to manage the Group's risks throughout each of the divisions by providing support, knowledge, training and appropriate resources, through continuous performance review and by encouraging open and honest reporting. In FY19/20, employee 'accidents' increased 59 per cent. and employee 'incidents' decreased four per cent. compared to the prior year. The Group will continue to strive for improved accident and incident performance throughout the business and increase hazard awareness with employees through training.

Information Technology

The Group relies on technology solutions and strong information security to support the delivery of services across the Group. These information technology systems are either maintained in-house or by third-party contractors and outsourcers, and support a wide range of operations including air traffic control, flight planning, safety and security, supply chain management, finance and data processing.

The Group monitors its information security arrangements and continues to enhance controls in this area. In addition to mitigations that have been in place previously, such as anti-virus controls, patching policies, perimeter security monitoring, network management processes, and the implementation of appropriate policies within the Group, a significant programme of security enhancements was rolled out in 2019.

The Group has established disaster recovery plans which seek to ensure that it can continue to operate its business in the event of an information technology system failure and the Group regularly reviews and updates these plans.

Intellectual Property

As announced on 21 May 2020, the Group has sold the Eddie Stobart and Stobart trademarks and designs to Eddie Stobart for a total consideration of £10 million. The Company will put forward a resolution at a general meeting of Shareholders to change its corporate name prior to 28 February 2021.

Until completion of the sale, the Group owned the Eddie Stobart and Stobart trademarks and designs and all associated intellectual rights. In February 2014, the Group entered into an agreement to licence the Eddie Stobart trademarks and designs to Eddie Stobart in consideration of a £13.7 million premium fee as part of the initial partial sale of the Eddie Stobart business. That 15-year licence agreement provided the first six years to 29 February 2020 royalty free.

From 1 March 2020, a licence fee of £3 million per annum became payable until February 2029. However, that agreement was terminable by Eddie Stobart on six months' written notice. The annual licence fee was also conditional on Eddie Stobart achieving certain performance targets. If Eddie Stobart did not achieve these performance targets in any given year, the £3 million licence fee was to accrue and only become payable at subsequent dates once these performance targets had been achieved.

The sale of the Eddie Stobart and Stobart trademarks and designs resulted in an immediate cash receipt. It will also have the effect of helping investors and stakeholders to more easily differentiate between Eddie Stobart's business and Stobart Group's aviation and energy businesses through Stobart Group transitioning to a different name.

The consideration for the sale is £10.0 million, of which £6.0 million was received on completion, £2.5 million is payable on or before 1 December 2020 and £1.5 million is payable 36 months following completion of the sale. The cash consideration will be used for general working capital purposes.

The Company will change its name prior to February 2021. However, there are a number of Stobart divisions that will continue to use the brand for up to 36 months after completion and this will be licenced on a royalty free basis from Eddie Stobart.

Stobart Air may continue to use its name so long as it is owned by the Group. If the Group sells the Stobart Air business, it must use reasonable endeavours to procure a change of name as part of that sale.

Following this sale, the Group does not consider that it holds any material intellectual property.

Insurance

The Group's insurance strategy is to maintain an insurance programme that provides the optimal balance between coverage and risk retention. The Group maintains insurance policies covering a wide range of risks (including fleet, directors and officers, commercial combined liability, material damage and business interruption, operational engineering and engineering inspection, airport and operators liability, rail professional indemnity and trackside liability) that the Group considers are consistent with customary industry practices in the markets in which the Group operates and are appropriate to cover the principal risks of its business, taking into account statutory and regulatory requirements.

Employees

As at 29 February 2020, the Group had a team of 1,550 people located in the United Kingdom. The following table details the number of the Group's employees by location as at 28 February 2018, 28 February 2019 and 29 February 2020.

	As at 29 February 2020	As at 28 February 2019	As at 28 February 2018
England	**1,416**	**1,126**	**1,036**
Home-based	3	3	0
Midlands	0	2	5
North East	98	102	114
North West	543	415	418
South East	765	602	494
South West	7	2	5
Northern Ireland	**5**	**1**	**1**
Scotland	**114**	**98**	**34**
Wales	**15**	**12**	**2**
Total	**1,550**	**1,237**	**1,073**

The following table details the number of the Group's employees by operating division as at 28 February 2018, 28 February 2019 and 29 February 2020.

	As at 29 February 2020	As at 28 February 2019	As at 28 February 2018
Stobart Aviation	**922**	**619**	**430**
Stobart Aviation Services	607	358	125
Other	315	261	305
Stobart Energy	**358**	**342**	**316**
Stobart Rail & Civils	**211**	**222**	**264**
Central / head office	**59**	**54**	**63**
Total	**1,550**	**1,237**	**1,073**

The percentage of the Group's workforce that is unionised or covered by a collective bargaining agreement is not significant, with most of the unionised employees being in the Stobart Aviation Services business. The Group considers that it has proactive and productive relationships with unions and its employees in general, and the Group has not experienced any material labour-related work stoppages in FY17/18, FY18/19 or FY19/20.

PART V—OPERATING AND FINANCIAL REVIEW

The financial information below has been extracted without material adjustment from the FY18/19 Financial Statements and the FY19/20 Financial Statements. You should read the information below in conjunction with the Group's historical financial information contained in Part VI—Financial Information of the Group, alongside the detailed information included in this document in Part IV—Business Overview of the Group, and you should not rely solely on key and summarised information.

Some of the information in the review set forth below and elsewhere in this document includes Forward-looking Statements that involve risks and uncertainties. The Group's actual results may differ materially from those discussed in these Forward-looking Statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed below and elsewhere in this document, including under "Risk Factors" and "Cautionary Note Regarding Forward-Looking Statements".

Overview

Stobart Group is a UK infrastructure group with operations across the United Kingdom in the aviation, biomass energy and civil engineering industries. The Group's operations are organised across two core and three non-core operating divisions.

The Group's core operating divisions are:

- **Stobart Aviation—**The Group owns and operates London Southend Airport and provides management services to the Tees Valley Combined Authority in respect of the Teesside International Airport. In addition, Stobart Aviation Services, one of the businesses within the division, provides check-in, baggage handling and cargo services for 16 airlines at London Stansted, London Southend, Manchester, Edinburgh and Glasgow airports. Stobart Aviation accounted for £56.8 million of total revenue (before adjustments and eliminations) in FY19/20.
- **Stobart Energy**—The Directors believe that the Group is the United Kingdom's largest supplier of waste wood fuel to UK biomass energy plants, with long-term exclusive contracts in place with some of the largest biomass energy plants in the United Kingdom. The Group has contracts in place to supply 1.7 million tonnes of waste wood fuel and in FY19/20 supplied 1.5 million tonnes. Stobart Energy accounted for £76.3 million of total revenue (before adjustments and eliminations) in FY19/20.

The Group's non-core operating divisions are:

- **Stobart Rail & Civils—**The Group is an established provider of rail and non-rail civil engineering services in the United Kingdom. Stobart Rail & Civils accounted for £41.5 million of total revenue (before adjustments and eliminations) in FY19/20. As a result of recent poor performance, the Group is actively engaging to exit the Rail & Civils business within the next six months. There are currently 26 open contracts including 12 operationally live projects. The Directors expect all of these to be substantially concluded in the next six months.
- **Stobart Investments**—The Group holds an 11.8 per cent. stake in Eddie Stobart Logistics plc and a 19.5 per cent. stake in luggage transportation company, AirportR. The Group holds a 30 per cent. stake in Connect Airways, and on 10 March 2020 Connect Airways, which owns Flybe, entered into Administration following Flybe entering into Administration on 5 March 2020. In addition, on 27 April 2020, the Group announced it had reached agreement with the administrators of Connect Airways to acquire Stobart Air and Propius, and the Group now holds a 40 per cent. voting and 75 per cent. economic interest in Everdeal, the ultimate holding company of both businesses, and a 15 per cent. shareholding in the company that holds the remaining 60 per cent. voting interest and 25 per cent. economic interest in Everdeal, Everdeal Employees 2019 Limited. Stobart Investments accounted for £2.1 million of total revenue (before adjustments and eliminations) in FY19/20.
- **Stobart Infrastructure—**The Group holds a portfolio of non-strategic property and infrastructure assets, including the Carlisle Lake District Airport, with a book value of £47.3 million as at 29 February 2020. The Group aims to divest all of its non-core assets within the next three years, other than Carlisle Lake District Airport, with the aim of realising value over time from a position of strength when market conditions are right. Stobart Infrastructure accounted for £2.8 million of total revenue (before adjustments and eliminations) in FY19/20.

Stobart Group is registered in Guernsey, headquartered in London and it employed 1,550 people in the United Kingdom as at 29 February 2020.

The Company has been listed on the London Stock Exchange since 2007, at which point it was primarily a logistics provider. Shortly after the listing, the Group expanded its portfolio to include a rail and civil engineering business in 2008, London Southend Airport in 2008, Carlisle Lake District Airport in 2009 and a biomass energy business in 2010. Since then, the Group has continued to develop its business through organic operations and selected acquisitions and disposals.

For the year ended 29 February 2020, the Group's revenue was £170.2 million, its loss for the year from continuing operations was £146.1 million and its Underlying Adjusted EBITDA was £16.0 million.

RECENT DEVELOPMENTS

Whilst the Group's two core operating divisions performed broadly in line with management expectations in FY19/20, the COVID-19 pandemic has significantly impacted the Group's revenue and costs in the first three months of FY20/21, in particular in the Stobart Aviation and Stobart Energy operating divisions.

Stobart Aviation

Passenger numbers at London Southend Airport fell from approximately 5,500 passengers per day to nearly zero over the course of March 2020 and aircraft movements (i.e. landings or take-offs) fell from approximately 50 to fewer than 10 per day in the same period. Passenger numbers remain near zero and aircraft movements (primarily relating to logistics) remain near 10 as at the date of this document, and the Group expects this to continue until at least the end of September 2020 (and until the end of March 2021 under a 'reasonable worst case scenario'), with a slow recovery until the end of February 2021 (or until end of June 2021 under a 'reasonable worst case scenario'). This has driven both aeronautical and non-aeronautical revenue to virtually zero, with the exception of logistics and some long-term parking income. At the same time, the Group has been required to continue to fund its largely fixed cost base in regulated areas including security, air traffic control and fire safety to support logistics operations. Furthermore, the Stobart Aviation operating division experiences marked seasonality, with most of its profits coming from the summer months, which are set to be significantly affected by the COVID-19 pandemic.

In addition, on 5 March 2020 Flybe announced it had entered into Administration, and on 10 March 2020 Flybe's parent company, Connect Airways, also entered into Administration. The Group has a 30 per cent. ownership stake in Connect Airways, and Flybe accounted for approximately six per cent. of the passenger traffic at London Southend Airport in FY19/20.

As at the date of this document, the operations of London Southend Airport's airline partners are, for the most part, still suspended, with airlines taking the opportunity to ground fleets at London Southend Airport. Over 15 aircraft are currently parked on the airport's stands, which generates approximately £5,000 to £10,000 per week.

The airport's global logistics customer, which imports and exports goods to and from the United Kingdom, continues to operate as normal. The importance of maintaining the logistics network in the United Kingdom means that people working in that operation have been given "key worker" status. Strict safety protocols and procedures are in place across the Group's locations in order to protect people still at work, including aircraft cleaning after every flight and separation of flight and ground crews. The Group is also undertaking a variety of pro bono activities to support community groups and furloughed staff.

Stobart Energy

Stobart Energy is currently maintaining its operations as biomass energy plants continue to require waste wood fuel in order to service the United Kingdom's electricity needs. The importance of supplying fuel to support these plants and ensuring the waste supply chain continues to function has meant drivers and associated employees have been assigned "key worker" status.

The key risk to Stobart Energy's ongoing operations is the availability of waste wood. The COVID-19 pandemic has led to a significant slowdown in construction activity, a 75 per cent. decrease in commercial and industrial waste arisings year-on-year and the closure of household waste and recycling centres. Without these key sources of supply, the Group's inbound waste wood supply

decreased as much as 80 per cent. year-on-year, although has started to recover. The profitability of the Group's production of waste wood fuel is, in part, related to the gate fees it charges to third parties for taking waste wood from them. The low supply of available waste wood is negatively impacting gate fee pricing and may continue to do so for an extended period and may result in an inability of the Group to fulfil its requirements under its supply agreements with its biomass energy plant customers.

As a result, the Group has issued force majeure notices to many of its biomass energy plant customers pursuant to the terms of certain of its supply agreements. The Group is working with its customers to discuss options around supply and determine future volumes for when lockdown restrictions are relaxed, and the Group has developed volume models to help support these discussions. For more detail, see the risk factor titled "*The Stobart Energy operating division is dependent on the availability of raw materials for the production of waste wood fuel and the viability of the Group's supply chain*".

The Group is engaged with the UK Government to request the reopening of household waste and recycling centres and recommend that all available waste wood is prioritised for the use in biomass energy plants. The Group, along with its biomass energy plant customers, is also engaged with the UK Government to extend the expiration of the ROC subsidy scheme beyond the current expiration date in 2037 to compensate for the COVID-19 related slowdown in production.

The Group aims to identify a strategic buyer or infrastructure investor to monetise Stobart Energy in the next 18-24 months in order to fund future growth at London Southend Airport.

Stobart Rail & Civils

In FY19/20 Stobart Rail & Civils traded below expectations, in part due to delays in Network Rail awarding contracts at the start of its Control Period 6 and the Group's continued exposure to a poor performing legacy project. In the first three months of FY20/21 the division has been negatively impacted by the closure of certain work sites due to the COVID-19 pandemic. As a result of the recent poor performance, the Group is actively engaging to exit the Rail & Civils business within the next six months. There are currently 26 open contracts including 12 operationally live projects. The Directors expect all of these to be substantially concluded in the next six months.

Group COVID-19 response

Given the pressure on the Group's revenue and balance sheet, the Group has implemented the following measures to manage costs and preserve liquidity:

- The Group has frozen all capital expenditure other than where it is considered critical for safety reasons and has deferred all discretionary spend.
- The Group has utilised the UK Government's Job Retention Scheme to put on furlough approximately 50 per cent. of the Group's approximately 1,550 employees as of 1 April 2020. All employees in continuing roles that allow them to work from home are doing so.
- The Directors and members of the Management Board have agreed to 20 per cent. pay reductions and all other non-furloughed management have accepted 10 per cent. pay reductions.
- A recruitment freeze has been in place since early March 2020 and all variable pay awards have been deferred to August 2020 at the earliest.
- The Group has utilised a number of measures made available by the UK Government to help conserve cash.

The Group also announced on 6 April 2020 that it withdrew all previously made financial guidance.

New revolving credit facility

The Company has entered into an amended Facility Agreement comprising the original £80.0 million revolving credit facility under which the Group is fully drawn (***Facility A***) and a new £40.0 million revolving credit facility (***Facility B***). Under Facility B, the Group can draw up to £10.0 million during the period commencing 5 June 2020 up to and including the date of Admission, subject to certain liquidity conditions. Pursuant to the terms of Facility B, the Group will use a portion of the proceeds of the Capital Raise (up to £10.0 million) to repay the amount drawn under Facility B as at the date of Admission within three Business Days of that date. Following such repayment, the Group can draw

down under Facility B subject to conditions, as detailed in paragraph 15.1.2(i) of Part IX of this document.

Stobart Air and Propius

On 27 April 2020, the Group announced it had reached agreement with the administrators of Connect Airways to acquire Stobart Air and Propius, and the Group now holds a 40 per cent. voting and 75 per cent. economic interest in Everdeal, the ultimate holding company of both businesses, and a 15 per cent. shareholding in the company that holds the remaining 60 per cent. voting interest and 25 per cent. economic interest in Everdeal, Everdeal Employees 2019 Limited.

This provides the Group with an effective indirect economic interest of 78.75 per cent. in Stobart Air and Propius. This structure was in place prior to the Group's disposal of Stobart Air and Propius and is required to ensure that Stobart Air meets the requirements of its Air Operator Certificate to operate out of Ireland.

Propius is an aircraft leasing business that leases eight ATR aircraft from the GOAL Lessors, and leases those aircraft on to Stobart Air. Stobart Air is a regional airline that has operated under the Aer Lingus brand through a franchise relationship since 2010 and also provides private charter flights and wet-leasing services whereby it provides an aircraft, complete crew, maintenance and insurance (ACMI) to other airlines.

The businesses were owned previously by the Group, which entered into an agreement to sell the businesses to Connect Airways in February 2019. The Group is a guarantor for various obligations of Propius following a sale and leaseback of aircraft arrangement which was entered into by Propius in April 2017, including maintenance commitments under the aircraft leases. Guarantees were also granted by the Group with respect to the obligations owed by Stobart Air arising under the franchise agreement with Aer Lingus and certain fuel and currency hedging arrangements entered into when the businesses were under the Group's ownership. These guarantees were required to remain with the Group following the completion of the Connect Sale, as the holders of the guarantees were not prepared to see them released in view of the perceived covenant quality of Connect Airways. As part of the Connect Sale, it was also agreed that the Group would continue to make repayments of a loan in respect of aircraft maintenance reserves advanced by Propius over time rather than in a single payment at completion.

The Board reviewed the options available to the Company in relation to the future of Stobart Air and Propius during this unprecedented time. This included allowing the businesses to enter some form of insolvency process and a range of ways to support them going forward particularly in light of the strong relationship which exists between the Group and Aer Lingus. The Board concluded that the best course of action financially for the Company and its Shareholders was for it to buy back Stobart Air and Propius. This action will give the Group considerable influence over the pre-existing obligations it has in respect of those businesses. The intention is that the Group will continue its current positive dialogue with Aer Lingus to conclude a long-term franchise extension, as the current franchise agreement term expires on 31 December 2022, and ensure that the businesses are put on a sound financial footing.

The Group's aviation strategy has not changed as a result of this transaction and the Company will work with Aer Lingus to identify a new financial partner to support the business for the future with the Group exiting its involvement in a controlled way at the appropriate time.

The consideration for the Stobart Air and Propius acquisition is a payment of up to £8.55 million on the following basis:

- an initial consideration of £300,000 paid in cash at completion;
- a deferred consideration of £2 million to be paid no later than 15 December 2020; and
- a contingent deferred consideration up to a maximum of £6.25 million based on the value achieved (after disposal costs) on a realisation of value in respect of one or both of the businesses by the Group prior to 31 December 2023, by reference to:
    - 75 per cent. of the first £5 million of value being a payment of up to £3.75 million;
    - 50 per cent. of the next £5 million of value being a payment of up to £2.5 million; and
    - any value above £10 million is retained by the Group.

The Group expects to fund the operations of Stobart Air and Propius over the period through to achieving positive cash flow. The businesses have actively sought to reduce their cash requirements during the COVID-19 period and the Group expects to fund approximately €25 million over the perod to 31 December 2021, including the lease payments discussed below.

As part of the acquisition, a €20 million loan by the Group to the holding company of Stobart Air and Propius, and subsequently novated from the Group to Connect Airways in connection with the sale of Stobart Air and Propius to Connect Airways, will be novated back to the Group. This is included within the overall consideration referred to above and the loan became an intra-Group matter following the acquisition.

The value of the combined gross assets of Stobart Air and Propius as at 31 August 2019 was £91.2 million. While valuation work in respect of the Group's acquisition of Stobart Air and Propius in April 2020 is currently in progress, the value of assets acquired is likely to be significantly lower than that as at 31 August 2019. Propius has annual commitments (guaranteed by the Group) under aircraft leases totalling $15.4 million per annum until April 2027 with a break clause in April 2023 if the Aer Lingus franchise is not extended beyond December 2022, on payment of a break fee of $21.2 million plus associated break fee finance costs. The lease payments falling due within the 12 months following the acquisition are reflected in the funding requirement for Stobart Air and Propius of €25 million referred to above. The combined profits before tax for Stobart Air and Propius for the year ended 28 February 2019 were £5.5 million.

Sale of the Stobart and Eddie Stobart brands

As announced on 21 May 2020, the Group has sold the Eddie Stobart and Stobart trademarks and designs to Eddie Stobart for a total consideration of £10 million. The Company will put forward a resolution at a general meeting of Shareholders to change its corporate name prior to 28 February 2021.

Until completion of the sale, the Group owned the Eddie Stobart and Stobart trademarks and designs and all associated intellectual rights. In February 2014, the Group entered into an agreement to licence the Eddie Stobart trademarks and designs to Eddie Stobart in consideration of a £13.7 million premium fee as part of the initial partial sale of the Eddie Stobart business. That 15-year licence agreement provided the first six years to 29 February 2020 royalty free.

From 1 March 2020, a licence fee of £3 million per annum became payable until February 2029. However, that agreement was terminable by Eddie Stobart on six months' written notice. The annual licence fee was also conditional on Eddie Stobart achieving certain performance targets. If Eddie Stobart did not achieve these performance targets in any given year, the £3 million licence fee was to accrue and only become payable at subsequent dates once these performance targets had been achieved.

The sale of the Eddie Stobart and Stobart trademarks and designs resulted in an immediate cash receipt. It will also have the effect of helping investors and stakeholders to more easily differentiate between Eddie Stobart's business and Stobart Group's aviation and energy businesses through Stobart Group transitioning to a different name.

The consideration for the sale is £10.0 million, of which £6.0 million was received on completion, £2.5 million is payable on or before 1 December 2020 and £1.5 million is payable 36 months following completion of the sale. The cash consideration will be used for general working capital purposes.

The Company will change its name prior to February 2021. However, there are a number of Stobart divisions that will continue to use the brand for up to 36 months after completion and this will be licenced on a royalty free basis from Eddie Stobart.

Stobart Air may continue to use its name so long as it is owned by the Group. If the Group sells the Stobart Air business, it must use reasonable endeavours to procure a change of name as part of that sale.

Key factors affecting Results of Operations

The results of the Group's operations have been, and will continue to be, affected by many factors, some of which are beyond the Group's control. This section sets out certain key factors the Group

considers have affected the Group's results of operations in FY17/18, FY18/19 and FY19/20 and could affect its results of operations in the future.

Stobart Aviation

Macroeconomic conditions

Stobart Aviation's success depends to a significant extent on discretionary consumer spending, which is influenced by general economic conditions, including employment, disposable income, inflation, consumer credit availability and interest rates. Airport passenger traffic, which directly impacts both aeronautical and non-aeronautical revenue, tends to vary with economic growth and will therefore be impacted by the overall economic outlook.

Passenger traffic and aircraft movements (i.e. landings or take-offs) in the first three months of FY20/21 have fallen sharply to nearly zero as a result of the COVID-19 pandemic, and the Group expects this to continue until at least the end of September 2020 (and until the end of March 2021 under a 'reasonable worst case scenario'), with a slow recovery until the end of February 2021 (or until end of June 2021 under a 'reasonable worst case scenario'). The Group anticipates that economic conditions in the United Kingdom and Europe will remain challenging in the short term following the resumption of flights in the United Kingdom and that the speed of recovery of passenger traffic will therefore be limited throughout the remainder of FY20/21.

During FY17/18, FY18/19 and FY19/20, and prior to the COVID-19 pandemic, the economic outlook in the United Kingdom and Europe was generally positive, which contributed to increased passenger traffic in the United Kingdom from approximately 285 million to 292 million to 297 million in 2017, 2018 and 2019, respectively, according to CAA data. Passenger traffic at London Southend Airport increased from 1.13 million to 1.49 million to 2.14 million in FY17/18, FY18/19 and FY19/20, respectively.

Passenger demand

The Group's aeronautical and non-aeronautical revenue is directly impacted by passenger demand at its airports. In FY17/18, FY18/19 and FY19/20 London Southend Airport served 1.13 million to 1.49 million to 2.14 million passengers, respectively. As described in "*Recent Developments*" above, the COVID-19 pandemic has had a significant and adverse impact on passenger demand in the first three months of FY20/21, which the Group expects to continue until at least the end of September 2020 (and until the end of March 2021 under a 'reasonable worst case scenario'), with a slow recovery until the end of February 2021 (or until end of June 2021 under a 'reasonable worst case scenario').

Aeronautical revenue consists of tariffs levied by the Group's airports on their airline customers, and a portion of these tariffs are based on the number of departing passengers per aircraft. In addition, a portion of the tariffs include landing charges for aircraft arriving at the Group's airports. Because the operating contracts with the airlines operating at the Group's airports do not commit either party to specific volumes of activity, airlines can add or cancel flights to/from the Group's airports relatively easily in response to shifts in passenger demand.

Non-aeronautical revenue consists of, among other things, retail concession fees, car parking, rail services, revenue from the hotel at London Southend Airport and advertising. Car parking, rail services and hotel revenue is directly correlated with the number of passengers using the Group's airports, and the amount the Group is able to charge for advertising space and retail concessions is also correlated to passenger demand. In addition, fees paid by certain of the Group's retail concession customers are based in part on the concessions' revenue, which is generally directly related to passenger traffic.

Number of airlines and destinations served

Stobart Aviation's success depends to a significant extent on its ability to attract new airline customers and increase the destinations served by those customers, as this will increase aeronautical revenue and passenger volume-dependent non-aeronautical revenue. As described in "*Recent Developments*" above, the COVID-19 pandemic has had a significant and adverse impact on the Group's airline customers in the first three months of FY20/21 and contributed to Flybe's entry into Administration on 5 March 2020.

FY18/19 saw substantial growth in the number of flights to/from London Southend Airport operated by easyJet, and in FY19/20, Ryanair, Wizz Air, Loganair and FlyOne each began operating flights to/from London Southend Airport.

Stobart Aviation Services contract wins and renewals

The Group's ability to win new and renew existing contracts is key to the Stobart Aviation Services business, which accounted for eight per cent., 16 per cent. and 27 per cent. of Stobart Aviation's revenue in FY17/18, FY18/19 and FY19/20, respectively. As described in "*Recent Developments*" above, the COVID-19 pandemic has had a significant and adverse impact on the Group's airline customers in the first three months of FY20/21 and contributed to Flybe's entry into Administration on 5 March 2020.

Stobart Aviation Services was awarded its first external contract in March 2018 with easyJet to provide ground handling services at London Stansted Airport. The Group added a further two airline customers in FY18/19 and 13 in FY19/20, now providing services to 16 airlines at five airports across the United Kingdom.

The Group's Aviation Services contracts employ cost-plus, fixed cost and price per turn contracts used to appeal to both larger and smaller airlines to be handled on a frequent or ad hoc basis, and the contracts vary in duration, but are typically three to five years. Revenue depends on the number of flights operated by the business' customers.

Seasonality

Stobart Aviation's business is subject to seasonality as it is largely dependent on the leisure segment of the travel industry, which is particularly active during the summer season. Accordingly, the continuation of travel restrictions as a result of the COVID-19 pandemic into the peak summer travel season can be expected to have a disproportionate impact on the Group's results of operations in FY20/21. Ordinarily, the operating division's profitability tends to increase in the summer as a result of higher passenger volume and are generally lower in the fourth quarter of the Group's financial year when fewer people travel and airlines reduce the number of flights operated. Adverse weather conditions can also result in short-term fluctuations in trading patterns, particularly during the winter when severe weather can result in flight cancellations, although this can be offset by higher passenger spend in airport as a result of flight delays.

Stobart Energy

Plant commissioning

The primary driver of Stobart Energy's revenue from the supply of waste wood fuel in the period under review has been the completion of the commissioning phase of the biomass energy plants that the Group is contracted to supply. Plants completed their commissioning phase throughout the period under review, with the highest concentration in the summer of 2018. Following commissioning, the plants become operational and the Group is able to start supplying waste wood fuel under its contracts.

ROC subsidies

Under the United Kingdom's Renewables Obligation scheme, a Renewables Obligation Certificate (***ROC***) is issued by Ofgem to an operator of an accredited renewable energy generator for every megawatt hour of renewable energy that it generates. The operator then sells its ROCs to electricity suppliers alongside the electricity supplied, thereby allowing the operator to receive a premium in addition to the wholesale electricity price. Suppliers submit their purchased ROCs to Ofgem to demonstrate compliance with the Renewables Obligation scheme. Non-compliant suppliers must pay a penalty.

Accreditation under the Renewables Obligation scheme closed to new biomass energy plants in September 2018. Of the biomass energy plants with which the Group had supply agreements, all but one completed the commissioning phase before the deadline and have therefore been accredited. The one plant that did not obtain accreditation is not currently operating and has terminated its supply agreement with the Group.

The timing of the Renewables Obligation scheme closure drove the number of biomass energy plants commencing operations during the period under review. Because the Renewables Obligations scheme is now closed to new biomass energy plants, the Group does not expect further such plants to be built.

The Renewables Obligation scheme will terminate in 2037. The Group, along with its biomass energy plant customers, is engaged with the UK Government to extend the expiration of the scheme to compensate for the COVID-19 related slowdown in production.

Consumer demand for waste wood fuel

Stobart Energy's business depends on the demand from its biomass energy plant customers, which in turn is directly dependent on consumer demand for renewable and biomass energy. Such demand has increased during the period under review as consumers have become increasingly focused on climate change and sustainability initiatives.

Bioenergy (including waste wood fuel) is Britain's second largest source of renewable electricity (behind wind), generating more than 11 per cent. of the United Kingdom's electricity in 2019 (according to UK Department for Business, Energy & Industrial Strategy statistics). The UK Committee on Climate Change has stated that sustainably sourced bioenergy could provide up to 15 per cent. of the United Kingdom's primary energy by 2050.

Availability of waste wood and gate fees

Stobart Energy is dependent on the availability of waste wood supply for its operations, as this is the primary input for the production of waste wood fuel.

In addition, the Group charges third parties a gate fee for taking waste wood from them. The Group's gate fees are not contracted with many of its waste wood suppliers, and in many cases such suppliers are not committed to supplying any minimum volume. Therefore, the Group's gate fee revenue is variable and subject to shifts in demand and availability of supply. For example, gate fees in November 2019 declined significantly due to a combination of a seasonal decline in waste wood supply, demand from UK biomass energy plants peaking and a six-month drop in construction output due to Brexit uncertainties. As discussed in more detail in "*Recent Developments*" above, the COVID-19 pandemic has exacerbated this supply shortage, which is negatively impacting gate fee pricing and may continue to do so for an extended period. Gate fees impact on pricing into the Group's own facilities and the facilities operated by its contracted fuel producers. Therefore, gate fees have a large impact on both the revenue and cost base of the business.

In addition to the impact on the Group's gate fees, the current supply shortage may cause the Group to be unable to supply its biomass energy plant customers. As a result, the Group has issued force majeure notices to many of its biomass energy plant customers pursuant to the terms of certain of its supply agreements. The Group is working with its customers to discuss options around supply and determine future volumes for when lockdown restrictions are relaxed, and the Group has developed volume models to help support these discussions. For more detail, see the risk factor titled "*The Stobart Energy operating division is dependent on the availability of raw materials for the production of waste wood fuel and the viability of the Group's supply chain*".

Seasonality

Stobart Energy's operations are affected by seasonal factors. In particular, supply of timber is generally low in the winter months in the United Kingdom, whilst fuel demand increases during that time due to the cold weather.

As a result of this imbalance, the Group has strategically prioritised the storage of fuel in its facilities. The Group has obtained bespoke permit variations for certain of its fuel production and storage facilities, allowing storage of material in larger stockpiles and longer periods for finished fuel. The Group's own facilities can store up to 85,000 tonnes of waste wood fuel, which equates to approximately two months' worth of supply. In addition, the Group has a significant number of other fuel production and storage facilities in strategic locations around the United Kingdom that are operated by third-party contractors for supply into UK biomass energy plants. The Group's national network of fuel production and storage facilities are critical to the operation of many of the United

Kingdom's largest renewable biomass energy plants, which are not always able to store large volumes of processed material at their own sites.

Notwithstanding the Group's storage capabilities, the Group's revenue and cash flow may be negatively impacted by supply shortages in the case of adverse weather affecting the supply of timber in the United Kingdom or by a decrease in demand if the United Kingdom experiences uncharacteristically warm winters.

Stobart Rail & Civils

Exiting Stobart Rail & Civils

In FY19/20 Stobart Rail & Civils traded below expectations, in part due to delays in Network Rail awarding contracts at the start of its Control Period 6 and the Group's continued exposure to a poor performing legacy project. In the first three months of FY20/21 the division has been negatively impacted by the closure of certain work sites due to the COVID-19 pandemic. As a result of the recent poor performance, the Group is actively engaging to exit the Rail & Civils business within the next six months. There are currently 26 open contracts including 12 operationally live projects. The Directors expect all of these to be substantially concluded in the next six months.

There is one significant legacy contract, Newton Heath, which is outstanding. The contract was for an agreed value of £12.7 million, and the project is scheduled to end in July 2020. There has been an additional £6.5 million of costs and changes, of which £4.5 million is being disputed. If the Group is not successful in this dispute, it will not recover the additional costs.

New contracts during FY17/18, FY18/19 and FY19/20

Other than contracts with other Group entities, all of the Group's Rail & Civils contracts have been competitively tendered, and therefore the Group's ability to win new contracts has historically been key to the Stobart Rail & Civils operating division.

Historically, a significant portion of Stobart Rail & Civils' revenue was generated from projects for other Group operating divisions. For example, Stobart Rail & Civils delivered a runway improvement project and new train station at London Southend Airport, constructed the new terminal at Carlisle Lake District Airport and undertakes improvement works at Stobart Energy facilities. In FY18/19, the Group implemented a strategic plan aimed at both increasing work with existing partners and securing new contracts. The following table sets forth Stobart Rail & Civils' internal and external revenue during the periods indicated.

	FY19/20	FY18/19	FY17/18
		(£'000)	
Internal revenue	13,404	20,480	24,701
External revenue	28,077	31,867	16,253
Total revenue[(1)]	**41,481**	**52,347**	**40,954**

Note:

(1) Total revenue is stated before the elimination of intercompany revenue. Please see Note 3 in the FY19/20 Financial Statements and FY18/19 Financial Statements for further information.

Government spending

Stobart Rail & Civils has historically derived a majority of its revenues from contracts with the UK Government, its agencies and other public sector bodies. The level of government spending on public infrastructure projects therefore has directly affected the Group's results of operations.

During FY17/18, FY18/19 and FY19/20, there has been a trend of national and local governments and public entities cutting budgets, including spending on public infrastructure. This has led to fewer new projects being available on which to bid, as well as delays or cancellations of existing projects. For example, Stobart Rail & Civils traded below expectation in FY19/20, in part due to delays in Network Rail awarding contracts at the start of its Control Period 6.

KEY FACTORS AFFECTING COMPARABILITY

IFRS 16

The Group adopted IFRS 16 Leases on 1 March 2019, which resulted in right-of-use assets of £60.9 million, a net investment of £14.0 million, liabilities of £78.2 million and £2.8 million adjustment to equity being recognised on the Group's balance sheet. The right-of-use assets recognised on transition were adjusted for any prepaid or accrued lease expenses. The lease liability was calculated as the future lease repayments, discounted at the incremental borrowing rate. The weighted average incremental borrowing rate applied on transition was 4.2 per cent. The Group has a sub-lease on one of its properties and has recognised a net investment for this particular property, with the difference between the leases as lessee and lessor taken directly to retained earnings. The Group applied the modified retrospective approach and as such the comparative periods have not been restated. The Group has applied the ongoing recognition exemptions for short-term leases and low value leases (less than £5,000) and applied the following practical expedients on transition:

- reliance on previous identification of a lease (as provided by IAS 17) for all contracts that existed on 1 March 2019;
- reliance on previous assessments on whether leases are onerous instead of performing an impairment review;
- accounting for operating leases with a remaining term of less than 12 months from 1 March 2019 as short-term leases;
- exclusion of initial direct costs from the measurement of the right-of-use asset at 1 March 2019; and
- use of hindsight in determining the lease term where there is the option to extend the lease.

For a reconciliation between operating lease commitments as lessee under IAS 17 and finance lease liability recognised under IFRS 16, please see note 1 to the FY19/20 Financial Statements.

IFRS 15

IFRS 15 Revenue from Contracts with Customers was adopted on 1 March 2018, for FY18/19. The Group transitioned using the cumulative effect method, with transition adjustments recognised for the Stobart Rail & Civils operating division which generates a significant proportion of its revenue from long-term contracts. None of the other operating divisions has been materially impacted by IFRS 15. The financial information for FY17/18 has not been restated.

The quantitative impact of adopting IFRS 15 on the Group's financial information for FY17/18 was a £3.4 million reduction in revenue and an additional £0.5 million of operating expenses. These gave rise to an equity adjustment of £3.9 million, presented in the consolidated statement of changes in equity. The opened retained earnings balance as at 1 March 2018 without adoption of IFRS 15 was £71.4 million and as reported was £67.4 million. The pre-tax adjustment of £3.9 million relates to the timing of revenue recognised (£3.4 million) and recognition of capitalised costs (£0.5 million). There has been no impact on the reported statement of comprehensive income or cash flow statement. The impact on retained earnings brought forward on 1 March 2018 was a decrease of £3.3 million net of tax.

Restated FY17/18 financial information

During the period under review, the Group owned Everdeal Holdings Limited, the parent company of Stobart Air (***Everdeal Holdings***), and Propius Holdings Limited, an airplane leasing business (***Propius***). On 22 February 2019, the Group agreed to sell Everdeal Holdings and Propius to Connect Airways. Both of these businesses are therefore presented as discontinued operations in accordance with IFRS 5 for purposes of the year ended 28 February 2019. The Group restated the financial information in respect of the year ended 28 February 2018 on the same basis. Further information can be found in note 5 to the FY18/19 Financial Statements.

Description of Key Line Items on the Income Statement

Revenue

Stobart Aviation provides some of its services under contracts and others relate to the sale of goods. Revenue is recognised in the consolidated income statement in the accounting period in which the services are rendered. It is recognised at the fair value of the consideration received or receivable, net of VAT. The principal sources of revenue within the Stobart Aviation division are aeronautical income, jet fuel sales, retail and concession income, hotel income, surface access income (including car parking and train tickets) and ground handling services.

A receivable is recognised when the services are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. Any marketing contributions paid to airlines under contractual agreements are separately disclosed, not netted against revenue, as the marketing contributions arise from a separate transaction that is not linked to the revenue generated.

Revenue from Stobart Energy mainly relates to gate fee income, in relation to waste wood taken, and delivery of processed material to biomass energy plants. Gate receipts are not contracted, and revenue received is recognised on receipt of waste material as this is the point in time that the consideration is unconditional. The majority of revenue from the supply of processed material is contracted. These contracts detail the specification of material required, annual tonnages required and the price per tonne. Revenue is recognised on delivery as this is the point in time that the consideration is unconditional.

Within certain fuel supply agreements there are ‘take or pay’ provisions where revenue can be recognised on material not taken by plants. This revenue is recognised at a point in time in line with specific contractual provisions. During the year, the tonnages delivered under each contract are reviewed to ensure that contracted tonnages will be met. As soon as there is reason to believe contract tonnages will not be met, a contract liability is provided to reduce the revenue recognised to date.

Stobart Rail & Civils recognises revenue based on the specification within the contract and the input method is used to measure progress of delivery. If a modification to the contract occurs, the specifics of the modification are assessed as to whether it represents a separate performance obligation or if it is a modification to the existing contract. Consideration is given to ensure that recognition of a contract modification is only recognised as revenue when either it has been approved or it is considered legally enforceable. Revenue is only recognised on a contract if it is highly probable not to result in a significant reversal of revenue in future periods.

Stobart Investments revenue relates to dividend income. This revenue is recognised on receipt of dividend as that is the point in time that the consideration is unconditional.

Revenue from Stobart Infrastructure relates to rental income under contracts. Revenue is recognised in the consolidated income statement at the contractual rental income over the term of the lease, as these charges represent the service provided.

In FY19/20 and prior, the Group generated royalty revenue from the licence of its trademarks and designs, which was recognised over time in line with the relevant contract.

Other income

Other income comprises the Group’s income that does not relate to its principal activities. Other income is referred to as Other operating income in the FY18/19 Financial Statements.

Operating expenses

Operating expenses primarily comprise employee benefits (including salaries), direct material costs, diesel and jet fuel and other purchases and external expenses, as well as certain non-underlying items. Further detail can be found in note 8 to the FY19/20 Financial Statements.

Share of post-tax profits of associates and joint ventures

Share of post-tax profits of associates and joint ventures comprises the results of the Group's Connect Airways joint venture, which entered Administration on 10 March 2020, including costs incurred by Connect Airways in acquiring Flybe, Stobart Air and Propius.

(Loss)/gain on swaps

The Group uses derivative financial instruments such as fuel and currency swaps to mitigate the risk of fuel price and currency fluctuations. Losses and gains on these financial instruments are recorded as (loss)/gain on swaps on the Group's income statement.

Depreciation

Depreciation of property, plant and equipment is calculated using the straight line method. Further detail can be found in note 1 to the FY19/20 Financial Statements.

Amortisation

Amortisation relates to the Eddie Stobart brand, which until May 2020 was owned by the Group.

Impairment—Other

Impairment—Other includes the write down in the value of certain Stobart Infrastructure assets, the write off of goodwill and other intangible assets attributable to Stobart Rail & Civils and a write down in the value of other property, plant and equipment (***PPE***) and property inventory.

Impairment—Loan receivables from joint venture

Impairment—Loan receivables from joint venture comprises primarily the write down of the Connect Airways loans that are deemed to have nil value following Flybe and Connect Airways entering Administration post year-end.

Impairment of loan notes

Impairment of loan notes comprises an impairment in FY19/20 in relation to the shareholder loan notes relating to Mersey Bioenergy Holdings Limited, the Widnes biomass plant owner and an impairment in FY18/19 related to the Group's 25 per cent. investment in the former associated undertaking, Shuban Power Limited, principally comprising shareholder loan notes.

Finance costs

Finance costs primarily comprise interest expense related to the Group's debt, finance charges payable under leases and foreign exchange losses. Further detail can be found in note 12 to the FY19/20 Financial Statements.

Finance income

Finance income primarily comprises interest on a loan to Connect Airways, as well as bank interest receivables and foreign exchange gains. Further detail can be found in note 11 to the FY19/20 Financial Statements.

Tax

Tax primarily comprises accrued charges and credits and payments made pursuant to UK corporation tax liabilities. Further detail can be found in note 13 to the FY19/20 Financial Statements.

Comparison Results of Operations

The following table sets forth the Group's consolidated income statement for the periods indicated.

	Year ended 29 February 2020	Year ended 28 February 2019	Year ended 28 February 2018[1]
		(£'000)	
Continuing operations			
Revenue	170,175	146,889	105,367
Other income[2]	4,700	1,310	133,525
Operating expenses	(178,288)	(152,766)	(113,657)
Share of post-tax profits of associates and joint ventures	(9,765)	(1,740)	3,480
Adjusted EBITDA[3]	**(13,178)**	**(6,307)**	**128,715**
(Loss)/gain on swaps	(300)	(353)	1,038
Depreciation	(22,723)	(16,305)	(13,405)
Amortisation	(7,456)	(3,938)	(3,938)
Impairment—Other	(56,804)	(7,800)	—
Impairment—Loan receivables from joint ventures	(45,105)	—	—
Operating (loss)/profit	**(145,566)**	**(34,703)**	**112,410**
Impairment of loan notes	(2,754)	(3,208)	—
Finance costs	(14,017)	(5,213)	(4,710)
Finance income	4,353	1,010	1,624
(Loss)/profit before tax	**(157,984)**	**(42,114)**	**109,324**
Tax	8,390	(530)	293
(Loss)/profit for the year from continuing operations	**(149,594)**	**(42,644)**	**109,617**

Notes:

(1) The results for the year ended 28 February 2018 have been restated where required due to IFRS 5 Discontinued Operations. Refer to note 5 of the FY18/19 Financial Statements for more details.

(2) Other income is referred to as Other operating income in the FY18/19 Financial Statements.

(3) Adjusted EBITDA is referred to as EBITDA in the FY18/19 Financial Statements and FY19/20 Financial Statements.

Results of operations for the year ended 29 February 2020 compared to the year ended 28 February 2019

Revenue

Revenue increased by £23.3 million, or 15.9 per cent., to £170.2 million in the year ended 29 February 2020 from £146.9 million in the year ended 28 February 2019.

The following table sets forth the Group's total revenue by operating division.

	Year ended 29 February 2020	Year ended 28 February 2019	Change	
	(£'000)		£'000	%
Aviation	56,786	39,411	17,375	44.1
Energy	76,339	65,143	11,196	17.2
Rail & Civils	41,481	52,347	(10,866)	(20.8)
Investments	2,127	2,655	(528)	(19.9)
Non-strategic infrastructure	2,777	2,187	590	27.0
Adjustments and eliminations[1]	(9,335)	(14,854)	5,519	37.2
Total revenue	**170,175**	**146,889**	**23,286**	**15.9**

Note:

(1) Inter-segment revenues are eliminated on consolidation. Included in adjustments and eliminations are net central costs of £7.3 million (FY18/19: £7.7 million) and an intra-group profit of £0.2 million (FY18/19: £0.1 million). There is also external income within adjustments and eliminations which comprises brand licence income, merchandising income and rental income.

Aviation

Total revenue in the Aviation operating division increased by £17.4 million, or 44.1 per cent., to £56.8 million in the year ended 29 February 2020 from £39.4 million in the year ended 28 February 2019. Passenger numbers increased 43.1 per cent. to 2.14 million in FY19/20, primarily driven by new relationships with Ryanair, Wizz Air, Loganair and FlyOne, each of which began operating flights at London Southend Airport in FY19/20. In addition, the Group entered into a strategic partnership with the Tees Valley Combined Authority to provide management services in respect of the Teesside International Airport.

The Group also established new retail concession relationships with Dixons and Boots. In addition, the Group announced in October 2019 that it had entered into a two-year agreement with a global logistics customer to provide facilities and expertise to support the import and export of goods at London Southend Airport. Stobart Aviation Services added 13 new customers in FY19/20 and now provides services to 16 airlines across five airports in the United Kingdom.

Energy

Total revenue in the Energy operating division increased by £11.2 million, or 17.2 per cent., to £76.3 million in the year ended 29 February 2020 from £65.1 million in the year ended 28 February 2019. Tonnes of waste wood fuel supplied increased 11.5 per cent. to 1.5 million tonnes in FY19/20, primarily due to the maturing state of the biomass energy plants the Group supplies, with all of the Group's current biomass energy plant customers having successfully completed commissioning and being fully operational as at the end of FY19/20.

The Tilbury biomass energy plant experienced a seven-month unplanned outage caused by a dust explosion. This meant that the plant was not in a position to receive its contracted supply of waste wood fuel from the Group, leading to in excess of 100,000 tonnes of waste wood being diverted to other customers and processing sites across the United Kingdom, causing the Group to incur significant costs and losses. The Group is finalising the amount owed under the "take or pay" provisions of the fuel supply agreement with the owner of that plant.

Rail & Civils

Total revenue in the Rail & Civils operating division decreased by £10.9 million, or 20.8 per cent., to £41.5 million in the year ended 29 February 2020 from £52.3 million in the year ended 28 February 2019. This decrease was primarily due to delays in Network Rail awarding contracts at the start of its Control Period 6 and the Group's continued exposure to a poor performing legacy project. Included in total revenue for Rail & Civils in FY19/20 is £13.4 million of internal revenue (FY18/19: £20.5 million), which comprises revenue from projects for other Group divisions and which is eliminated on consolidation.

Other income

Other income was £4.7 million in the year ended 29 February 2020 (compared to £1.3 million in the year ended 28 February 2019). In February 2020, the Group entered into a settlement deed with a renewable energy plant owner under which the long-term fuel supply agreement was terminated. In recognition of the future revenue forgone and with the plant confirming that it is no longer intending to operate a waste wood fuel boiler, consideration payable to the Group was agreed at an amount less than £5.0 million.

Operating expenses

Operating expenses increased by £25.5 million, or 16.7 per cent., to £178.3 million in the year ended 29 February 2020 from £152.8 million in the year ended 28 February 2019. The increase was primarily due to the increases in Stobart Aviation and Stobart Energy, as discussed in the divisional breakdowns below, partially offset by the decrease in Stobart Rail & Civils and a decrease in charges for litigation and claims, which in FY18/19 resulted from the costs of a High Court dispute with Andrew Tinkler, the Group's former Chief Executive.

Aviation

Operating expenses in the Aviation operating division increased by £18.4 million, or 47.1 per cent., to £57.5 million in the year ended 29 February 2020 from £39.1 million in the year ended 28 February 2019. This increase was primarily due to the division's increased revenue during the year, as well as an increase in new business and contract set-up costs related to route development at London Southend Airport (£9.3 million). In addition, jet fuel costs increased as a percentage of the division's costs as a result of increased jet fuel sales as the number of aircraft movements increased at the Group's airports.

Energy

Operating expenses in the Energy operating division increased by £14.2 million, or 27.4 per cent., to £66.1 million in the year ended 29 February 2020 from £51.9 million in the year ended 28 February 2019. This increase was primarily due to the division's increased revenue during the year, as well as an increase in new business and contract set-up costs related to delayed commissioning at certain of the Group's customers (£2.3 million) and the unplanned outage at the Tilbury biomass energy plant (£6.9 million). In addition, direct material costs increased as a percentage of the division's costs as a result of the Group's biomass energy plant customers completing their commissioning phases. The division's other significant cost inputs, such as staff costs, are largely fixed costs.

Rail & Civils

Operating expenses in the Rail & Civils operating division decreased by £8.9 million, or 15.5 per cent., to £48.6 million in the year ended 29 February 2020 from £57.5 million in the year ended 28 February 2019. This decrease was primarily due to the decrease in Stobart Rail & Civils' revenue during the year.

Share of post-tax profits of associates and joint ventures

Share of post-tax profits of associates and joint ventures was a loss of £9.8 million in the year ended 29 February 2020, compared to a loss of £1.7 million in the year ended 28 February 2019. The change was primarily due to the increase in equity accounted losses of Connect Airways up to the value of its investment (£9.1 million). Connect Airways, and its subsidiary Flybe, entered Administration following FY19/20 year end and the Group has impaired all outstanding balances to nil. The Administration following FY19/20 year end is an adjusting event after the reporting period.

Adjusted EBITDA

Adjusted EBITDA was a loss of £13.2 million in the year ended 29 February 2020, compared to a loss of £6.3 million in the year ended 28 February 2019, driven by the movements in the Group's revenue, operating expenses, other income and share of post-tax profits of associates and joint ventures, as discussed above. Adjusted EBITDA as presented in this document is referred to as EBITDA in the FY18/19 Financial Statements and FY19/20 Financial Statements.

Loss/gain on swaps

Loss/gain on swaps was a loss of £0.3 million in the year ended 29 February 2020, compared to a loss of £0.4 million in the year ended 28 February 2019. This change was primarily due to a downturn in fuel prices partly offset by currency exchange rates.

Depreciation

Depreciation increased by £6.4 million, or 39.4 per cent., to £22.7 million in the year ended 29 February 2020 from £16.3 million in the year ended 28 February 2019. This increase was primarily due to additional assets recognised on transition to IFRS 16 (£3.7 million) and the further development of London Southend Airport (£1.0 million).

Amortisation

Amortisation increased by £3.5 million, or 89.3 per cent., to £7.5 million in the year ended 29 February 2020 from £3.9 million in the year ended 28 February 2019. This increase was primarily due to the

Eddie Stobart brand, which until May 2020 was owned by the Group. Following a review of the brand during FY19/20, the residual value was reduced, resulting in an increased annual amortisation charge.

Impairment—Other

The Group's impairments—other in the year ended 29 February 2020 were £56.8 million, comprising:

- a £21.0 million write down of Carlisle Lake District Airport. Regional connectivity has been affected by the failure of Flybe, and so the Group is recognising the likely importance of the land ownership rather than the commercial aviation opportunities;
- a £19.9 million impairment of the Eddie Stobart and Stobart brands following the sale to Eddie Stobart (as described in more detail in paragraph 15.1.6 of Part IX);
- the £8.5 million write off of goodwill and brand value in Stobart Rail & Civils;
- a £5.0 million and £0.7 million write down of the Stobart Infrastructure Widnes and Runcorn properties, respectively, reflecting the commercial reality of development land in the North West of England; and
- a £1.8 million write down of the Group's investment in AirportR to reflect the value achieved on its latest fundraising.

The Group's impairments in the year ended 28 February 2019 were £7.8 million, primarily relating to a decrease in value of PPE at the water port and storage site at Weston Point, Runcorn (£6.5 million) and property inventory at the Widnes site (£1.3 million).

Impairments—Loan receivables from joint venture

The Group's impairments—loan receivables from joint ventures in the year ended 29 February 2020 were £45.1 million, comprising the write down of the Connect Airways loans that are deemed to have nil value.

Operating (loss)/profit

As a result of the above, the Group's operating loss was £149.6 million in the year ended 29 February 2020, compared to a loss of £34.7 million in the year ended 28 February 2019.

Impairment of loan notes

The Group's impairment of loan notes in the year ended 29 February 2020 were £2.8 million, relating to an impairment charge in relation to the shareholder loan notes relating to Mersey Bioenergy Holdings Limited, the Widnes biomass energy plant owner. This may likely to reverse when the owners complete the refinancing of the biomass energy plant and their cash flow benefits materialise.

The Group's impairments of loan notes in the year ended 28 February 2019 were £3.2 million, primarily relating to the Group's 25 per cent. investment in its associated undertaking, Shuban Power Limited, principally comprising shareholder loan notes. The book value of loans outstanding from Shuban Power Limited as at 28 February 2019 was £3.7 million. These amounts were fully repaid in cash subsequent to the FY18/19 year end.

Finance costs (net)

Finance costs (net) increased by £5.5 million, or 129.9 per cent., to £9.7 million in the year ended 29 February 2020 from £4.2 million in the year ended 28 February 2019. This increase was primarily due to interest on liabilities recognised following the transition to IFRS 16. Other new finance costs in the year include the coupon payable on the Exchangeable Bonds (£1.5 million) and dividend received in respect of Eddie Stobart that is passed to bondholders (£2.1 million). Also included in finance costs are foreign exchange losses of £0.6 million, compared to gains of £0.9 million in 2019.

Finance income increased to £4.4 million, due to interest receivable on loans to Connect Airways, which were impaired to nil at the year-end, therefore this finance income will not continue next year.

Tax

Tax was a credit of £8.4 million in the year ended 29 February 2020, compared to a charge of £0.5 million in the year ended 28 February 2019. The credit reflects an effective tax rate of 6.3 per

cent., which is lower than the standard rate of 19 per cent. mainly due to deferred tax assets not recognised in respect of losses carried forward. The deferred tax liabilities have been recognised/ provided at 17 per cent., being the rate enacted at 29 February 2020, however, following this date the tax rate has increased to 19 per cent. If this rate was applied to the year-end deferred tax liabilities, an additional charge of £0.7 million would be recognised.

(Loss)/profit for the year from continuing operations

As a result of the above, the Group's loss for the year from continuing operations was £149.6 million in the year ended 29 February 2020, compared to a loss of £42.6 million in the year ended 28 February 2019.

Results of operations for the year ended 28 February 2019 compared to the year ended 28 February 2018

Revenue

Revenue increased by £41.5 million, or 39.4 per cent., to £146.9 million in the year ended 28 February 2019 from £105.4 million in the year ended 28 February 2018.

The following table sets forth the Group's total revenue by operating division.

	Year ended 28 February 2019	Year ended 28 February 2018[1]	Change	
		(£'000)	£'000	%
Aviation	39,411	25,824	13,587	52.6
Energy	65,143	54,697	10,446	19.0
Rail & Civils	52,347	40,954	11,393	27.8
Investments	2,655	626	2,029	324
Non-strategic infrastructure	2,187	3,126	(939)	(30.0)
Adjustments and eliminations[2]	(14,854)	(19,860)	5,006	25.0
Total revenue	**146,889**	**105,367**	**41,522**	**39.4**

Note:

(1) The results for the year ended 28 February 2018 have been restated where required due to IFRS 5 Discontinued Operations. Refer to note 5 of the FY18/19 Financial Statements for more details.

(2) Inter-segment revenues are eliminated on consolidation. Included in adjustments and eliminations are net central costs of £7.7 million (FY17/18: £12.6 million) and an intra-group profit of £0.1 million (FY17/18: £0.7 million). There is also external income within adjustments and eliminations which comprises brand licence income, merchandising income and rental income.

Aviation

Total revenue in the Aviation operating division increased by £13.6 million, or 52.6 per cent., to £39.4 million in the year ended 28 February 2019 from £25.8 million in the year ended 28 February 2018. Passenger numbers increased 33.0 per cent. to 1.49 million in FY18/19, primarily driven by an increase in the number of easyJet routes to/from London Southend Airport, with easyJet accounting for more than one million passengers. Stobart Aviation Services also won new ground handling and check-in services contracts with Loganair at Edinburgh and Glasgow airports.

Energy

Total revenue in the Energy operating division increased by £10.4 million, or 19.0 per cent., to £65.1 million in the year ended 28 February 2019 from £54.7 million in the year ended 28 February 2018. Tonnes of waste wood fuel supplied increased 51.2 per cent. to 1.3 million tonnes in FY18/19, primarily due to the start of the commissioning of the Margam and Templeborough biomass energy plants, and the full year effect of the Tilbury biomass energy plant.

Rail & Civils

Total revenue in the Rail & Civils operating division increased by £11.4 million, or 27.8 per cent., to £52.3 million in the year ended 28 February 2019 from £41.0 million in the year ended 28 February 2018. This increase was primarily due to a number of key external contract wins in FY18/19, which led

to a 96.1 per cent. increase in external revenue. Included in total revenue for Rail & Civils in FY18/19 is £20.5 million of internal revenue (FY17/18: £24.7 million), which comprises revenue from projects for other Group divisions.

Other income

Other income decreased to £1.3 million in the year ended 28 February 2019 from £133.5 million in the year ended 28 February 2018, primarily due to the £123.9 million profit on disposal of Eddie Stobart in FY17/18. Other income is referred to as Other operating income in the FY18/19 Financial Statements.

Operating expenses

Operating expenses increased by £37.8 million, or 33.3 per cent., to £151.5 million in the year ended 28 February 2019 from £113.7 million in the year ended 28 February 2018. The increase was primarily due to the increase in revenue across Stobart Aviation, Stobart Energy and Stobart Rail & Civils, as well as pre-contract costs and excess costs incurred due to delays in the Group's biomass energy plant customers becoming operational, new contract set-up costs at London Southend Airport and the recovery of bad debts in FY17/18. In Stobart Aviation, the increase was offset due to the proceeds of the sale and leaseback of the hotel at London Southend Airport in FY17/18.

Share of post-tax profits of associates and joint ventures

Share of post-tax profits of associates and joint ventures was a loss of £1.7 million in the year ended 28 February 2019, compared to a gain of £3.5 million in the year ended 28 February 2018. This change was primarily due to a one-off gain in FY17/18 relating to foreign exchange recycling following the acquisition or Propius in the prior year.

Adjusted EBITDA

Adjusted EBITDA was a loss of £6.3 million in the year ended 28 February 2019, compared to a gain of £128.7 million in the year ended 28 February 2018, driven by the movements in the Group's revenue, operating expenses, other income and share of post-tax profits of associates and joint ventures, as discussed above. Adjusted EBITDA as presented in this document is referred to as EBITDA in the FY18/19 Financial Statements and FY19/20 Financial Statements.

Loss/gain on swaps

Loss/gain on swaps was a loss of £0.4 million in the year ended 28 February 2019, compared to a gain of £1.0 million in the year ended 28 February 2018. This change was primarily due to a downturn in fuel prices and currency exchange rates.

Depreciation

Depreciation increased by £2.9 million, or 21.6 per cent., to £16.3 million in the year ended 28 February 2019 from £13.4 million in the year ended 28 February 2018. This increase was primarily due to additional plant and machinery and fixtures and fittings in the Aviation and Rail & Civils divisions.

Amortisation

Amortisation was unchanged at £3.9 million in the year ended 28 February 2019, compared to £3.9 million in the year ended 28 February 2018.

Impairment-other

The Group's impairments-other in the year ended 28 February 2019 were £7.8 million, primarily relating to a decrease in value of PPE at the water port and storage site at Weston Point, Runcorn (£6.5 million) and property inventory at the Widnes site (£1.3 million). There were no impairments-other in the year ended 28 February 2018.

Operating (loss)/profit

As a result of the above, the Group's operating loss was £34.7 million in the year ended 28 February 2019, compared to a profit of £112.4 million in the year ended 28 February 2018.

Impairment of loan notes

The Group's impairments of loan notes in the year ended 28 February 2019 were £3.2 million, primarily relating to the Group's 25 per cent. investment in the associated undertaking, Shuban Power Limited, principally comprising shareholder loan notes. The book value of loans outstanding from Shuban Power Limited as at 28 February 2019 was £3.7 million. These amounts were fully repaid in cash subsequent to the FY18/19 year end. There were no impairments of loan notes in the year ended 28 February 2018.

Finance costs (net)

Finance costs (net) increased by £1.1 million, or 35.5 per cent., to £4.2 million in the year ended 28 February 2019 from £3.1 million in the year ended 28 February 2018. Foreign exchange improvements of £2.9 million were offset by increased interest payable, following an increased level of borrowing on the Revolving Credit Facility throughout FY18/19.

Tax

Tax was a charge of £0.5 million in the year ended 28 February 2019, compared to a credit of £0.3 million in the year ended 28 February 2018. The charge reflects an effective tax rate of -2.8 per cent., which is lower than the standard rate of 19 per cent. mainly due to deferred tax assets not recognised in respect of certain losses and other temporary differences in the year.

(Loss)/profit for the year from continuing operations

As a result of the above, the Group's loss for the year from continuing operations was £42.6 million in the year ended 28 February 2019, compared to a profit of £109.6 million in the year ended 28 February 2018.

LIQUIDITY AND CAPITAL RESOURCES

During FY17/18, FY18/19 and FY19/20, the Group's primary sources of liquidity were the revenues generated from its operations, disposals of assets, the Exchangeable Bonds and the Revolving Credit Facility. The primary use of this liquidity was to fund the Group's operations.

Cash flows

The following table sets out the condensed consolidated statement of cash flows for the periods indicated.

	Year ended 29 February 2020	Year ended 28 February 2019	Year ended 28 February 2018[1]
		(£'000)	
Net cash outflow from operating activities	(22,221)	(12,796)	(9,550)
Net cash (outflow)/inflow from investing activities	(9,751)	9,863	181,002
Net cash inflow/(outflow) from financing activities	27,342	(25,743)	(158,997)
(Decrease)/increase in cash and cash equivalents	(4,630)	(28,676)	12,455
Cash and cash equivalents at the beginning of the year	14,432	43,108	30,653
Cash and cash equivalents at the end of the year	**9,802**	**14,432**	**43,108**

Note:

(1) The results for the year ended 28 February 2018 have been restated where required due to IFRS 5 Discontinued Operations. Refer to note 5 of the FY18/19 Financial Statements for more details.

Net cash outflow from operating activities

The Group's net cash outflow from operating activities was £22.2 million for the year ended in 29 February 2020 compared to £12.8 million for the year ended 28 February 2019. Operating cash flow in FY19/20 was adversely impacted by cash outflows relating to new business and contract set-up costs, litigation and claims and working capital requirements in the divisions. There have been adverse working capital cashflows due to a build-up of receivables relating to a large ongoing project in the Stobart Rail & Civils division that is expected to complete in 2021. The significant debtor balances for this project are considered recoverable and negotiations with the customers are ongoing.

The Group's net cash outflow from operating activities was £12.8 million in the year ended 28 February 2019 compared to £9.6 million in the year ended 28 February 2018. Excluding the effect of discontinued operations, the Group's operating cash flow decreased by £9.9 million to an outflow of £1.7 million from an inflow of £8.2 million. Operating cash flow was adversely impacted in FY18/19 by cash outflows relating to litigation and claims and other non-underlying items.

Net cash inflow from investing activities

The Group's net cash outflow from investing activities was £9.8 million in the year ended 29 February 2020 compared to a net cash inflow of £9.9 million in the year ended 28 February 2019. Cash flow from investing activities in FY19/20 includes purchase of PPE (£14.6 million), partly offset by proceeds from the sale of PPE and investment property.

The Group's net cash inflow from investing activities was £9.9 million in the year ended 28 February 2019 compared to £181.0 million in the year ended 28 February 2018. Excluding the effect of discontinued operations, the Group's cash inflow from investing activities decreased by £91.5 million to £14.4 million from £105.9 million. Net cash inflow from investing activities in FY18/19 included £30.0 million of proceeds from the sale and leaseback of the terminal and office at Carlisle Lake District Airport and the sale and leaseback of the site in Widnes. These inflows were offset by net cash outflows relating to purchase of PPE and property inventories of £25.0 million. The prior year included proceeds from the disposal of Eddie Stobart of £111.9 million, net of cash disposed.

Net cash outflow from financing activities

The Group's net cash inflow from financing activities was £27.3 million in the year ended 29 February 2020 compared to a net cash outflow of £25.7 million in the year ended 28 February 2019. Cash flow from financing activities in FY19/20 includes £51.3 million of net proceeds from the issuance of the Exchangeable Bonds and lower dividends paid of £11.1 million (compared to £52.5 million in FY18/19). On 14 November 2019, the Group announced it was suspending the dividend until the Group becomes significantly cash generative at an operating level, subject to investment requirements to maximise shareholder returns.

The Group's net cash outflow from financing activities was £25.7 million in the year ended 28 February 2019 compared to £159.0 million in the year ended 28 February 2018. Excluding the effect of discontinued operations, the Group's cash outflow from financing activities decreased by £65.8 million to £25.7 million from £91.5 million. Net cash outflow from financing activities in FY18/19 included dividends paid of £52.5 million, the net drawdown of borrowings on the Revolving Credit Facility and repayment of finance leases (£3.2 million) and proceeds from the issue of 16.5 million new shares (£24.7 million).

Balance sheet

The following table sets out the Group's net assets as at the dates indicated.

	As at 29 February 2020	As at 28 February 2019	As at 28 February 2018
		(£ millions)	
Non-current assets	388.9	467.4	486.9
Current assets	75.3	79.7	167.3
Non-current liabilities	(222.0)	(137.7)	(141.5)
Current liabilities	(139.1)	(112.4)	(106.8)
Net assets	103.1	297.0	405.9

Net assets decreased in FY19/20 by £193.9 million, to £103.1 million as at 29 February 2020 from £297.0 million as at 28 February 2019, mainly due to the loss for the year (£137.9 million), which includes the reduction in the fair value of the Group's investment in Eddie Stobart (£40.2 million), and dividends paid (£11.1 million).

Net assets decreased in FY18/19 by £108.9 million, to £297.0 million as at 28 February 2019 from £405.9 million as at 28 February 2018, mainly due to the loss for the year (£58.2 million) and dividends paid (£52.5 million).

Non-current assets

PPE increased by £43.7 million, to £306.6 million as at 29 February 2020 from £262.9 million as at 28 February 2019, primarily due to IFRS 16, which saw right-of-use assets recognised for the first time for properties and vehicles that the Group leases. See note 1 to the FY19/20 Financial Statements for further details. Other non-current asset movements include the reduction in value of the Eddie Stobart investment (£40.2 million), impairment of Connect Airways loans (£45.1 million), the write down of Carlisle Lake District Airport (£21.0 million) and the sale of the Group's last investment property at Speke (£4.0 million). Intangible assets have reduced due to the write off of intangibles attributable to Stobart Rail & Civils (£8.5 million), impairment of the Eddie Stobart and Stobart brands (£19.9 million) prior to the post-year-end sale to Eddie Stobart (as described in more detail in paragraph 15.1.6 of Part IX) and amortisation of the Eddie Stobart brand (£7.4 million).

PPE and investment property decreased by £38.9 million, to £266.9 million as at 28 February 2019 from £305.8 million as at 28 February 2018, mainly due to the disposal of Stobart Air and assets in Propius, partly offset by additions of £12.8 million in the Aviation division and £11.2 million in the Energy division. During FY18/19, £23.7 million of asset investment was made, including development works of £9.7 million at Carlisle Lake District Airport and £11.1 million at London Southend Airport. Investment in associates and joint ventures increased by £10.2 million, to £10.5 million as at 28 February 2019 from £0.3 million as at 28 February 2018, mainly due to the investment in Connect Airways and the conversion of a loan to equity in AirportR.

Current assets

Current assets decreased by £4.4 million, to £75.3 million as at 29 February 2020 from £79.7 million as at 28 February 2019, primarily due to a property inventory impairment (£7.0 million) and a reduction in cash (£4.6 million) and disposal of assets held for sale relating to Propius (£1.5 million), offset by an increase in trade receivables.

Current assets decreased by £87.6 million, to £79.7 million as at 28 February 2019 from £167.3 million as at 28 February 2018, primarily due to a reduction in property inventories and cash.

Non-current liabilities

Non-current liabilities increased by £84.3 million, to £222.0 million as at 29 February 2020 from £137.7 million as at 28 February 2019, primarily due to liabilities recognised following the transition to IFRS 16 (£76.4 million) and an increased drawdown on the Revolving Credit Facility (£17.0 million).

Non-current liabilities were relatively stable in FY18/19, decreasing slightly to £137.7 million as at 28 February 2019 from £141.5 million as at 28 February 2018.

Current liabilities

Current liabilities increased by £26.6 million, to £139.1 million as at 29 February 2020 from £112.5 million as at 28 February 2019, primarily due to the Exchangeable Bonds issued in May 2019 (£51.7 million) and an increase in trade payables, offset in part by a reduction in liabilities held for sale following the disposal of Propius (£27.5 million).

Current liabilities include the Exchangeable Bonds in accordance with IAS 1 because the Group does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting period. The bondholders have an unconditional right to require the Group to settle the Exchangeable Bonds by giving the bondholders shares in Eddie Stobart at any time. The Group has no obligation to settle the Exchangeable Bonds in cash within 12 months of 29 February 2020.

Current liabilities increased by £5.6 million, to £112.4 million as at 28 February 2019 from £106.8 million as at 28 February 2018, primarily due to an increase in corporation tax liability and provisions.

Net Debt and Gearing

The following table sets forth the Group's Net Debt and Gearing as at the dates indicated.

	As at 29 February 2020	As at 28 February 2019	As at 28 February 2018
	(£ millions, unless otherwise indicated)		
Loans and borrowings—current	15.8	13.4	16.7
Loans and borrowings—non-current	177.8	84.1	63.0
Exchangeable bonds	51.7	—	—
Cash and cash equivalents	(9.8)	(14.4)	(43.1)
Net Debt	**235.5**	**83.1**	**36.6**
Net Debt	235.5	83.1	36.6
Group shareholders' equity	103.1	297.0	405.9
Gearing	**228.4%**	**28.0%**	**9.0%**

In May 2019, the Group placed £53.1 million of Exchangeable Bonds. The Exchangeable Bonds have a five-year maturity and are unconditionally and irrevocably guaranteed by the Company and are exchangeable into ordinary shares of one penny each in the capital of Eddie Stobart. For further detail, please see paragraph 15.1.2(ii) of Part IX—Additional Information.

On 1 March 2019, the Group adopted IFRS 16 which created lease liabilities of £78.2 million. These liabilities have replaced operating lease charges for nearly all leases held. See note 1 to the FY19/20 Financial Statements for more detail.

As at 29 February 2020, the Group held an £80 million variable rate committed revolving credit facility with Lloyds Bank plc and Allied Irish Bank that was drawn at £75.0 million (compared to £58.0 million as at 28 February 2019). For further detail, please see paragraph 15.1.2(i) of Part IX—Additional Information. As at the date of this document, the Group is fully drawn down under the revolving credit facility.

New revolving credit facility

The Company has entered into an amended Facility Agreement comprising the original £80.0 million revolving credit facility under which the Group is fully drawn (Facility A) and a new £40.0 million revolving credit facility (Facility B). Under Facility B, the Group can draw up to £10.0 million during the period commencing 5 June 2020 up to and including the date of Admission, subject to certain liquidity conditions. Pursuant to the terms of Facility B, the Group will use a portion of the proceeds of the Capital Raise (up to £10.0 million) to repay the amount drawn under Facility B as at the date of Admission within three Business Days of that date. Following such repayment, the Group can draw down under Facility B subject to conditions, as detailed in paragraph 15.1.2(i) of Part IX of this document.

Capital Expenditure

In FY19/20, the Group's Capital Expenditure was £29.1 million. This primarily comprised development of London Southend Airport (including improvements to the runway and conversion of existing hangarage to support the Group's global logistics customer); and the replacement of part of its vehicle fleet and development of the Pollington fuel production and storage facility in the Stobart Energy division.

In FY18/19, the Group's Capital Expenditure was £40.4 million. This primarily comprised development costs at London Southend Airport, the construction of a new commercial terminal at Carlisle Lake District Airport, the replacement of part of its vehicle fleet in the Stobart Energy division and development of the Port Clarence fuel production and storage facility.

In FY17/18, the Group's Capital Expenditure was £88.6 million. This primarily comprised the purchase of three E195 aircraft within the Propius aircraft leasing business, runway and development costs at Carlisle Lake District Airport, development and refurbishment costs at London Southend Airport and the purchase of a helicopter at the Stobart Jet Centre.

Pensions

The Group's only defined benefit pension scheme is the Ansa plan, which remains open for employees of Ansa Logistics Limited. The latest actuarial valuation of the Ansa plan was as at 31 December 2016 and was carried out by an independent qualified actuary using the projected unit method. At the date of the latest actuarial valuation, the realisable value of assets was £24.4 million, which was sufficient to cover 74 per cent. of the value of benefits that had accrued to members, measured on the continuing basis. Total contributions payable for FY19/20 amounted to £1.2 million (compared to £1.1 million in FY18/19) with £97,000 of contributions due to the plan at 29 February 2020 (compared to £92,000 at 28 February 2019).

The Group's defined benefit pension liability, which is assessed each period by actuaries, is based on key assumptions including return on plan assets, discount rates, mortality rates, inflation and future salary and pension costs. These assumptions, individually or collectively, may be different to actual outcomes. Other key assumptions for pension obligations are based in part on current market conditions and are updated annually for the purposes of financial reporting.

The COVID-19 pandemic has had a significant post balance sheet impact on the asset values within the scheme following the FY19/20 year end. Scheme asset values fell by approximately £2 million in the month of March 2020, driven by falling equity values and decreased bond yields. With such market volatility, the Directors consider that these asset values are likely to move materially over period to 31 August 2020, when the next valuation is prepared. Any material decrease in asset values will be presented in other comprehensive income at the next reporting date. The current actuarial valuation as at 31 December 2019 is ongoing and, as part of this, the deficit contributions payable by the Group may vary from the current level.

For further detail, please see note 27 to the FY19/20 Financial Statements.

The Group also operates a defined contribution plan. The charge in FY19/20 to the consolidated income statement was £1.3 million (FY18/19: £1.1 million). The value of contributions outstanding as at 29 February 2020 and included in other payables was £97,000 (£257,000 at 28 February 2019).

Capitalisation and indebtedness

The following tables set out the Group's capitalisation and indebtedness as at the dates indicated and, as such, do not reflect the impact of the Capital Raise. The information below should be read together with Stobart Group Limited's consolidated financial information, as well as the rest of the information in this Part V. The tables below are prepared for illustrative purposes only.

Capitalisation

The capitalisation information as at 29 February 2020 set out below has been extracted without material adjustment from Stobart Group Limited's historical financial information set out in Part VI of this document.

	As at 29 February 2020
	(£'000)
Shareholders' equity	
Share capital	37,465
Share premium	324,368
Other reserves	(7,161)
Total capitalisation	354,672

There has been no material change in the Company's capitalisation since 29 February 2020.

The following table sets out the Company's indebtedness as at 31 March 2020.

	As at 31 March 2020 (£'000)
Total current debt	
Guaranteed	—
Secured	67,615
Unguaranteed/Unsecured	—
Total non-current debt (excluding current portion of long-term debt)	
Guaranteed	—
Secured	178,538
Unguaranteed/Unsecured	—

Net Financial Indebtedness

The following table sets out the Group's net financial indebtedness as at 31 March 2020.

	As at 31 March 2020 (£'000)
Cash	10,189
Cash equivalents	—
Financial assets held at fair value	—
Liquidity	**10,189**
Current bank debt	—
Bonds issued	(51,719)
Current portion of non-current debt	—
Other current financial debt	(15,896)
Current financial debt	**(67,615)**
Net current financial indebtedness	**(57,426)**
Non-current bank debt	(76,771)
Bonds issued	—
Non-current other financial debt	(101,767)
Non-current financial indebtedness	**(178,538)**
Net financial indebtedness	**(235,964)**

Notes:

In accordance with IAS 1 it is necessary for the Exchangeable Bonds, issued on 3 May 2019, to be presented as a current liability because the Group does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting period. The bondholders have an unconditional right to require the Group to settle the Exchangeable Bonds by giving the bondholders shares in Eddie Stobart at any time. The Group has no obligation to settle the Exchangeable Bonds in cash within 12 months of the balance sheet date.

Non-current bank debt relates to a revolving credit facility with end date January 2022. Under the terms of the facility, the Company and all material subsidiaries have charged security to the lenders via a debenture, the material subsidiaries are also guarantors and obligors in relation to the facility agreement. There are fixed charges over land and properties including London Southend Airport, Carlisle Lake District Airport, Widnes and Runcorn, in addition floating charges and charges over shares.

Indirect and contingent indebtedness

Capital commitments

At 29 February 2020, the Group had no capital commitments.

At 28 February 2019, the Group had capital commitments of £1.0 million related to development work at a leasehold site in Widnes in the Infrastructure division, development and expansion works at London Southend Airport in the Aviation division and development works at the Port Clarence fuel production site in Stobart Energy.

At 28 February 2018, the Group had capital commitments of £4.5 million.

Contingent liabilities

Guarantees were given for some Eddie Stobart property leases when that business formed part of the Group. The guarantees remained in place following the Group's partial disposal of Eddie Stobart in 2014. Under the terms of the guarantees, if Eddie Stobart were to default on its rent or rates payments in respect of a guaranteed lease, the Group would be liable to pay the applicable costs until the relevant landlord replaced Eddie Stobart with a new tenant. The Group's maximum potential liability under the guarantees as at 29 February 2020 was approximately £77 million. This liability decreases each year as the various leases near termination until 2034 when the final lease terminates. The maximum liability in any one year, should the risk crystallise, is £6.7 million, which is the annual rent and rates liability if all the properties covered by the guarantee were to become vacant. The Directors believe that, due to the nature of the properties, it is unlikely that the properties would remain vacant for any significant period of time in the event that Eddie Stobart defaults.

Guarantees have been provided to the airline Stobart Air in relation to jet fuel and foreign exchange hedging contracts. The current exposure on these contracts is approximately €4 million. In addition, a facility provided by Aer Lingus, under which, to date, Stobart Air receives 100 per cent. of ticket revenue in advance of passenger flights, has been guaranteed up to a maximum of €18 million.

Following the sale and leaseback of eight ATR72-600 aircraft in April 2017, the Group provided guarantees over the $15.4 million annual rentals. These guarantees expire in April 2027, with a break clause in April 2023 if the Aer Lingus franchise is not extended beyond December 2022 requiring payment of a break fee of $21.2 million plus associated break fee finance costs.

For a discussion of certain risks relating to the above contingent liabilities, please see the risk factor titled "*The Group has given a number of parent company guarantees*".

In addition, various legal claims have been made against the Stobart Energy and Stobart Aviation divisions, including the claims against the Stobart Aviation division made under Part 1 of the Land Compensation Act 1973 as described in more detail in paragraph 17 of Part IX—Additional Information. The Group is vigorously defending all such claims and believes the risk of outflow to be low, although is not classified as remote. The maximum exposure under all such claims against the Stobart Energy and Stobart Aviation divisions is £19.3 million. For a discussion of certain risks relating to legal claims against the Group, please see the risk factor titled "*The Group is subject to legal proceedings and other claims*".

Accounting systems and processes

The Group's management has identified several measures to strengthen its accounting systems and processes in order to enable the Group to more efficiently cater for its current and near-term requirements, as well as to establish a more advanced base for the Directors' strategic ambitions in the medium and longer terms. Such measures include implementation and unification of new software, restructuring of the Group's finance team and alignment of divisional finance functions across the Group. For a discussion of related risks, please see the risk factor titled "*The Group's management has identified several measures to strengthen its accounting systems and processes, and implementation of such measures is subject to risk*".

Qualitative and quantitative disclosures about market risk

The main risks arising from the Group's financial instruments are credit risk, interest rate risk, capital risk, diesel price risk, currency price risk, liquidity risk and jet fuel price risk, as explained below. The Board has overall responsibility for the determination of the Group's risk management objectives and policies. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility.

For further information on the risks discussed below, please see note 26 to the FY19/20 Financial Statements.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or a counterparty to a financial instrument fails to meet its contractual obligations. The Group is mainly exposed to credit risk from credit sales. It is Group policy, implemented locally, to assess the credit risk of new customers before entering contracts. Such credit ratings are taken into account by local business practices.

All credit sales are made under Group payment and delivery terms and conditions and are mostly covered by insurance. All credit limits are formally set and are in agreement with the bank.

The recoverability of the net trade receivables, including contract assets, is considered highly likely. This is supported by the collection history of the Group. In generating the expected credit loss provision, historical credit loss rates for the preceding five years are observed, including consideration given to factors that may affect the ability of customers to settle receivables, and percentages applied to the trade and other receivable aging buckets at the year end. The Group applies the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

The expected credit losses on other receivables have not been recognised as the resultant provision would not be material to the financial statements.

Interest rate risk

The Group is exposed to cash flow interest rate risk from long-term borrowings and cash at variable rates. There are loan facilities at variable rates as well as amounts held on deposit. These borrowing policies are managed centrally. Although the Board accepts that this policy neither protects the Group entirely from the risk of paying rates in excess of current market rates nor eliminates fully cash flow risk associated with variability in interest payments, it considers that it achieves an appropriate balance of exposure to these risks.

The Group's borrowings at variable rate were denominated in GBP and the fixed rate borrowings were denominated in USD and GBP.

Capital risk

The Group is exposed to capital risk in relation to its shareholding in Eddie Stobart Logistics plc. Any adverse movement in the quoted share price will directly impact the fair value of the investment held.

Diesel price risk

The Group is exposed to diesel price risk as diesel fuel is a key supply to the transport fleet of vehicles in the Stobart Energy operating division. If diesel prices rise, there will be increases in the base costs that cannot be fully passed on to customers. In order to mitigate this risk, the Group has taken out diesel swap contracts to manage its exposure.

The fair value of diesel swap contracts falling within level 2 of the fair value hierarchy as at 29 February 2020 is £416,000 liability (2019: £53,000 asset) and the gross swap coverage was £1,877,000 (2019: £2,435,000). The fair value of the swaps is calculated by Lloyds Bank Corporate Markets plc and Mitsui Bussan Commodities Ltd based on mid-market levels as of the close of business on 29 February 2020.

Currency price risk

As at 29 February 2020, the Group had a USD balance payable in instalments so had taken out currency swap contracts to manage its exposure. The fair value of currency swap contracts falling within level 2 of the fair value hierarchy as at 29 February 2020 was £195,000 asset (2019: £431,000 liability) and the gross swap coverage was £13,305,000 (2019: £15,682,000). The fair value of the swaps was calculated by Lloyds Bank plc based on mid-market levels as of the close of business on 29 February 2020. In addition, following the acquisition of Stobart Air and Propius in April 2020, the Group is exposed to currency price risk related to the leasing of aircraft and the purchase of spare parts, maintenance and fuel in US dollars and euros.

Liquidity risk

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. See the maturity profile of loans and borrowings below.

The Group prepares and reviews rolling weekly cash flow projections. Actual cash and debt positions along with available facilities and headroom are reported weekly. These are monitored by Group management.

In addition, full annual five-year forecasts are prepared including cash flow and headroom forecasts. These are full, detailed forecasts prepared by each division and consolidated for the Group.

The financial statements have been prepared using the going concern basis. Please refer to Note 1 to the FY19/20 Financial Statements for further discussion on the basis of preparation. The Company's auditor has included a paragraph in the independent auditor's report in respect of the FY19/20 Financial Statements stating that there is material uncertainty in respect of the Company's ability to continue as a going concern.

The following table summarises the maturity analysis of financial liabilities based on contractual undiscounted payments as at 29 February 2020.

	Less than one year	One to five years	More than 5 years	Total
		(£'000)		
Loans and borrowings	1,944	129,857	—	131,801
Obligations under leases	20,135	52,300	125,003	197,438
Trade payables	13,279	—	—	13,279
Swaps	416	—	—	416
Total	**35,774**	**182,157**	**125,003**	**342,934**

Sensitivity analysis

The sensitivity analysis set out in the following table summarises the sensitivity of the market value of financial instruments to hypothetical changes in market rates and prices. Sensitivity is calculated based on all other variables remaining constant.

The interest rate analysis assumes a one per cent. change in interest rates, the currency analysis assumes a one per cent. change in currency price and the diesel price analysis assume a ten per cent. price change. The diesel and currency price sensitivity analysis is based on diesel- and currency-related derivative instruments held at the end of each reporting period.

The impact of a one per cent. increase in interest rates, a one per cent. increase in currency price and a ten per cent. increase in the diesel price is disclosed. A corresponding decrease results in an equal and opposite impact on the consolidated income statement.

	Interest rate 1% increase	Diesel price 10% increase	Currency price 1% increase
		(£'000)	
At 29 February 2020			
Increase in fair value of financial instruments	799	146	134
Impact on profit: (loss)/gain	(770)	146	134
At 28 February 2019			
Increase in fair value of financial instruments	679	249	158
Impact on profit: (loss)/gain	(673)	249	158

Jet fuel price risk

Following the acquisition of Stobart Air in April 2020, the Group is exposed to jet fuel price risk as jet fuel is a key supply to its aircraft fleet. If the price of jet fuel rises, there will be an increase in the base costs that may not be fully passed onto customers. In order to mitigate this risk, the Group has jet fuel swap contracts to manage its exposure.

CRITICAL ACCOUNTING POLICIES

The Group makes judgments and estimates in preparing the financial statements. Judgments and estimates are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these judgments and estimates. The judgments and estimates that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed in note 2 to the FY19/20 Financial Statements.

FY19/20 FINANCIAL STATEMENTS

Please note that page references in the following independent auditor's report and the FY19/20 Financial Statements refer to the Company's 2020 annual report, which will be published subsequently. No portion of that annual report is incorporated herein by reference.

Independent Auditor's Report to the Members of Stobart Group Limited

Independent Auditor's Report
to the members of Stobart Group Limited

1. Our opinion is unmodified
We have audited the consolidated financial statements of Stobart Group Limited (the "Company") and its subsidiaries (together, the "Group") for the year ended 29 February 2020, which comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position, the consolidated statements of changes in equity and cash flows for the year then ended, and the related notes, including the accounting policies in note 1.

In our opinion the accompanying consolidated financial statements:
- give a true and fair view of the financial position of the Group as at 29 February 2020, and of the Group's financial loss and cash flows for the year then ended;
- are prepared in accordance with International Financial Reporting Standards as adopted by the EU; and
- comply with the Companies (Guernsey) Law, 2008.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company and Group in accordance with, UK ethical requirements including FRC Ethical Standards, as applied to listed entities. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Overview		
Materiality: group financial statements as a whole	£1.3m (2019: £1.3m) 0.8% (2019: 0.9%) of revenue	
Coverage	100% (2019: 100%) of revenue, loss before tax and total assets	
Key audit matters		**vs 2019**
Recurring risks	Going concern	↑
	The impact of uncertainties due to UK exiting the European Union on our audit	→
Event driven	**New**: Presentation of potential Group indemnities in respect of previously disposed subsidiaries to Connect Airways Limited in which the Group has a joint venture interest	
	New: Presentation of items as non – underlying items	

2. Material uncertainty relating to going concern

	The risk	Our response
Going concern We draw attention to note 1 to the financial statements which describes uncertainties regarding the successful completion of the planned Firm Placing and Placing and Open Offer, which is dependent in particular on the receipt of shareholder approval. In addition, based on the Firm Placing and Placing and Open Offer raising net proceeds in excess of £70m by 29 June 2020, forecasts indicate that the group must substantially achieve its base case forecasts to remain within available facilities or may need to obtain additional funding. These events and conditions, along with the other matters explained in note 1, constitute a material uncertainty that may cast significant doubt on the Company's and Group's ability to continue as a going concern. Our opinion is not modified in this respect.	**Disclosure quality** There is little judgement involved in the director's conclusion that the risks and circumstances described in note 1 to the financial statements represent a material uncertainty over the ability of the Group and Company to continue as a going concern for a period of at least a year from the date of approval of the financial statements. However, clear and full disclosure of the facts and the directors' rationale for the use of the going concern basis of preparation, including that there is a related material uncertainty, is a key financial statement disclosure and so was the focus of our audit in this area. Auditing standards require that to be reported as a key audit matter.	Our audit procedures included: **Assessing transparency** We assessed the completeness and accuracy of the matters covered in the going concern disclosure by comparing this to our understanding of the risks faced by the Group and the parent Company.

We are required to report to you if the directors' going concern statement under the Listing Rules set out on page 114 is materially inconsistent with our audit knowledge. We have nothing to report in this respect.

3. Other key audit matters: including our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the consolidated financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. Going concern is a significant key audit matter and is described in section 2 of our report. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In arriving at our audit opinion above, the key audit matters, were as follows.

	The risk	Our response
The impact of uncertainties due to the UK exiting the European Union on our audit Refer to page 61 (Principal risks and mitigations) and page 84 (Audit Committee report)	**Unprecedented levels of uncertainty** All audits assess and challenge the reasonableness of estimates, related disclosures and the appropriateness of the going concern basis of preparation of the financial statements (see above). All of these depend on assessments of the future economic environment and the Group's future prospects and performance. In addition, we are required to consider the other information presented in the Annual Report including the principal risks disclosure and the viability statement and to consider the directors' statement that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy. Brexit is one of the most significant economic events for the UK and its effects are subject to unprecedented levels of uncertainty of consequences, with the full range of possible effects unknown.	We developed a standardised firm-wide approach to the consideration of the uncertainties arising from Brexit in planning and performing our audits. Our procedures included: **Our Brexit knowledge** We considered the directors' assessment of Brexit-related sources of risk for the Group's business and financial resources compared with our own understanding of the risks. We considered the directors' plans to take action to mitigate the risks. **Sensitivity analysis** When addressing going concern and other areas that depend on forecasts, we compared the directors' analysis to our assessment of the full range of reasonably possible scenarios resulting from Brexit uncertainty and, where forecast cash flows are required to be discounted, considered adjustments to discount rates for the level of remaining uncertainty. **Assessing transparency** As well as assessing individual disclosures as part of our procedures on going concern we considered all of the Brexit related disclosures together, including those in the strategic report, comparing the overall picture against our understanding of the risks. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

	The risk	Our response
Presentation of potential Group indemnities in respect of previously disposed subsidiaries to Connect Airways Limited in which the Group has a joint venture interest Refer to page 36 (Operational review), page 60 (Principal risks and mitigations), page 84 (Audit Committee report), page 135 (Note 2 – Summary of significant accounting judgements and estimates), page 162 (Note 33 – contingent liabilities, page 162 (Note 34 – Post balance sheet events).	**Omitted exposure** The Group have provided guarantees in respect of Stobart Air and Propius which remain in place following their disposal. This includes guarantees over the $15.4m annual aircraft rentals payable by Propius. These guarantees expire in April 2027, with a break clause in April 2023 if the Aer Lingus franchise is not extended in December 2022 which would trigger a payment by the guarantor of a break fee of $21.2 million. Guarantees have also been provided in respect of the airline Stobart Air, in relation to jet fuel and FX hedging contracts. The exposure on these contracts at the year end is c€2m. In addition, a facility provided by Aer Lingus, under which Stobart Air receives 100% of ticket revenue in advance of passenger flights, has been guaranteed up to maximum of €18m. The existence of these guarantees require the directors to make judgements as to whether these constitute a provision or contingent liability. **Disclosure quality** Clear and full disclosure of the facts and the directors' rationale for the judgements made, is a key financial statement disclosure and so was a focus of our audit in this area.	Our audit procedures included: **Enquiry of Directors** We made inquiries of the Board of Directors to understand their assessment of the financial performance and funding requirements of Connect Airways Limited (Connect), their intentions on behalf of the Group as a shareholder of Connect and the intentions of the other shareholders of Connect as at the balance sheet date. We considered publically available information, with information held by the Group in respect of the performance of Connect and the actions being taken by the shareholders, along with the timing of various announcements. **Accounting analysis** We assessed and challenged the director's judgement in relation to the presentation of contingent liabilities based on applicable accounting standards. **Testing application** We inspected legal documents in respect of the indemnities to identify the contractual mechanisms by which cash outflows may arise for the Group. **Assessing transparency** We assessed whether the Group's disclosures in respect of the judgement made, the contingent liabilities and the post balance sheet event was adequate.

	The risk	Our response
Presentation of items as non-underlying Non-underlying items after tax: £132.8m; (2019: £26.1m). Refer to page 65 (Financial review), page 85 (Audit committee report), page 136 (Note 2 – Summary of significant accounting judgements and estimates), page 141 (Note 9 – non-underlying items).	**Disclosure quality** The Group has presented a number of material income statement as non-underlying items. Whilst this is not prohibited, inappropriate use of this presentation, or a lack of clear explanation or reconciliation to relevant GAAP measures, can distort the financial results for the year or result in difficulty understanding the true performance of the business.	Our audit procedures included: **Assessing principles** We assessed the accounting policy adopted in respect of non-underlying and the application of the stated policy. We assessed whether the accounting policy had been applied consistently with the prior period. **Testing application** We held inquiries with the directors to understand the nature of non-underlying items and challenged the presentation and completeness of expenses and income items. For a sample of non-underlying expenses we obtained evidence of the nature of the expense by agreeing to external invoices. **Assessing balance** We challenged the prominence of GAAP and non-GAAP measures throughout the financial statements and considered whether the presentation of items as underlying or non-underlying was fair and balanced. **Assessing transparency** We assessed whether the Group's disclosures were adequate in respect of non-underlying items and the composition of alternative measures.

Changes in key audit matters
We continue to perform procedures over the valuation of tangible fixed assets – land at Runcorn and the valuations of inventory – Widnes development land. However, following the impairment of both of these, we have not assessed these as being the most significant risks in our current year audit and, therefore, they are not separately identified in our report this year. The disposal of subsidiaries to Connect Airways Limited and associated acquisition of the joint venture interest in respect of Connect Airways Limited was a one-off transaction in the prior period.

4. Our application of materiality and an overview of the scope of our audit

Materiality for the consolidated financial statements as a whole was set at £1.3m (2019: £1.3m) determined with reference to a benchmark of Group revenue of £170.1m (2019: £147.6m) of which it represents 0.8% (2019: 0.9%). We consider total revenue to be the most appropriate benchmark as it provides a more stable measure year on year than Group loss before tax.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £65,000 (2019: £65,000), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our audit of the Group was undertaken to the materiality level specified above, which has informed our identification of significant risks of material misstatement and the associated audit procedures performed in those areas as detailed above.

Of the group's 21 (2019: 20) reporting components, we subjected 17 (2019: 18) to full scope audits for Group purposes.

The components within the scope of our work accounted for 100% of total group revenue; 100% of group loss before taxation; and 100% of total group assets and liabilities (2019: 100% of total group revenue, 100% of group profit before taxation and 100% of total group assets and liabilities). For the residual components, we performed analysis at an aggregated group level to re-examine our assessment that there were no significant risks of material misstatement within these.

The Group team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group team approved the component materialities which ranged from £75,000 to £500,000 (2019: £85,000 to £650,000) having regard to the mix of size and risk profile of the Group across the components. The work on 12 of the 17 components (2019: 13 of the 18 components) was performed by component auditors and the rest, including the audit of the parent company, was performed by the Group team.

The Group team held video and telephone conference meetings with component auditors. At these meetings, the findings reported to the Group team were discussed in more detail, and any further work required by the Group team was then performed by the component auditor.

5. We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Disclosures of emerging and principal risks and longer term viability

Based on the knowledge we acquired during our financial statements audit, we have nothing material to add or draw attention to in relation to:

- the directors' confirmation within the viability statement on page 63 that they have carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity;
- the Principal Risks disclosures describing these risks and explaining how they are being managed or mitigated;
- the directors' explanation in the viability statement on page 63 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Under the Listing Rules we are required to review the viability statement. We have nothing to report in this respect.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgments that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's longer-term viability.

Corporate governance disclosures

We are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our financial statements audit and the directors' statement that they consider that the Annual Report and consolidated financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy; or
- the section of the Annual Report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We are required to report to you if the Corporate Governance Statement does not properly disclose a departure from the provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report to you in these respects.

6. We have nothing to report on the other matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

- the Company has not kept proper accounting records; or
- the consolidated financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations, which to the best of our knowledge and belief are necessary for the purpose of our audit.

7. Respective responsibilities
Directors' responsibilities
As explained more fully in their statement set out on page 115, the directors are responsible for: the preparation of the consolidated financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

8. The purpose of this report and restrictions on its use by persons other than the Company's members as a body
This report is made solely to the Company's members, as a body, in accordance with section 262 of the Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Mick Davies
For and behalf of KPMG LLP
Chartered Accountants and Recognised Auditor
1 St Peter's Square
Manchester
M2 3AE

4 June 2020

Consolidated income statement
for the year ended 29 February 2020

	Notes	Year ended 29 February 2020 Underlying	Non-underlying (note 9)	Total	Year ended 28 February 2019 Underlying	Non-underlying (note 9)	Total
		£'000	£'000	£'000	£'000	£'000	£'000
Continuing operations							
Revenue	4	170,175	—	170,175	146,889	—	146,889
Other income	7	4,700	—	4,700	1,310	—	1,310
Operating expenses—other	8	(158,176)	(20,112)	(178,288)	(135,631)	(17,135)	(152,766)
Share of post-tax profits of associates and joint ventures	17	(657)	(9,108)	(9,765)	(1,740)	—	(1,740)
EBITDA		**16,042**	**(29,220)**	**(13,178)**	**10,828**	**(17,135)**	**(6,307)**
Loss on swaps	26	(300)	—	(300)	(353)	—	(353)
Depreciation	16	(22,723)	—	(22,723)	(16,305)	—	(16,305)
Amortisation	20	—	(7,456)	(7,456)	—	(3,938)	(3,938)
Impairment—other	9	—	(56,804)	(56,804)	—	(7,800)	(7,800)
Impairment—loan receivables from joint venture	9	—	(45,105)	(45,105)	—	—	—
Operating loss		**(6,981)**	**(138,585)**	**(145,566)**	**(5,830)**	**(28,873)**	**(34,703)**
Impairment of loan notes	12	(2,754)	—	(2,754)	(3,208)	—	(3,208)
Finance costs	12	(14,017)	—	(14,017)	(5,213)	—	(5,213)
Finance income	11	4,353	—	4,353	1,010	—	1,010
Loss before tax		**(19,399)**	**(138,585)**	**(157,984)**	**(13,241)**	**(28,873)**	**(42,114)**
Tax	13	2,559	5,831	8,390	(3,321)	2,791	(530)
Loss for the year from continuing operations		**(16,840)**	**(132,754)**	**(149,594)**	**(16,562)**	**(26,082)**	**(42,644)**
Discontinued operations							
Profit/(loss) from discontinued operations, net of tax	5			11,699			(15,535)
Loss for the year				**(137,895)**			**(58,179)**

	Notes	Year ended 29 February 2020 Underlying	Total	Year ended 28 February 2019 Underlying	Total
Loss per share expressed in pence per share—continuing operations					
Basic	14	(4.57)p	(40.56)p	(4.74)p	(12.19)p
Diluted	14	(4.57)p	(40.56)p	(4.74)p	(12.19)p
Loss per share expressed in pence per share—total					
Basic	14		(37.39)p		(16.64)p
Diluted	14		(37.39)p		(16.64)p

Consolidated statement of comprehensive income
for the year ended 29 February 2020

	Notes	Year ended 29 February 2020	Year ended 28 February 2019
		£'000	£'000
Loss for the year		**(137,895)**	**(58,179)**
Discontinued operations, net of tax, relating to exchange differences		(173)	2,041
Other comprehensive (expense)/income to be reclassified to profit or loss in subsequent years, net of tax		**(173)**	**2,041**
Remeasurement of defined benefit plan	27	(2,049)	(260)
Change in fair value of financial assets classified as fair value through other comprehensive income	18	(40,212)	(18,772)
Tax on items relating to components of other comprehensive income	13	348	45
Other comprehensive expense not being reclassified to profit or loss in subsequent years,net of tax		**(41,913)**	**(18,987)**
Other comprehensive expense for the year, net of tax		**(42,086)**	**(16,946)**
Total comprehensive expense for the year		**(179,981)**	**(75,125)**

Of the total comprehensive expense for the year, a loss of £191,507,000 (2019: £61,631,000) is in respect of continuing operations and a profit of £11,526,000 (2019: £13,494,000 loss) is in respect of discontinued operations.

Consolidated statement of financial position
as at 29 February 2020

	Notes	29 February 2020	28 February 2019
		£'000	£'000
Non-current assets			
Property, plant and equipment	16	306,584	262,915
Investment in associates and joint ventures	17	1,590	10,459
Other financial assets	18	4,776	44,918
Investment property	19	—	4,000
Intangible assets	20	54,669	100,482
Net investment in lease	32	13,247	—
Trade and other receivables	22	8,000	44,642
		388,866	**467,416**
Current assets			
Inventories	21	13,893	22,559
Trade and other receivables	22	40,167	41,271
Cash and cash equivalents	26	9,802	14,432
Assets held for sale	23	11,408	1,474
		75,270	**79,736**
Total assets		**464,136**	**547,152**
Non-current liabilities			
Loans and borrowings	26	(177,788)	(84,121)
Defined benefit pension obligation	27	(4,422)	(3,170)
Other liabilities	25	(9,687)	(11,096)
Deferred tax	28	(5,736)	(13,560)
Provisions	29	(24,346)	(25,775)
		(221,979)	**(137,722)**
Current liabilities			
Trade and other payables	24	(61,899)	(53,648)
Financial liabilities	26	(3,500)	—
Loans and borrowings	26	(15,780)	(13,433)
Exchangeable bonds[(1)]	26	(51,689)	—
Corporation tax	13	—	(12,412)
Provisions	29	(6,191)	(5,438)
Liabilities held for sale	23	—	(27,545)
		(139,059)	**(112,476)**
Total liabilities		**(361,038)**	**(250,198)**
Net assets		**103,098**	**296,954**
Capital and reserves			
Issued share capital	31	37,465	37,082
Share premium		324,368	324,379
Foreign currency exchange reserve		—	480
Reserve for own shares held by employee benefit trust		(7,161)	(12,154)
Retained deficit		(251,574)	(52,833)
Group shareholders' equity		**103,098**	**296,954**

The financial statements were approved and authorised for issue by the Board of Directors on 27 May 2020 and were signed on its behalf by:

David Shearer — Chairman
Warwick Brady — Director

(1) In accordance with IAS 1 it is necessary for the secured guaranteed exchangeable bonds (Bonds), issued on 3 May 2019, to be presented as a current liability because the Group does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting period. The bondholders have an unconditional right to require the Group to settle the Bonds by giving the bondholders shares in Eddie Stobart Logistics plc (ESL) at any time. The Group has no obligation to settle the Bonds in cash within 12 months of the balance sheet date.

Consolidated statement of changes in equity
for the year ended 29 February 2020

For the year ended 29 February 2020

	Notes	Issued share capital	Share premium	Foreign currency exchange reserve	Reserve for own shares held by EBT	Retained deficit	Total equity
		£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 March 2019		37,082	324,379	480	(12,154)	(52,833)	296,954
IFRS 16 transition adjustment, net of tax	1	—	—	—	—	(2,846)	(2,846)
Balance at 1 March 2019 (adjusted)		37,082	324,379	480	(12,154)	(55,679)	294,108
Loss for the year		—	—	—	—	(137,895)	(137,895)
Other comprehensive expense for the year		—	—	(173)	—	(41,913)	(42,086)
Total comprehensive expense for the year		—	—	(173)	—	(179,808)	(179,981)
Issue of ordinary shares	31	383	(11)	—	—	(382)	(10)
Employee benefit trust	5	—	—	—	4,993	(4,937)	56
Removal of foreign exchange reserve on disposal of subsidiary		—	—	(307)	—	—	(307)
Share-based payment credit	30	—	—	—	—	1,271	1,271
Tax on share-based payment credit		—	—	—	—	(914)	(914)
Dividends	15	—	—	—	—	(11,125)	(11,125)
Balance at 29 February 2020		**37,465**	**324,368**	**—**	**(7,161)**	**(251,574)**	**103,098**

Consolidated statement of changes in equity
for the year ended 29 February 2020 (Continued)

For the year ended 28 February 2019

	Notes	Issued share capital	Share premium	Foreign currency exchange reserve	Reserve for own shares held by EBT	Retained earnings/ (deficit)	Total equity
		£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 March 2018		35,434	301,326	(1,884)	(330)	71,374	405,920
IFRS 15 transition adjustment, net of tax		—	—	—	—	(3,278)	(3,278)
Balance at 1 March 2018 (adjusted)		35,434	301,326	(1,884)	(330)	68,096	402,642
Loss for the year		—	—	—	—	(58,179)	(58,179)
Other comprehensive income/(expense) for the year		—	—	2,041	—	(18,987)	(16,946)
Total comprehensive income/(expense) for the year		—	—	2,041	—	(77,166)	(75,125)
Issue of ordinary shares		1,648	23,053	—	—	—	24,701
Employee benefit trust		—	—	—	(11,824)	12,380	556
Reclassification of exchange differences on disposal of subsidiaries	5	—	—	323	—	—	323
Share-based payment credit	30	—	—	—	—	714	714
Tax on share-based payment credit		—	—	—	—	(925)	(925)
Purchase of treasury shares	31	—	—	—	—	(3,416)	(3,416)
Dividends	15	—	—	—	—	(52,516)	(52,516)
Balance at 28 February 2019		**37,082**	**324,379**	**480**	**(12,154)**	**(52,833)**	**296,954**

Consolidated statement of cash flows
for the year ended 29 February 2020

	Notes	Year ended 29 February 2020	Year ended 28 February 2019
		£'000	£'000
Cash used in continuing operations	35	**(16,210)**	**(1,737)**
Cash outflow from discontinued operations	5	(6,011)	(11,059)
Income taxes paid		—	—
Net cash outflow from operating activities		**(22,221)**	**(12,796)**
Purchase of property, plant and equipment and investment property		(14,570)	(23,731)
Purchase/development of property inventories		—	(1,282)
Proceeds from the sale of property inventories		226	—
Proceeds from the sale of property, plant and equipment		5,049	8,501
Proceeds from the sale of investment property		2,111	—
Proceeds from disposal of assets held for sale		—	6,217
Proceeds from sale and leaseback (net of costs)		(62)	30,049
Receipt of capital element of IFRS 16 net investment in lease	32	761	—
Cash disposed on sale of subsidiary undertaking	5	(1,729)	(3,728)
Equity investment in associates and joint ventures	17	(2,667)	(1,500)
Acquisition of other investments	18	(70)	—
Net amounts advanced to joint ventures	36	(2,114)	(143)
Interest received	11	999	57
Cash inflow/(outflow) from discontinued operations	5	2,315	(4,577)
Net cash (outflow)/inflow from investing activities		**(9,751)**	**9,863**
Dividend paid on ordinary shares	15	(11,125)	(52,516)
Issue of ordinary shares (net of issue costs)	31	(12)	24,702
Purchase of treasury shares (net of costs)	31	—	(3,416)
Proceeds from issue of exchangeable bond (net of costs)	26	51,305	—
(Repayment of)/proceeds from grants	25	(834)	5,400
Principal element of lease payments	26	(20,783)	(14,382)
Net draw down from revolving credit facility	26	16,996	17,572
Interest paid	12	(8,205)	(3,103)
Net cash inflow/(outflow) from financing activities		**27,342**	**(25,743)**
Decrease in cash and cash equivalents		(4,630)	(28,676)
Cash and cash equivalents at beginning of year		14,432	43,108
Cash and cash equivalents at end of year		**9,802**	**14,432**

1 Accounting policies of Stobart Group Limited

Basis of preparation and statement of compliance

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

These Group financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs and IFRIC interpretations) as adopted by the European Union (adopted IFRSs).

The financial statements of the Group are also prepared in accordance with the Companies (Guernsey) Law 2008.

Stobart Group Limited is a Guernsey-registered company. The Company's ordinary shares are traded on the London Stock Exchange.

Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: financial assets held at fair value through other comprehensive income (FVOCI), derivative financial instruments and investment property. Non-current assets and assets held for sale are stated at the lower of previous carrying amount and fair value less costs to sell.

Going concern

The Group's business activities, together with factors likely to affect its future performance and position, are set out in the Chief Executive's Review on pages 22 to 23 and the financial position of the Group, its cash flows and funding are set out in the Financial Review on pages 64 to 67.

Note 26 of the financial statements includes details of the Group's loans and borrowings at the year end together with the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and its exposure to credit risk and liquidity risk. After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis. However, there is a material uncertainty in respect of this going concern assumption and the Directors have exercised a high degree of judgement in concluding that the Group remains a going concern.

In arriving at this expectation, the Directors have reviewed the cash flow forecasts together with the projected covenant compliance of the Group, which cover a period up to February 2022.

The Group, which has net assets of £103.1m and negative working capital of £63.8m, made a loss from continuing operations of £149.6m and had an operating cash outflow from continuing operations of £16.2m during the year. The Group has a revolving credit facility of £80.0m, which was drawn at £75.0m at 29 February 2020. The Group has cash balances of £9.8m and this, together with the undrawn facility, results in available headroom of £14.8m as at 29 February 2020. Subsequent to year end this fell to a low of £6.7m with the Directors tightly managing cash, during the post year end period.

During the year, the Group suspended its dividend to avoid increasing debt to fund shareholder returns. In addition, the Group has reviewed its discretionary capital expenditure programme during the year, which has resulted in the rephasing of the original one-year capital expenditure plan to February 2021 over the extended period ending February 2022, recognising what is in effect a one year delay to the Group's growth and investment plans driven by COVID-19. These actions are wholly in the control of the Directors.

The Group intends to announce its intention to raise gross proceeds of approximately £80 million by way of a Firm Placing and Placing and Open Offer (Capital Raise) that will be conditional upon, among other things, the approval of shareholders at a general meeting of the Company which will take place on 25 June 2020, and funds are expected by 30 June 2020. A combined prospectus and

1 Accounting policies of Stobart Group Limited (Continued)

circular to shareholders containing additional details on the Capital Raise is intended to be published on 5 June 2020 (Prospectus). Furthermore, on 4 June 2020, current bank lenders agreed to fund an additional £40m revolving credit facility (RCF), of which £10 million is available to be drawn down, conditional upon successful completion of the institutional bookbuild in respect of the Capital Raise, to fund the Group prior to receipt of the Capital Raise net proceeds. This £10 million is repayable if the Capital Raise does not raise net proceeds of £70 million by 29 June 2020, or the date at which this is known if earlier. Draw down from the remainder of the new RCF facility is conditional upon shareholder approval of the Capital Raise. If shareholder approval is not received, or net proceeds do not exceed £70m, alternative additional funding would be required in the short term the source of which is uncertain.

As a result of the new RCF, it has been necessary to renegotiate the existing RCF terms and has resulted in an increased cost of borrowing, made up of both arrangement fees and increased drawn and undrawn interest rates and revised / rebased certain covenants. The terms are now aligned for both the new and amended RCF. The new RCF will run concurrently with the amended RCF and both expire in January 2022. The Directors, in forming their going concern conclusion, are confident that the RCF will be successfully renewed prior to or in January 2022 and provide at least £80m of facilities. Should this not occur the Group will need to find alternative funding or other mitigating actions from January 2022.

The Directors have prepared base forecasts through to February 2022, together with sensitivity analysis on those forecasts, including a severe but plausible downside set of assumptions around the COVID-19 recovery for the Group whilst recognising the different recovery periods likely to be seen given the nature of the different divisions. The Directors consider the Energy division will recover first, with Aviation division likely to see a slower recovery as both airlines and passengers adapt to the post COVID-19 environment. In particular, and for the purposes of this going concern analysis only, the base case assumes no passenger related revenue generated from London Southend Airport until the end of September 2020, and reduced capacity to 65% at most energy plants supplied due to reduction in waste wood supply and whilst work in the construction sector has been suspended to the end of June 2020, with recovery expected through July to September 2020. It is the intention of the Directors for the timing that planned future asset disposals will be managed carefully as to not rely on those disposals to fund the business requirements, allowing time to realise the best value for shareholders.

The severe but plausible sensitised case assumes the Aviation division has no passenger flights until the end of December 2020 with a phased recovery over 12 months from January 2021, the Energy division revenue decreases further, and certain asset realisations do not occur.

The base case forecasts indicate that, assuming an amount in excess of £70m (net proceeds) is raised in the Capital Raise, the Group will have sufficient funds to meet its liabilities for the period covered by the forecasts. However, the sensitised forecasts indicate that, before non-controllable mitigating actions such as asset disposals, the group may require additional funding toward the end of the forecast period. The amount of additional funding that may be required in the downside scenario increases the greater the shortfall against operational forecasts.

With the new and amended RCF facility and assuming the successful completion of the Capital Raise to raise at least £70m (net proceeds) of cash, the Directors are satisfied that the Group has adequate resources to fund its cash requirements for the foreseeable future. The base and sensitised forecasts indicate that the Group will continue to operate within the newly negotiated covenant requirements of the RCF in the forecast period.

However, the directors consider the successful completion of the Capital Raise and substantial achievement of forecasts, together with the other matters referred to above represent a material uncertainty that may cast significant doubt on the ability of the group and company to continue as a going concern and, therefore, to continue realising its assets and discharging its liabilities in the normal course of business. The going concern basis has been adopted and the financial statements do not include any adjustments that would be necessary if this basis were inappropriate.

1 Accounting policies of Stobart Group Limited (Continued)

Significant accounting policies

Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year except as follows:

(a) ***New standards, amendments to existing standards and interpretations to existing standards adopted by the Group***

Amendments arising from the Annual Improvement Project 2015–2017 were endorsed by the EU for periods commencing on or after 1 January 2019. There were separate transitional provisions for each amendment. The adoption of the amendments did not have any material impact on the financial position or performance of the Group.

Amendments to IAS 19 do not have a material effect on the defined benefit obligation disclosures, due to scheme rules giving the Group an unconditional right to a refund if the scheme is in surplus. For details of the IFRIC 14 impact in relation to a defined benefit pension scheme surplus, refer to note 27.

The Group has also considered the following amendments that are effective in this financial year and concluded that they do not have a material impact on the financial position or performance of the Group:

- Amendments to IAS 28: Long-term Interest in Associates and Joint Ventures
- IFRIC 23: Uncertainty over Income Tax Treatments

The Group adopted IFRS 16 Leases on 1 March 2019, which resulted in right-of-use assets of £60.9m, a net investment of £14.0m, liabilities of £78.2m and £2.8m adjustment to equity being recognised in the consolidated statement of financial position. The right-of-use assets recognised on transition were adjusted for any prepaid or accrued lease expenses. The lease liability was calculated as the future lease repayments, discounted at the incremental borrowing rate. The weighted average incremental borrowing rate applied on transition was 4.2%. The Group has a sub-lease on one of its properties and has recognised a net investment for this particular property, with the difference between the leases as lessee and lessor taken directly to retained earnings.

The Group applied the modified retrospective approach and as such the comparative periods have not been restated. The Group has applied the ongoing recognition exemptions for short-term leases and low value leases (less than £5,000) and applied the following practical expedients on transition:

- reliance on previous identification of a lease (as provided by IAS 17) for all contracts that existed on 1 March 2019;
- reliance on previous assessments on whether leases are onerous instead of performing an impairment review;
- accounting for operating leases with a remaining term of less than 12 months from 1 March 2019 as short-term leases;
- exclusion of initial direct costs from the measurement of the right-of-use asset at 1 March 2019; and
- use of hindsight in determining the lease term where there is the option to extend the lease.

1 Accounting policies of Stobart Group Limited (Continued)

A reconciliation between operating lease commitments as lessee under IAS 17 and finance lease liability recognised under IFRS 16 is outlined in the following table:

	£'000
Operating lease commitments disclosed at 28 February 2019	**139,679**
Impact of discounting	(71,627)
IFRS 16 lease liabilities not recognised in prior year operating lease commitments	6,538
Increases in minimum lease commitment	3,926
Recognition exemption as less than 12 months of lease term remaining at transition	(286)
IFRS 16 liability recognised at 1 March 2019	**78,230**

In addition to the above operating lease commitments, Propius Holdings Limited, presented with assets held for sale, had commitments of £94,064,000 as at 28 February 2019.

(b) *New standards and interpretations not applied*

The following standards and amendments have an effective date after the date of these financial statements:

	Effective for accounting periods commencing on or after	Proposed adoption in the year ending
Amendments to IFRS 3 Business Combinations	1 January 2020	28 February 2021
Amendments to References to Conceptual Framework in IFRS Standards	1 January 2020	28 February 2021
Definition of a Business (Amendments to IFRS 3)	1 January 2020	28 February 2021
Definition of Material (Amendments to IAS 1 and IAS 8)	1 January 2020	28 February 2021

The adoption of these standards and amendments is not expected to have a material effect on the net assets, results and disclosures of the Group.

Summary of significant accounting policies

Revenue

Stobart Aviation provides some of its services under contracts and others relate to the sale of goods. Revenue is recognised in the consolidated income statement in the accounting period in which the services are rendered. It is recognised at the fair value of the consideration received or receivable, net of VAT. The principal sources of revenue within the Aviation division are aeronautical income, jet fuel sales, retail and concession income, hotel income, surface access income and ground handling services.

A receivable is recognised when the services are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Any marketing contributions paid to airlines under contractual agreements are separately disclosed, not netted against revenue, as the marketing contributions arise from a separate transaction that is not linked to the revenue generated.

Revenue from Stobart Energy mainly relates to gate fee income, in relation to waste wood taken, and delivery of processed material to biomass power plants. Gate receipts are not contracted, and revenue received is recognised on receipt of waste material as this is the point in time that the consideration is unconditional. The majority of revenue from the supply of processed material is contracted. These contracts detail the specification of material required, annual tonnages required and the price per tonne. Revenue is recognised on delivery as this is the point in time that the consideration is unconditional.

1 Accounting policies of Stobart Group Limited (Continued)

Within certain fuel supply agreements there are 'take or pay' provisions where revenue can be recognised on material not taken by plants. This revenue is recognised at a point in time in line with specific contractual provisions. During the year, the tonnages delivered under each contract are reviewed to ensure that contracted tonnages will be met. As soon as there is reason to believe contract tonnages will not be met, a contract liability is provided to reduce the revenue recognised to date.

Stobart Rail & Civils recognises revenue based on the specification within the contract and the input method is used to measure progress of delivery. If a modification to the contract occurs, the specifics of the modification are assessed as to whether it represents a separate performance obligation or if it is a modification to the existing contract. Consideration is given to ensure that recognition of a contract modification is only recognised as revenue when either it has been approved or it is considered legally enforceable. Revenue is only recognised on a contract if it is highly probable not to result in a significant reversal of revenue in future periods.

Stobart Investments revenue relates to dividend income. This revenue is recognised on receipt of dividend as that is the point in time that the consideration is unconditional.

Revenue from Stobart Non-Strategic Infrastructure relates to rental income under contracts. Revenue is recognised in the consolidated income statement at the contractual rental income over the term of the lease, as these charges represent the service provided.

The Group generates royalty revenue from the licence of its trademarks and designs. Revenue is recognised in the consolidated income statement over the agreement period.

Revenue is analysed by segment in note 3.

Presentation of consolidated income statement

The presentation of the consolidated income statement shows the underlying results and non-underlying results in separate columns. Non-underlying items are income and expenses, which because of their nature, infrequency or occurrence, or the events giving rise to them, merit separate presentation to allow shareholders to better understand the financial performance for the period. Non-underlying items includes the Group's share of non-underlying profits of joint ventures. Underlying operating loss and underlying loss before tax are non-GAAP measures which comprise operating loss and loss before tax respectively before non-underlying items. The columnar format is considered to be the clearest method of presentation of this information.

Non-GAAP measures are used as they are considered to be both useful and necessary. They are used for internal performance analysis; the presentation of these measures facilitates comparability with other companies, although management's measures may not be calculated in the same way as similarly titled measures reported by other companies.

Functional and presentation currency

The Group's functional and presentational currency is GBP.

Basis of consolidation

Where the Company has the power, either directly or indirectly, to control the relevant activities of another entity or business, has exposure, or rights, to variable returns from its involvement with the entity, and has the ability to use its power over the entity to affect the amount of the returns to the Company, it is classified as a subsidiary. The consolidated financial statements present the results of Stobart Group Limited and its subsidiaries (the Group) as if they formed a single entity. Intercompany transactions and balances between Group companies are therefore eliminated in full.

1 Accounting policies of Stobart Group Limited (Continued)

Discontinued operations and business disposals

A subsidiary is derecognised when the Group no longer has control. A profit on disposal is recognised in the consolidated income statement, calculated as proceeds less net assets disposed and disposal costs incurred.

The post-tax results of discontinued operations along with any gain or loss recognised on the measurement to fair value less costs to sell or on the disposal of the assets or disposal groups constituting the discontinued operation are disclosed as a single amount in the consolidated income statement. The comparative period results are restated accordingly. Further analysis of the results and cash flows from discontinued operations is set out in note 5.

Business combinations (from 1 March 2010)

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition-date fair value, and the amount of any non-controlling interest in the acquiree. Acquisition costs are expensed and included in transaction costs which are reported below underlying profit.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. Any contingent consideration payable to be transferred by the acquirer is recognised at fair value at the acquisition date.

Goodwill is initially measured at cost, being the excess of the aggregate of the acquisition-date fair value of the consideration transferred and the amount recognised for the non-controlling interest (and where the business combination is achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree) over the net identifiable amounts of the assets acquired and the liabilities assumed in exchange for the business combination.

Identifiable intangible assets, meeting either the contractual-legal or separability criterion, are recognised separately from goodwill.

Contingent liabilities representing a present obligation are recognised if the acquisition-date fair value can be measured reliably.

If the aggregate of the acquisition-date fair value of the consideration transferred (and where the business combination is achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree) is lower than the fair value of the assets, liabilities and contingent liabilities, and the fair value of any pre-existing interest held in the business acquired, the difference is recognised in non-underlying items in the consolidated income statement.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (CGUs) (or groups of CGUs) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Each unit or group of units to which goodwill is allocated shall represent the lowest level within the entity at which goodwill is monitored for internal management purposes and shall not be larger than an operating segment before aggregation.

Business combinations (prior to 1 March 2010)

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The minority interest is accounted for using the Parent-entity extension method, whereby the difference between the consideration paid and the book value of the share in net assets acquired is recognised as goodwill.

Goodwill was initially measured at cost, being the excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Where the net fair value of the acquired entity's identifiable assets, liabilities and contingent liabilities

1 Accounting policies of Stobart Group Limited (Continued)

was greater than the cost of investment, the difference was recognised in the consolidated income statement.

Goodwill

Goodwill represents the excess of the cost of a business combination over the interest in the fair value of identifiable assets, liabilities and contingent liabilities acquired. Cost comprises the fair values of assets given, liabilities incurred and equity instruments issued.

Goodwill is capitalised as an intangible asset with any impairment in carrying value being charged to the consolidated income statement. Where the fair value of identifiable assets, liabilities and contingent liabilities exceeds the fair value of consideration paid, the excess is credited in full to the consolidated income statement.

Impairment of non-financial assets (excluding investment properties and deferred tax assets)

Impairment tests of goodwill and intangible assets with indefinite useful lives are undertaken at least annually at the financial year end and also if there are indicators of impairment. Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value-in-use and fair value less costs to sell), the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's CGU (i.e. the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows). Goodwill is allocated on initial recognition to each of the Group's CGUs that are expected to benefit from the synergies of the combination giving rise to the goodwill.

Impairment charges are included in the consolidated income statement, except to the extent they reverse gains previously recognised in the consolidated statement of other comprehensive income. Impairment losses, except losses relating to goodwill, can be reversed in certain circumstances.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated income statement unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Cash and cash equivalents

Cash and cash equivalents are defined as cash in hand, demand deposits and highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

Financial instruments

The Group uses derivative financial instruments such as fuel and currency swaps to mitigate the risk of fuel price and currency fluctuations. Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value at each reporting date. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

1 Accounting policies of Stobart Group Limited (Continued)

Forward contracts are entered into by the Group to purchase and/or sell biomass-related products and management judges that these forward commodity contracts are entered into for the Group's 'own use' rather than as trading instruments. They continue to be held in accordance with the Group's expected purchase, sale and/or usage requirements. Accordingly, these contracts are not accounted for as derivatives or other financial instruments.

Foreign currency

Transactions entered into by Group entities in a currency other than the currency of the primary economic environment in which they operate (their 'functional currency') are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the consolidated statement of financial position date.

Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in the consolidated income statement.

The assets and liabilities of foreign operations are translated into GBP at the rate of exchange prevailing at the statement of financial position date. The income statements are translated at the average rate. The exchange differences arising on the translation are taken directly to a separate component of equity.

Financial assets

Financial assets are classified at initial recognition and subsequently measured at amortised cost, FVOCI or fair value through profit or loss. The classification of financial assets is determined by the contractual cash flows and where applicable the business model for managing the financial assets.

A financial asset is measured at amortised cost, if the objective of the business model is to hold the financial asset in order to collect contractual cash flows and the contractual terms give rise to cash flows that are solely payments of principal and interest. It is initially recognised at fair value plus or minus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, the financial asset is measured using the effective interest method less any impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

All equity instruments and other debt instruments are recognised at fair value. For equity instruments, on initial recognition, an irrevocable election (on an instrument-by-instrument basis) can be made to designate these as at FVOCI instead of fair value through profit and loss. Dividends received on equity instruments are recognised in profit or loss when the right of payment has been established.

Financial liabilities

Financial liabilities are measured at amortised cost, unless they are required to be measured at fair value through profit or loss, such as instruments held for trading, derivatives or the Group has opted to measure them at fair value through profit or loss. Debt and trade payables are recognised initially at fair value based on amounts exchanged, net of transaction costs, and subsequently at amortised cost. Interest expense on debt is accounted for using the effective interest method, and other than interest capitalised, is recognised in profit or loss.

For convertible debt, the host contract is accounted for at amortised cost and the embedded derivative is separated from the host and accounted for at fair value through profit or loss.

Share capital

Financial instruments issued by the Group are treated as equity only to the extent that they do not meet the definition of a financial liability. The Group's ordinary shares are classified as equity instruments.

1 Accounting policies of Stobart Group Limited (Continued)

Own shares held by the employee benefit trust

Stobart Group Limited shares held by the employee benefit trust are designated as own shares held, classified in shareholders' equity and recognised at cost. Consideration received for the sale of such shares is also recognised in equity, with any difference between the proceeds from sale and original cost taken to retained earnings.

Treasury shares

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity.

When share capital held in treasury is subsequently disposed of, the proceeds of sale, net of any directly attributable costs, are recognised as an addition to equity.

Pension arrangements and other post-employment benefits The Group has pension schemes of both a defined benefit and defined contribution nature. The Group's defined benefit pension liability, which is assessed each period by actuaries, is based on key assumptions including return on plan assets, discount rates, mortality rates, inflation, and future salary and pension costs. These assumptions, individually or collectively, may be different to actual outcomes. Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in note 27.

The liability in respect of defined benefit schemes is the present value of the relevant defined benefit obligation at the consolidated statement of financial position date less the fair value of scheme assets. The trustees commission a full actuarial valuation triennially and the present value of the obligation is updated annually by external professional actuaries using the projected unit method for financial reporting purposes. The present value of the obligation is determined by the estimated future cash outflows using interest rates of high-quality corporate bonds which have terms to maturity approximating to the terms of the related liability. The current service cost, and gains and losses on settlements and curtailments, are recognised in operating costs in the consolidated income statement.

The Group determines the net interest expense/(income) on the net defined benefit liability/(asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability/(asset), taking into account any changes in the net defined benefit liability/ (asset) during the period as a result of contributions and benefit payments. Net interest expense/(income) and other expenses related to defined benefit plans are recognised in the consolidated income statement. Remeasurements of the net defined benefit liability,which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in the consolidated statement of comprehensive income.

For defined contribution schemes, costs are charged to the consolidated income statement as they accrue.

Share-based payments

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is normally charged to the consolidated income statement over the vesting period. If the vesting conditions are directly related to a capital asset then the charge is debited to the cost of the related asset.

Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each consolidated statement of financial position date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted.

1 Accounting policies of Stobart Group Limited (Continued)

As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

At each reporting period end before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions and of the number of equity instruments that will ultimately vest or, in the case of an instrument subject to a market condition, be treated as vesting as described above. The movement in cumulative expense since the previous statement of financial position date is recognised in the consolidated income statement, with a corresponding entry in equity.

The Group has share-based Long-Term Incentive Plans which are accounted for as set out above.

Where the Group issues share options as consideration for services received, the share-based payment charge reflects the difference between the fair value of services received and the consideration paid for the services and is charged to the consolidated income statement at the point in time when services are received.

Where cash-settled share-based payment arrangements are awarded to employees, the liability is assessed at each reporting period end and any change in the liability is recognised in the consolidated income statement.

For schemes that are part settled in cash and part settled with equity the respective parts of the scheme are treated as outlined above.

Leased assets (from 1 March 2019)

A lease liability is recognised in the statement of financial position at the present value of the future minimum lease payments, discounted at the incremental borrowing rate, along with a corresponding right-of-use asset. The interest element of the lease liability is charged to the consolidated income statement over the period of the lease.

Right-of-use assets are depreciated over the period of the lease and the depreciation is charged to the consolidated income statement. Where the lease is short term or the asset is of low value (less than £5,000) the lease payments are charged to the consolidated income statement. Any variable payments above the future minimum lease payments are charged to the consolidated income statement.

The Group has a sub-lease in place for one of its property assets. A net investment is recognised at the present value of the future minimum lease payments receivable, discounted at the incremental borrowing rate of the head-lease.

Leased assets (prior to 1 March 2019)

Leases in which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Assets held under finance leases are recorded in the consolidated statement of financial position as tangible assets, initially at fair value or, if lower, at the present value of the minimum lease payments and depreciated over the shorter of their estimated useful lives or the lease term as detailed in the depreciation policy below. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the consolidated income statement over the period of the lease.

Where substantially all of the risks and rewards incidental to ownership are not transferred to the Group (an 'operating lease'), the total rentals payable under the lease are charged to the consolidated income statement on a straight-line basis over the lease term. The aggregate benefit of lease incentives is recognised as a reduction of the rental expense over the lease term on a straight-line basis. The land and buildings elements of property leases are considered separately for the purposes of lease classification. Where the use of an asset is provided or obtained in exchange for payment, consideration is given as to whether in substance this is a lease.

1 Accounting policies of Stobart Group Limited (Continued)

Sale and leaseback (prior to 1 March 2019)

A sale and leaseback transaction is one where the Group sells an asset and immediately reacquires the use of the asset by entering into a lease with the buyer.

For sale and finance leasebacks, any profit from the sale is deferred and amortised over the lease term. For sale and operating leasebacks, the profit or loss from the sale is recognised immediately in the consolidated income statement if the transaction is established at fair value, or if below fair value with no compensating below market future lease payments. If the sale price is above fair value, the excess over fair value is deferred and amortised over the lease term.

Externally acquired intangible assets (excluding goodwill) Externally acquired intangible assets are initially recognised at cost and are subsequently amortised on a straight-line basis over their useful lives. The amortisation expense is included as 'amortisation of acquired intangibles' and is included in non-underlying items in the consolidated income statement.

Intangible assets are recognised on business combinations if they are separable from the acquired entity or give rise to other contractual/legal rights. The amounts ascribed to such intangibles are arrived at by using appropriate valuation techniques (see section related to significant accounting estimates, judgements and assumptions below).

The significant intangible assets recognised by the Group and their useful economic lives are as follows:

Intangible asset	Useful life
Brands	Term of licence agreement or indefinite
Customer contracts and related relationships	Term of contract

Where there is no foreseeable limit to the period over which a brand is expected to generate cash flows for the Group, it will be considered to have an indefinite life.

Current taxation

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the consolidated statement of financial position date. The Group is subject to corporate taxes in the UK and Ireland jurisdictions, and judgement is required in determining the appropriate provision for transactions where the ultimate tax determination is uncertain. In such circumstances, the Group recognises liabilities for anticipated taxes based on the information available and where the anticipated liability is estimable. Where the final outcome of such matters differs from the amount recorded, any differences may impact the current tax and deferred tax provisions in the period in which the final determination is made. Liabilities are classified as current.

A current tax provision is recognised when the Group has a present obligation as a result of a past event and it is probable that the Group will be required to settle that obligation. Tax provisions are based on management's interpretation of tax law and the likelihood of settlement. The Directors use in-house tax experts, professional firms and previous experience when assessing tax risks.

Deferred taxation

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the consolidated statement of financial position differs from its tax base, except for differences arising on:

- the initial recognition of goodwill;
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit; and

1 Accounting policies of Stobart Group Limited (Continued)

- investments in subsidiaries and jointly controlled entities where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the consolidated statement of financial position date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered).

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:

- the same taxable Group company; or
- different Group entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. Where the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, it is credited to deferred income and released to the consolidated income statement to match the depreciation of the related asset.

Provisions

A provision is recognised in the consolidated statement of financial position when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

Dividends

Dividends are recognised when they become legally payable. In the case of interim dividends to equity shareholders, this is when paid. In the case of final dividends, this is when approved by the shareholders at the AGM.

Property, plant and equipment

Freehold land and buildings, and plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment in value. Depreciation is provided on items of property, plant and equipment, other than land and assets under construction, to write off to their residual value the carrying value of items over their expected useful lives. Assets under construction are not depreciated until they are in the location and condition necessary for them to be capable of operating in the manner intended. Right-of-use assets are depreciated over the term of the lease. Useful lives and residual values are reconsidered on an annual basis.

1 Accounting policies of Stobart Group Limited (Continued)

Depreciation is applied at the following rates:

Buildings	2% per annum straight line
Modular buildings	3%–10% per annum straight line
Plant and machinery	10%–20% per annum straight line
Commercial vehicles	5%–33% per annum straight line
Fixtures, fittings and equipment	10%–33% per annum straight line

An item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in the consolidated income statement in the period the asset is derecognised.

Borrowing costs attributable to qualifying assets are capitalised.

Investment properties

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that the cost is incurred if the recognition criteria are met and excludes the cost of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the consolidated statement of financial position date. Gains or losses arising from changes in the fair values of investment properties are included in the consolidated income statement in the period in which they arise. The fair value of the investment property portfolio is based on a valuation by an independent valuer who holds a recognised and relevant professional qualification and who has recent experience in the location and category of the investment property. Investment properties acquired as part of a business combination are recognised initially at fair value and exclude transaction costs.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the consolidated income statement in the period of retirement or disposal.

Investment properties are reclassified as assets held for sale from commencement of marketing for disposal, provided that the Directors believe it is highly probable that they will be sold within a period of 12 months.

Self-constructed assets

The cost of a self-constructed asset is determined using the same principles as for an acquired asset. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Costs include employee benefits, site preparation, delivery and handling, installation and assembly, testing and professional fees. For assets made for sale or similar to those made for sale then the cost is the same as the cost of constructing an asset for sale including fixed and variable overheads which are considered directly attributable. Internal net profits are eliminated in arriving at such costs.

Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale.

1 Accounting policies of Stobart Group Limited (Continued)

Inventories include property assets which are held for development and/or disposal, to the extent that they are not used in the Group's operations or held for investment purposes. The net realisable value of these property inventory assets is determined by assessment of fair value less costs to sell, using a similar method to that used in impairment workings, except for the cash flows not being discounted.

Non-current assets held for sale and disposal groups

Non-current assets are classified as held for sale when:

- they are available for immediate sale;
- management is committed to a plan to sell;
- it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn;
- an active programme to locate a buyer has been initiated;
- the asset or disposal group is being marketed at a reasonable price in relation to its fair value; and
- it is highly probable that a sale is expected to complete within 12 months from the date of classification (or an extended period if the delay is caused by circumstances beyond the entity's control but the Group remains committed to the plan to sell the asset).

Non-current assets classified as held for sale are measured at the lower of their carrying amount immediately prior to being classified as held for sale in accordance with the Group's accounting policy and fair value less costs to sell. Following their classification as held for sale, non-current assets are not depreciated.

The results of operations disposed of during the prior year are included in the consolidated income statement up to the date of disposal.

Associates

The Group's investments in its associates are accounted for using the equity method of accounting unless the investment is classified as held for sale. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture.

Under the equity method, the equity investment in the associate is carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is not amortised. Loans to associates, where the settlement is planned or expected to be repaid in the foreseeable future, do not form part of the equity investment and are included in other receivables or non-current amounts owed by associates and joint ventures according to the expected repayment terms.

The consolidated income statement reflects the share of the results of operations of the associate, but the loss is limited to the equity investment made, plus any loans which form part of the net investment in the associate, unless the Group has incurred legal or constructive obligations or made payments on behalf of the associate. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity and the statement of other comprehensive income. The Group's share of profits and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates. The Group determines at each consolidated statement of financial position date whether there is any objective evidence that the investment in the associate is impaired. If this is the case and there is a resulting impairment, the amount is recognised in the consolidated income statement.

1 Accounting policies of Stobart Group Limited (Continued)

Joint ventures

Investments in joint ventures, which are jointly controlled entities, are included in the financial statements using the equity method of accounting unless the investment is classified as held for sale.

Under the equity method, the equity interest in the joint venture is initially recorded at cost and adjusted thereafter for the post- acquisition change in the Group's share of net assets of the joint venture but any loss is limited to the equity investment made, unless the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture. Goodwill relating to the joint venture is included in the carrying amount of the investment and is not amortised. Loans to joint ventures, where the settlement is planned or expected to be repaid in the foreseeable future, do not form part of the equity investment and are included in other receivables or non-current amounts owed by associates and joint ventures according to the expected repayment terms. These loans are recognised at fair value with any difference being recognised against the cost of investment.

The consolidated income statement reflects the share of the results of operations of the joint venture, but the loss is limited to the equity investment made, plus any loans which form part of the net investment in the joint venture, unless the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture. Where there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity and the statement of other comprehensive income. Profits and losses resulting from transactions between the Group and the joint ventures are eliminated to the extent of the interest in the joint venture, unless the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its joint ventures. The Group determines at each consolidated statement of financial position date whether there is any objective evidence that the investment in the joint venture is impaired. If this is the case and there is a resulting impairment, the amount is recognised in the consolidated income statement.

Aircraft maintenance reserves

Under certain lease arrangements in Propius Holdings Limited, presented as held for sale in the prior year and disposed of on 8 November 2019, the Group is responsible for major overhaul aircraft maintenance costs. The estimated cost of major airframe and engine maintenance checks are provided for over the shorter of the period to the next check or the remaining life of the lease.

2 Summary of significant accounting judgements and estimates

The Group makes judgements and estimates in preparing the financial statements. Judgements and estimates are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these judgements and estimates. The judgements and estimates that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Judgements

(a) Going concern

The accounts have been prepared on the going concern basis. This treatment is based on judgements including the performance of the business, the forecast cash flows for the foreseeable future, the capital requirements of the Group and the funding options available.

(b) Contingent liabilities

Contingent liabilities require significant judgement in determining which potential future liabilities are classified as having more than remote and less than probable likelihood that the Group will suffer an

2 Summary of significant accounting judgements and estimates (Continued)

economic out flow of resource. Guarantees provided by the Group have been reviewed based on the fact patterns at the year end and the likelihood of an economic out flow occurring in the future.

Specifically, consideration has been given to the financial position of the Connect Airways Limited joint venture and whether guarantees, as outlined in note 33 in relation to Stobart Air and Propius, entities owned by Connect Airways, were considered probable to be called at the year end date. As part of this judgement assessment the Directors considered the financial position of the Connect Airways joint venture and the trading performance of Stobart Air. The Directors noted that additional funding was injected by all shareholders on 27 February 2020 and the intention at that time was to continue to finance and support Connect Airways. The Directors believe that it was not until after the year end that a decision was made by the joint venture partners to discontinue that support such that further funding would not be provided. Given this fact pattern, the likelihood of cash outflows in respect of these guarantees was not considered probable at 29 February 2020.

(c) Treatment of brand licence

The accounting treatment of the licence of certain trademarks and designs to an external party is based on judgements over who bears the risks and rewards of ownership and assessments of the likelihood of options under the licence being taken.

(d) Classification of associates, joint ventures and investments

The key factor in determining the classification of associates, joint ventures and investments is the timing and level of control. During the prior year, the Group entered into an agreement to sell the Group headed by Propius Holdings Limited and the disposal was completed in the current year following a signed indemnity agreement. Judgement was exercised to determine the date of disposal and the accounting treatment of the contingent disposal of parts of the Group headed by Propius Holdings Limited.

(e) Discontinued operations and disposal group held for sale

Judgement was required in determining the accounting treatment of the results of Propius Holdings Limited following the agreement to sell and subsequent disposal. In determining whether the disposal group will be classified as held for sale, judgements included whether the disposal group will be principally recovered through a sale transaction rather than through continuing use. In addition, the determination to present the results within discontinued operations includes judgements over whether the disposal groups represent a separate major line of business.

(f) Revenue recognition of Stobart Rail & Civils contracts

Significant judgement is required to assess the stage of completion of Stobart Rail & Civils contracts that are not complete at the year end and variations to contracts. Revenue is recognised in line with IFRS 15 and judgement is required to assess the works completed in order to bill customers in line with the contractual terms. In addition, variations require judgement on quantums to which the Group is entitled but are not yet agreed.

(g) Leases

IFRS 16 defines the lease term as the non-cancellable period of a lease together with the options to extend or terminate a lease, if it is reasonably certain that the option would be taken. The Group makes a judgement as to whether it is reasonably certain that the option will be taken when determining the length of the lease. The Group considers factors such as the length of time before the option is exercisable, operational requirements and any planned future capital expenditure.

(h) Non-underlying items

Judgement is required to establish whether items of income or expenditure fulfil the requirements of the presentation of the consolidated income statement accounting policy to merit being presented as non-underlying items.

2 Summary of significant accounting judgements and estimates (Continued)

(i) Equity accounted losses of Connect Airways Limited

Consolidated accounts for Connect Airways Limited (Connect Airways) were only available for the period up to and including November 2019. A judgement was made, based on reports from the administrators of Connect Airways and other Board information received, that the Group's equity accounted losses would be greater than the share taken based on the results to November 2019. The judgement was to recognised additional equity accounted losses were equal to the outstanding equity investment in Connect Airways.

(j) Impact of COVID-19

Judgement is required to establish whether the impact of COVID-19 is a non-adjusting post balance sheet event. See note 34.

Estimates

(a) Impairment of goodwill and intangible assets

The Group is required to test, on an annual basis, whether goodwill and indefinite life intangible assets have suffered any impairment. The recoverable amount is determined based on value-in-use or fair value less costs of disposal calculations. The use of this method requires the estimation of future cash flows and discount rates in order to calculate the present value of the cash flows. Intangible assets subject to these judgements include brand assets, some of which are licensed to third parties, and assessments of their values include judgements and estimates over whether the licence agreement will be extended, or the asset purchased by the licensor. Actual outcomes may vary. This estimate does not apply to the Energy CGU. Further information, including carrying values, is set out in note 20.

(b) Impairment of property, plant and equipment

Where there is an indication that an asset may be impaired, the Group is required to test whether assets have suffered any impairment. The recoverable amount is determined based on value-in-use or fair value less costs of disposal calculations. The use of these methods requires the estimation of future cash flows and discount rates in order to calculate the present value of the cash flows. In certain cases, the estimation of development plans is required and third-party valuations used. Actual outcomes may vary. Further information, including carrying values and impairment charges during the year, is set out in note 16.

(c) Valuation of property inventories

The Group is required to review, on an annual basis, whether the property inventories' carrying values can be recovered. If carrying value exceeds the recoverable amount, the asset is written down to its net realisable value. The net realisable values of properties are based on certain estimates. Estimates include the ability to obtain the appropriate planning permission, the customer demand for usage of the type of properties that could be developed, the build costs, and the price of sale of the developed properties to a customer or of the undeveloped land to a developer. See note 21 for further disclosure.

(d) Revenue recognition

The Group must recognise revenue in the period that it is earned and revenue is accrued using an estimate of the quantity, price and timing of goods delivered but not yet invoiced.

(e) Recoverability of loan notes

The recoverability of the Group's investment (loans and equity) in Mersey Bioenergy and Connect Airways is based on the present value of expected cash flows to the Group relating to repayment of the shareholder loans and associated accrued interest, and equity dividends. These cash flows are in turn based on estimates/ projections of the future trading performance of the power plant within Mersey Bioenergy and of Flybe in Connect Airways.

2 Summary of significant accounting judgements and estimates (Continued)

(f) Defined benefit pension obligation

The Group operates a defined benefit pension scheme. The year end valuation has been performed by a qualified actuary using the projected unit method. Estimates include the discounts rate applied to future pension payments, price inflation and mortality after retirement.

(g) Tax provisions

An estimate of the liabilities for ongoing tax enquiries is made in assessing the corporation tax liabilities. The estimates include the interpretation of tax law and likelihood of settlement outcomes.

(h) Indemnity provisions

The Group has indemnified Propius Holdings Limited (Propius), a subsidiary disposed of in November 2019, for certain future aircraft leasing costs. The amount payable is dependent upon whether Stobart Air renews its franchise agreement with Aer Lingus. The Group has applied a 10% estimation of Aer Lingus not renewing the franchise with Stobart Air. Propius and Stobart Air have been reacquired post year end, see notes 33 and 34.

3 Segmental information

The reportable segment structure is determined by the nature of operations and services. The operating segments are Stobart Aviation, Stobart Energy, Stobart Rail & Civils, Stobart Investments and Stobart Non-Strategic Infrastructure.

The Stobart Aviation segment specialises in the operation of commercial airports and the provision of ground handling services. The Stobart Energy segment specialises in the supply of sustainable biomass for the generation of renewable energy.

The Stobart Rail & Civils segment specialises in delivering internal and external civil engineering development projects including rail network operations.

The Stobart Investments segment holds a non-controlling interest in a transport and distribution business, and a baggage handling business. The regional airline investment held at the prior year end was impaired to nil in the current year. The Stobart Non-Strategic Infrastructure segment specialises in management, development and realisation of a portfolio of property assets, including Carlisle Lake District Airport, as well as an investment in a renewable energy plant.

The regional airline operations and aircraft leasing company that were previously reported as part of the Aviation segment have been reported within discontinued operations as reported in the prior year. No segmental assets or liabilities information is disclosed because no such information is regularly provided to, or reviewed by, the Chief Operating Decision Maker.

The Executive Directors are regarded as the Chief Operating Decision Maker. The Directors monitor the results of each business unit separately for the purposes of making decisions about resource allocation and performance assessment. The main segmental profit measure is underlying EBITDA, which is calculated as loss before tax, interest, depreciation, amortisation, swaps and non-underlying items. Income taxes and certain central costs are managed on a Group basis and are not allocated to operating segments.

3 Segmental information (Continued)

Year ended 29 February 2020	Aviation	Energy	Rail & Civils	Investments	Non-Strategic Infrastructure	Adjustments and eliminations	Group
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Revenue External	56,655	76,339	28,077	2,127	2,440	4,537	170,175
Internal	131	—	13,404	—	337	(13,872)	—
Total revenue	**56,786**	**76,339**	**41,481**	**2,127**	**2,777**	**(9,335)**	**170,175**
Underlying EBITDA	**8,601**	**24,166**	**(7,108)**	**1,470**	**(3,581)**	**(7,506)**	**16,042**
Loss on swaps	—	—	—	—	—	(300)	(300)
Depreciation	(7,824)	(8,467)	(2,699)	—	(1,981)	(1,752)	(22,723)
Finance costs (net)	(1,235)	(1,293)	(128)	(2,577)	(2,701)	(4,484)	(12,418)
Underlying (loss)/profit before tax from continuing operations	**(458)**	**14,406**	**(9,935)**	**(1,107)**	**(8,263)**	**(14,042)**	**(19,399)**
New business and new contract set-up costs	(9,297)	(9,191)	—	—	(647)	—	(19,135)
Litigation and claims	—	—	—	—	—	(977)	(977)
Amortisation of acquired intangibles	—	(23)	—	—	—	(7,433)	(7,456)
Impairments	—	—	(8,474)	(46,846)	(26,676)	(19,913)	(101,909)
Non-underlying items within share of JV profit	—	—	—	(9,108)	—	—	(9,108)
(Loss)/profit before tax from continuing operations	**(9,755)**	**5,192**	**(18,409)**	**(57,061)**	**(35,586)**	**(42,365)**	**(157,984)**

Year ended 28 February 2019	Aviation	Energy	Rail & Civils	Investments	Non-Strategic Infrastructure	Adjustments and eliminations	Group
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Revenue External	39,266	65,143	31,867	2,655	2,112	5,846	146,889
Internal	145	—	20,480	—	75	(20,700)	—
Total revenue	**39,411**	**65,143**	**52,347**	**2,655**	**2,187**	**(14,854)**	**146,889**
Underlying EBITDA	**4,948**	**19,200**	**(4,815)**	**2,359**	**(3,026)**	**(7,838)**	**10,828**
Loss on swaps	—	—	—	—	—	(353)	(353)
Depreciation	(5,816)	(7,012)	(2,245)	—	(978)	(254)	(16,305)
Finance costs (net)	(231)	(734)	(180)	—	(3,546)	(2,720)	(7,411)
Underlying (loss)/profit before tax from continuing operations	**(1,099)**	**11,454**	**(7,240)**	**2,359**	**(7,550)**	**(11,165)**	**(13,241)**
New business and new contract set-up costs	(4,308)	(5,909)	—	—	(1,334)	—	(11,551)
Restructuring costs	(161)	—	(230)	—	—	—	(391)
Litigation and claims	—	—	(160)	—	—	(5,033)	(5,193)
Amortisation of acquired intangibles	—	(221)	—	—	—	(3,717)	(3,938)
Impairments	—	—	—	—	(7,800)	—	(7,800)
(Loss)/profit before tax from continuing operations	**(5,568)**	**5,324**	**(7,630)**	**2,359**	**(16,684)**	**(19,915)**	**(42,114)**

Inter-segment revenues are eliminated on consolidation. Included in adjustments and eliminations are net central costs of £7,346,000 (2019: £7,746,000) and an intra-group profit of £160,000 (2019: £92,000). There is also external income within adjustments and eliminations which comprises brand licence income, merchandising income and rental income.

4 Revenue

Disaggregation of revenue

Revenue accounted for during the year can be categorised as follows:

Major product/service line

Revenue from external customers	2020	2019
	£'000	£'000
Sale of goods	82,516	58,493
Rendering of services	80,532	80,730
Royalties/commissions	4,097	4,065
Property rentals	3,030	3,601
	170,175	**146,889**

Primary geographical markets

Revenue from external customers	2020	2019
	£'000	£'000
UK	152,846	136,009
Europe and Ireland	17,140	10,720
Rest of world	189	160
	170,175	**146,889**

Timing of revenue recognition

Revenue from external customers	2020	2019
	£'000	£'000
Products and services transferred at a point in time	137,032	105,148
Products and services transferred over time	33,143	41,741
	170,175	**146,889**

Contract balances

Opening and closing receivables, contract assets and contract liabilities from contracts with customers are provided in the table below.

Contract balances	2020	2019
	£'000	£'000
Receivables	20,981	5,590
Contract assets	8,155	8,291
Contract liabilities	(167)	(17,433)
	28,969	**(3,552)**

Contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date on contracts in the Rail & Civils division. Contract assets are transferred to receivables when the rights become unconditional and have increased in the year primarily due to an increase in work in progress in the Rail & Civils division. Contract assets have been disclosed in line with IFRS 15.

The contract liabilities primarily relate to the advance consideration received from customers for brand licence, royalties and hotel bookings not yet fulfilled. Contract liabilities have decreased in the year mainly due to deferred brand licence revenue being recognised in the year and a reduction in the Rail & Civils division.

In addition to the £167,000 contract liabilities above, £7,073,000 is recognised within trade payables. Of the £17,433,000 prior year contract liabilities, £4,376,000 has been recognised in revenue in the current year.

4 Revenue (Continued)

In both the current and prior year, no customer amounted to more than 10% of the Group's total continuing revenue.

5 Discontinued operations

On 22 February 2019, the Group disposed of subsidiaries headed by Everdeal Holdings Limited and entered into an agreement to dispose of Propius Holdings Limited. These disposals and acquisitions by Connect Airways Limited were permitted by the EU Commission in connection with the merger regulations on 5 July 2019. The disposal of Propius Holdings Limited completed on 8 November 2019 following agreement of the indemnity clause within the sale and purchase agreement. On 27 April 2020, the Group reached an agreement to acquire an effective indirect economic interest of 78.75% in Stobart Air and Propius, see note 34 for more detail.

The operations of both subsidiaries represented a separate major line of business and the results of the operations have been reported separately as the single amount loss from discontinued operations, net of tax on the face of the consolidated income statement. This single amount in the prior year includes the profit on disposal of Everdeal Holdings Limited as detailed below, totalling £15.5m. The single amount in the current year includes the profit of disposal of Propius Holdings Limited as detailed below, totalling £7.0m.

Disposal of Everdeal Holdings Limited

The prior year profit from discontinued operations of £8,733,000, excluding the results of the UK Flybe Franchise Operation (UKFFO), is attributable to the owners of the Company. There was no loss recorded on remeasurement to fair value less costs to sell. The cash consideration received for disposal of the business was £10,000,000. The profit on disposal recorded within discontinued operations was £25,910,000 after deducting costs of £479,000 and net liabilities of £16,389,000. The cash disposed of amounts to £3,728,000.

Results of discontinued operations	2020 £'000	2019 £'000
Revenue	—	122,072
Operating expenses—other	—	(114,630)
Loss on swaps	—	(88)
Depreciation	—	(395)
Net finance income	—	1,774
Profit before tax	**—**	**8,733**
Tax	—	—
Profit for the year from discontinued operations, net of tax	**—**	**8,733**
Basic earnings per share	—	2.50p
Diluted earnings per share	—	2.50p

At 28 February 2019, £7,031,000 was provided as the estimated cost of the UKFFO for the year ending 29 February 2020. As the actual costs were lower, a further £1,645,000 profit on disposal has been included in discontinued operations in the current year. An additional £574,000 has been provided for litigation and claims in discontinued operations in the current year.

Following the disposal of Everdeal Holdings Limited, the results of the UKFFO, which was operated by the group headed by Everdeal Holdings Limited, were presented as discontinued in the consolidated income statement. The loss from discontinued operations relating to the UKFFO in the prior year, excluding the £7,031,000 onerous provision, was £24,676,000. The cash flows in relation to this operation have been included in the below table.

5 Discontinued operations (Continued)

Cash flows used in discontinued operations	2020	2019
	£'000	£'000
Net cash used in operating activities	—	(25,735)
Net cash used in investing activities	—	(664)
Net cash flows for the year	**—**	**(26,399)**

Subsequent to the disposal of Everdeal Holdings Limited, the continuing group continues to trade with the discontinued operation. Intra-group transactions between Everdeal and the continuing group have been presented without elimination as these transactions will continue post disposal. Management believes this is useful to the users of the financial statements. All other intra-group transactions have been fully eliminated.

Propius Holdings Limited

On 22 February 2019, the Group entered in to an agreement to dispose of Propius Holdings Limited for cash consideration of £30,000,000. At the same time and as part of the arrangements between the Group and Connect Airways Limited, the Group entered in to an arrangement such that certain parts of the business and assets of Propius Holdings Limited and Propius Limited, principally the ATR leasing business but not the three E195 aircraft owned by Propius Limited, could be transferred back to the Group for £1. This transfer back to the Group would only take place if the Group and Connect Airways Limited did not agree for the Group to provide an appropriate indemnity to Connect Airways Limited which provides a similar economic position as the position under the transfer back arrangements.

As the indemnity discussions were not concluded at the time of approval of the 28 February 2019 financial statements, the Group could not account for the disposal of Propius. Instead the accounting in the prior year included the disposal of the three E195 aircraft, with a net book value of £31.5m, and cash of £10m, to Connect Airways Limited, in consideration for cash of £30m, resulting in a loss on disposal of £10.5m included in the table below. The remaining business, assets and liabilities of the Group headed by Propius Holdings Limited were presented as assets and liabilities held for sale on the consolidated statement of financial position. The indemnity was agreed on 8 November 2019 at which point the disposal of Propius Holdings Limited completed. The cash consideration received for disposal of Propius Holdings Limited was £nil. The profit on disposal recorded was £7,025,000 after deducting net liabilities of £7,025,000. The cash disposed of amounts to £1,729,000. The results in the current and prior year for Propius have been presented as discontinued in the consolidated income statement.

The profit from discontinued operations of £906,000 (2019: £18,471,000 loss) is attributable to the owners of the Company. As part of the disposal, the Group provided for an onerous lease contract that has been indemnified. £2,697,000 of this provision has been released and is included in discontinued operations in the current year.

Results of discontinued operations	2020	2019
	£'000	£'000
Revenue	8,137	18,616
Operating expenses—other	(8,361)	(29,998)
Depreciation	—	(6,275)
Transaction costs	(16)	(594)
Net finance costs	426	836
Profit/(loss) before tax	**186**	**(17,415)**
Tax	720	(1,056)
Profit/(loss) for the year from discontinued operations, net of tax	**906**	**(18,471)**
Basic earnings/(loss) per share	0.25p	(5.28)p
Diluted earnings/(loss) per share	0.24p	(5.28)p

5 Discontinued operations (Continued)

Of the revenue included in the above table, £8,137,000 (2019: £13,852,000) was from the group headed by Everdeal Holdings Limited.

Cash flows used in discontinued operations	2020	2019
	£'000	£'000
Net cash (used in)/generated from operating activities	(6,011)	14,676
Net cash generated from/(used in) investing activities	2,315	(3,913)
Net cash flows for the year	**(3,696)**	**10,763**

Summary of discontinued operations recognised within the consolidated income statement is as follows:

	2020	2019
	£'000	£'000
Propius discontinued operations, net of tax	906	(18,471)
Propius profit on disposal (note 34)	7,025	—
Propius provision released	2,697	—
Everdeal discontinued operations	—	8,733
Everdeal profit on disposal	—	25,910
Everdeal provision made	(574)	(7,031)
UKFFO	1,645	(24,676)
Discontinued operations, net of tax	**11,699**	**(15,535)**

The revenue from one customer amounted to more than 10% of the Group's discontinued revenue including the groups headed by Everdeal Holdings Limited and Propius Holdings Limited. The revenue from this one customer reported within discontinued operations was £8,137,000 for the year to 29 February 2020. In the prior year, two customers amounted to more than 10% of the Group's discontinued revenue at £105,801,000 and £25,916,000.

6 Business combinations

There were no acquisitions in the year ended 29 February 2020, or the prior year ended 28 February 2019.

7 Other income

In February 2020, the Group entered into a settlement deed with a renewable energy plant owner under which the long-term fuel supply agreement was terminated. In recognition of the future revenue forgone and with the plant confirming that it is no longer intending to operate a waste wood fuel boiler, consideration payable to the Group was agreed at an amount less than £5,000,000.

The amounts recognised within other income have arisen from contractual arrangements with third parties.

Other income in the prior year principally relates to the gain on conversion of loan.

8 Operating expenses

Operating expenses, excluding non-underlying items, are after charging the following:

	2020	2019
	£'000	£'000
Employee benefits expenses excluding share-based payment charge	53,677	48,364
Share-based payment charge	1,271	714
Direct material costs	46,976	34,830
Diesel and jet fuel	19,636	13,628
Other purchases and external expenses	36,616	38,095
Operating expenses—other	**158,176**	**135,631**

Loss before interest and tax is stated after charging/(crediting) the following:

	2020	2019
	£'000	£'000
Gain of conversion of loan	—	(1,095)
Depreciation of property, plant and equipment (PPE)	22,723	16,305
Amortisation of acquired intangibles	7,456	3,938
Impairments	101,909	7,800
Loss on disposal/in value of investment property	1,974	715
Loss/(profit) on sale and leaseback	62	(629)
Loss/(profit) on disposal of property inventories	49	(697)
Loss on disposal of PPE	11	482
Release of government grants	(565)	(609)
Operating lease expense		
—Plant and machinery and commercial vehicles	1,075	255
—Property	39	5,492

Amounts receivable by the auditor and its associates in respect of the following:

	2020	2019
	£'000	£'000
Remuneration receivable in respect of the audit of the Company	465	240
The auditing of accounts of any subsidiary of the Company	300	402
Audit-related services—interim results review	80	80
Transaction services—potential airport sale	125	—
Tax compliance relating to overseas subsidiaries	—	80
Capital allowances services	—	10
	970	**812**

9 Non-underlying items

Non-underlying items included in the consolidated income statement loss before tax comprise the following:

	2020	2019
	£'000	£'000
New business and new contract set-up costs	19,135	11,551
Restructuring costs	—	391
Litigation and claims	977	5,193
Share of post-tax losses of joint ventures	9,108	—
Non-underlying items within EBITDA	**29,220**	**17,135**
Impairments	101,909	7,800
Amortisation of acquired intangibles	7,456	3,938
	138,585	**28,873**

9 Non-underlying items (Continued)

New business and new contract set-up costs comprise costs of investing in major new business areas or major new contracts to commence or accelerate development of our business presence. These costs include pre-contract costs and excess costs incurred due to contractual disputes and delays in customer plants becoming operational in the Energy division and new contract set-up costs at London Southend Airport in the Aviation division.

Contractual disputes relate to £7.0m of incremental costs incurred during the year in respect of the contract with Tilbury Green Power Limited (TGP). These incremental costs were incurred as a result of TGP's unplanned plant outage from May 2019 to November 2019 which meant TGP were unable to take the committed wood fuel volume. The incremental costs incurred include settlements with suppliers in the supply chain, excess logistics costs and excess processing costs. Whilst there is a take or pay arrangement in this contract, due to a dispute over the amounts receivable under the contract, the associated take or pay income could not be recognised during the year. Following the transport of waste material from Tilbury to other processing sites where it was processed, the revenue from the sale of this processed wood to other renewable energy plants, together with the non-incremental costs, are included within underlying amounts. Accordingly, the Directors consider it appropriate to present the incremental costs as non-underlying.

Subsequent to the year end, the Directors have made progress toward resolution of the dispute and have agreed Heads of Terms agreement with TGP. However, the outcome may be a contract modification, the financial effect of which will only be determined when the contract terms are agreed by both. The dispute has resulted in a change in estimate as an amount of revenue of £5.8m and costs of £4.2m were presented within underlying in the interim financial statements for the period ended 31 August 2019.

The charge for litigation and claims includes the cost of a High Court dispute with a former Director net of any amounts that have been recovered. Contingent assets relating to any outstanding claims are not recognised unless recovery is considered virtually certain, in accordance with accounting standards.

New business and new contract set-up costs and litigations and claims above, include the following amounts by operating expense category, as disclosed in note 8. Employee benefits (£1.2m), direct materials (£4.8m) and other purchases (£4.1m).

Non-underlying share of post-tax losses of joint ventures relates to the equity accounted losses of Connect Airways Limited. Connect Airways Limited, and its subsidiary Flybe, entered administration post year end and the Group has impaired all outstanding balances to nil. The administration post year end is an adjusting event after the reporting period.

There were impairment charges against an investment in associates and joint ventures of £1,771,000 (see note 17), loans and receivables from a joint venture of £45,105,000 (see note 36), PPE of £19,702,000 (see note 16), property inventory of £6,974,000 (see note 21) and intangible assets of £28,357,000 (see note 20).

Amortisation of acquired intangibles comprises the amortisation of intangible assets including those identified as fair value adjustments in acquisition accounting. The charge in the year is principally in connection with the Eddie Stobart brand, which has increased compared to last year, following a review of the residual value.

10 Staff costs

Staff costs (including Directors) comprise:	Note	2020	2019
		£'000	£'000
Wages and salaries		48,059	44,765
Social security costs		4,706	2,506
Other pension costs		1,257	1,093
Share-based payment charge	30	1,151	384
		55,173	**48,748**

10 Staff costs (Continued)

Included in staff costs above are costs which have been capitalised within assets under construction totalling £345,000 (2019: £244,000).

11 Finance income

	2020	2019
	£'000	£'000
Bank interest receivable	18	15
Foreign exchange gains	7	947
Interest on loans to joint venture	4,311	—
Other	17	48
	4,353	**1,010**

12 Finance costs

	2020	2019
	£'000	£'000
Bank loans and loan notes	2,664	1,897
Net interest of retirement benefit schemes	74	87
Finance charges payable under leases	4,098	1,285
Amortisation of deferred issue costs	455	311
Foreign exchange losses	621	—
Dividend paid to exchangeable bondholders	2,127	—
Fair value of financial liabilities	3,500	—
Other interest	478	1,633
	14,017	**5,213**

During the year no (2019: £nil) interest was capitalised. Other interest includes amounts payable of £260,000 (2019: £761,000) to former subsidiaries of the Group. In addition to the amounts above, an impairment charge of £2,754,000 has been recognised in relation to the accrued interest on shareholder loan notes relating to Mersey Bioenergy Holdings Limited, the Widnes biomass plant owner. The fair value was calculated basis of expected credit losses. The discounted future cash flows, excluding the future benefit of the refinancing currently being negotiated, identified the impairment recognised. This may reverse when the refinancing is complete and cash flow benefits materialise.

In the prior year, an impairment charge of £3,208,000 was recognised relating to the 25% investment in the associated undertaking, Shuban Power Limited, principally comprising shareholder loan notes. During the year, this investment, including loan notes, was disposed of at book value.

During the year interest paid in cash amounted to £8,205,000, this included bank loans and loan notes of £2,203,000, finance charges payable under leases of £3,787,000, interest payable on grant reimbursement of £88,000 and dividend paid to exchangeable bondholders of £2,127,000.

13 Tax

Total tax (credited)/charged in the consolidated income statement from continuing and discontinued operations	2020 £'000	2019 £'000
Corporation tax:		
Current year overseas corporation tax—Discontinued operations	—	1,268
Adjustment in respect of prior years	(774)	3,016
Total corporation tax	**(774)**	**4,284**
Deferred tax:		
Origination and reversal of temporary differences	(8,581)	(1,872)
Adjustment in respect of prior years	245	(826)
Total deferred tax	**(8,336)**	**(2,698)**
Total (credit)/charge in the consolidated income statement	**(9,110)**	**1,586**
Split between:		
—Continuing operations	(8,390)	530
—Discontinued operations	(720)	1,056

Included in the above tax charges are total current tax credit on continuing operations of £nil (2019: £3,000,000) and a total deferred tax credit on continuing operations of £8,390,000 (2019: £2,470,000) giving a total tax credit on continuing operations in the consolidated income statement of £8,390,000 (2019: £530,000). In addition, there is a current tax credit on discontinued operations of £774,000 in addition to a deferred tax charge on discontinued operations of £54,000 giving a total tax credit on continuing and discontinued operations in the consolidated income statement of £9,110,000.

The current tax adjustment in respect of prior years is in relation to the tax liabilities of the Propius Holdings sub-group, which was disposed of in the period, being lower than the provisions included in the financial statements.

The deferred tax adjustment in respect of prior years is primarily in relation to a reassessment of the deferred tax asset in relation to employee share option exercises given a reduction in the Group share price and the derecognition of a deferred tax asset on trading losses carried forward given there is insufficient visibility of future profits against which the asset will unwind.

The effective tax rate in the year was 6.3% which was driven by deferred tax assets not being recognised in respect of certain temporary differences in the year.

13 Tax (Continued)

Reconciliation of income tax charge

A reconciliation of the income tax credit applicable to the results from ordinary activities at the statutory income tax rate to income tax expense at the Group's effective income tax rate for the year is as follows:

	2020	2019
	£'000	£'000
Net loss before tax from continuing and discontinued operations	(147,005)	(56,593)
UK income tax at rate 19%[1] (2019: 19%)	(27,931)	(10,753)
Effects of:		
Income not taxable	(2,964)	(656)
Profits on disposal of business not taxable	—	(608)
Profit on disposal of non-qualifying assets	—	(71)
Impact of change in tax rate	918	167
Expenses incurred not relievable against current tax	10,080	2,618
Difference in overseas tax rate	—	(217)
Losses brought forward utilised in current period	—	(594)
Reversal of deferred tax on fair value adjustment	(589)	—
Losses carried forward not recognised	11,905	9,510
Adjustments in respect of prior years	(529)	2,190
Total (credit)/charge in the consolidated income statement from continuing and discontinued operations	**(9,110)**	**1,586**

(1) The Parent Company of the Group is tax resident in the UK. As such, the tax rate in the reconciliation of income tax charge is the weighted average UK corporation tax rate.

Expenses incurred not relievable against current tax include the impairment of goodwill associated with one of the Group's operating divisions, impairment of investments in joint ventures, legal fees in relation to potential acquisition opportunities and interest expenses that are not deductible for tax purposes. Included in the statement of other comprehensive income is a tax credit of £348,000 (2019: £45,000) in relation to the defined benefit pension scheme.

Non-taxable income includes the profit on disposal of subsidiary entities on which no tax liability arises owing to the application of the Substantial Shareholding Exemption (SSE) and dividend receipts from non-controlled investments.

Tax losses carried forward includes the non-recurring impact of the impairment in the period of loans made by the Group to a joint venture investment.

The deferred tax credit in the consolidated income statement is analysed as follows:

	2020	2019
	£'000	£'000
Accelerated allowances on plant and machinery	(2,103)	(2,452)
Revaluation of properties to fair value on acquisition	(1,097)	(535)
Brands recognised on acquisition	(5,341)	(632)
Other temporary differences	151	921
	(8,390)	**(2,698)**

Deferred tax on temporary differences in the year amounting to £10,619,000 (2019: £8,407,000) has not been recognised in the financial statements on the basis that these temporary differences relate to tax losses of certain Group entities that have a history of making losses. Convincing other evidence is required before these unused tax losses can be recognised and at the year end this evidence was not of a convincing enough level.

13 Tax (Continued)

Stobart Group Limited's affairs are conducted such that it is considered to be resident in the UK for tax purposes. HM Revenue & Customs (HMRC) has not objected to this position. As a result, the Company is liable to pay UK corporation tax on its profits.

Factors that may affect the future tax charge

A change to the UK corporation tax rate was announced in the March 2020 Budget. This was substantively enacted on 17 March 2020 and the corporation tax rate now applicable from 1 April 2020 remains at 19% rather than the previously enacted reduction to 17%. Given the change was enacted after the consolidated statement of financial position date of 29 February 2020, the deferred tax assets/liabilities as at 29 February 2020 have been recognised/provided at 17%.

The deferred tax liability at the year end totals £5,736,000. As such, recognition/provision at 19% will result in the provision an additional deferred tax liability and a deferred tax charge of approximately £675,000. This will be included within the Group accounts for the year ending 28 February 2021.

There are a number of tax enquiries across the Group which management is working with HMRC and professional advisers to satisfy and resolve. There are uncertainties around the outcomes and potential liabilities in connection with these enquiries. The Directors believe that a responsible range of outcomes for the liabilities under these enquiries is between £nil and £16m, excluding interest and penalties. Provisions have been made for corporation tax and other taxes at a level that the Directors believes is a reasonable estimate to cover the potential liabilities on an enquiry by enquiry basis.

The Group is not expecting significant tax implications to arise as a result of the UK leaving the EU.

No deferred tax assets have been recognised as at 29 February 2020 in respect of tax losses carried forward within various group entities. This is on the basis that there is insufficient visibility of future taxable profits against which the potential deferred tax assets would unwind.

14 Earnings per share

Basic earnings per share (EPS) amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the Parent by the weighted average number of ordinary 10p shares outstanding during the year.

Diluted EPS is calculated by dividing net profit attributable to ordinary equity holders of the Parent by the weighted average number of ordinary shares, adjusted for share options which have exercise prices below the average market price of shares during the period. With the exception of share options issued under the employee Save-As-You-Earn (SAYE) scheme, these options were anti-dilutive in the prior year and have not been included in the calculation in accordance with IAS 33.

The following table reflects the income and share data used in the basic and diluted EPS calculations:

Numerator	2020 £'000	2019 £'000
Continuing operations		
Loss for the year used for basic and diluted earnings	(149,594)	(42,644)
Discontinued operations		
Profit/(loss) for the year used for basic and diluted earnings	11,699	(15,535)
Total		
Loss for the year used for basic and diluted earnings	**(137,895)**	**(58,179)**

14 Earnings per share (Continued)

Denominator	Number	Number
Weighted average number of shares used in basic EPS	368,839,579	349,698,911
Effects of employee share options	—	—
Weighted average number of shares used in diluted EPS	**368,839,579**	**349,698,911**
Weighted average of own shares held and therefore excluded from weighted average number	3,761,537	6,798,847

The numerator used for the basic and diluted underlying EPS for continuing operations is the underlying loss for the year of £16,840,000 (2019: £16,562,000).

On 1 November 2014, 479,395 awards were made to Executive Directors under a Long-Term Incentive Plan. During prior years 267,452 of these awards were exercised and 211,943 shares were cancelled. There were no shares outstanding from this award at the year end date.

On 22 June 2015, 1,308,941 awards were made to other senior employees under a Long-Term Incentive Plan. During the prior year, 858,518 shares were exercised and the remainder were forfeited. There were no shares outstanding from this award at the year end date.

On 1 September 2015, the Group introduced an HMRC-approved SAYE scheme available to all employees. This scheme matured during the prior year and 747,335 shares were exercised. The remaining 852 shares were exercised in the current year. There were no shares outstanding from this award at the year end date.

On 6 November 2015, 1,520,772 awards were made to Executive Directors and other senior employees under a Long-Term Incentive Plan. During the prior year, 870,921 shares were exercised and the remainder were forfeited. There were no shares outstanding from this award at the year end date.

On 17 June 2016, 1,687,748 awards were made to Executive Directors and other senior employees under a Long-Term Incentive Plan. During prior years, 10,717 shares were exercised, 504,946 were forfeited and 271,633 lapsed. The remaining shares were exercised during the year and there were no shares outstanding from this award at the year end date.

On 22 June 2017, 896,721 awards were made to Executive Directors and other senior employees under a Long-Term Incentive Plan. During prior years, 2,700 shares were exercised, 229,536 shares were forfeited and 69,111 shares lapsed. During the year, 131,490 shares lapsed. There are 463,884 shares outstanding at the year end date. These are potentially dilutive instruments but were not included in the calculation of diluted EPS because the performance conditions had not been met unconditionally at the year end date.

On 3 November 2017, 2,333 awards were made to other senior employees under a Long-Term Incentive Plan. There have been no movements in the current or prior years and there are 2,333 shares outstanding at the year end. These are potentially dilutive instruments but were not included in the calculation of diluted EPS because the performance conditions had not been met unconditionally at the year end date.

On 20 June 2018, 726,522 awards were made to Executive Directors and other senior employees under a Long-Term Incentive Plan. During the prior year, 1,946 shares were exercised, 15,576 shares were forfeited and 33,086 shares lapsed. During the year, 20,440 shares lapsed. There are 655,474 shares outstanding at the year end date. These are potentially dilutive instruments but were not included in the calculation of diluted EPS because the performance conditions had not been met unconditionally at the year end date.

On 1 February 2019, the Group invited qualifying employees to join a SAYE scheme. During the prior year, 5,710 options were forfeited and 9,999 options were cancelled. During the year, 86,390 shares were forfeited and 1,021,292 shares were cancelled. There are 89,760 shares outstanding at the year end date. These are potentially dilutive instruments but have not been included in the calculation of diluted EPS in the current year as to do so would be anti-dilutive.

14 Earnings per share (Continued)

On 22 June 2019, 1,939,896 awards were made to Executive Directors and other senior employees under a Long-Term Incentive Plan. There are 1,939,896 shares outstanding at the year end date. These are potentially dilutive instruments but were not included in the calculation of diluted EPS because the performance conditions had not been met unconditionally at the year end date.

On 1 September 2019, the Group invited qualifying employees to join a SAYE scheme. The maximum number of shares that may be acquired under this scheme is 2,962,928. During the year, 66,016 shares were forfeited and 308,456 shares were cancelled. There are 2,588,456 shares outstanding at the year end date. These are potentially dilutive instruments but have not been included in the calculation of diluted EPS in the current year as to do so would be anti-dilutive.

During the prior year, the Company purchased 1,450,000 treasury shares and later transferred all 7,035,425 treasury shares to the employee benefit trust. No treasury shares were held at year end (2019: nil).

Treasury shares are not included in the weighted average number of shares used to calculate EPS. Own shares held in an employee benefit trust are excluded from the weighted average number of shares.

15 Dividends

Dividends paid on ordinary shares	2020 Rate	2020	2019 Rate	2019
	p	£'000	p	£'000
Final dividend for 2019 paid 31 July 2019	3.0	11,125	—	—
Interim dividend for 2019 paid 31 January 2019	—	—	1.5	5,315
Interim dividend for 2019 paid 4 October 2018	—	—	4.5	15,945
Final dividend for 2018 paid 6 July 2018	—	—	4.5	15,628
Interim dividend for 2018 paid 13 April 2018	—	—	4.5	15,628
	3.0	**11,125**	**15.0**	**52,516**

As announced on 14 November 2019, the Board has taken the decision to suspend the dividend, therefore no final dividend is proposed.

16 Property, plant and equipment

Year ended 29 February 2020	Land and buildings	Plant and machinery	Fixtures, fittings and equipment	Commercial vehicles	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 March 2019	211,918	69,823	9,320	33,678	324,739
Additions	13,599	5,213	592	9,714	29,118
Right-of-use asset additions	61,121	498	—	355	61,974
Disposals	(3)	(3,823)	(424)	(8,631)	(12,881)
Transfers between categories	(2,877)	530	2,657	(310)	—
At 29 February 2020	**283,758**	**72,241**	**12,145**	**34,806**	**402,950**
Aggregate depreciation and impairment charges					
At 1 March 2019	26,693	11,880	3,581	19,670	61,824
Charge for the year	4,546	7,811	2,874	3,750	18,981
Charge for the year on right-of-use assets	3,535	131	—	76	3,742
Impairment	18,779	111	812	—	19,702
Disposals	—	(2,258)	(421)	(5,204)	(7,883)
Transfers between categories	(7)	7	—	—	—
At 29 February 2020	**53,546**	**17,682**	**6,846**	**18,292**	**96,366**
Net book value at 29 February 2020	**230,212**	**54,559**	**5,299**	**16,514**	**306,584**
Net book value of right-of-use assets included in the table above	57,586	367	—	279	58,232

Included in the £62.0m right-of-use additions above are £60.9m of assets relating to the transition to IFRS 16, as disclosed in note 1.

Year ended 28 February 2019	Land and buildings	Plant and machinery	Fixtures, fittings and equipment	Commercial vehicles and aircraft	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 March 2018	196,972	67,968	6,388	75,689	347,017
Additions	23,996	5,685	2,847	7,882	40,410
Disposals	(6,149)	(4,815)	(46)	(52,350)	(63,360)
Transfers between categories	(2,901)	1,327	1,553	21	—
Reclass from inventory	—	—	70	—	70
Currency translation differences	—	—	(7)	2,445	2,438
Disposal of subsidiary undertakings	—	(342)	(1,485)	(9)	(1,836)
At 28 February 2019	**211,918**	**69,823**	**9,320**	**33,678**	**324,739**
Aggregate depreciation and impairment charges					
At 1 March 2018	17,036	8,758	1,739	18,342	45,875
Charge for the year	3,326	6,925	2,396	10,328	22,975
Impairment	6,500	—	—	—	6,500
Disposals	(224)	(3,748)	(38)	(9,013)	(13,023)
Transfers between categories	55	(49)	(28)	22	—
Currency translation differences	—	—	1	(4)	(3)
Disposal of subsidiary undertakings	—	(6)	(489)	(5)	(500)
At 28 February 2019	**26,693**	**11,880**	**3,581**	**19,670**	**61,824**
Net book value at 28 February 2019	**185,225**	**57,943**	**5,739**	**14,008**	**262,915**

16 Property, plant and equipment (Continued)

Impairment of assets

The water port and storage site at Weston Point, Runcorn, was subject to an external independent development valuation carried out by Cushman & Wakefield. The valuation was performed in accordance with the RICS Valuation Standards issued by the Royal Institution of Chartered Surveyors. The valuation indicated a value of £7.8m which indicated an impairment of £0.7m, which has been recognised. The comparable method of valuation was used based on similar properties for which price information is available, adjusted for age, size, condition, location and any other relevant factors. The key assumptions included in the valuation were the blended value per acre (£230,000) and the capital value per sq ft of £65 applied to warehouse storage. A 10% reduction in both the blended value per acre and the capital value of warehouse storage would result in a further impairment of £70,000. The Group continues to pursue a number of development options for this asset. An impairment charge of £6.5m was recognised against this asset in the prior year, reported in the Non-Strategic Infrastructure division.

Management identified triggers of impairment when reviewing the fair value of the year end assets at Carlisle Lake District Airport (CLDA). A fair value less costs to sell impairment test was conducted which gave rise to an impairment of £21.0m, of which £2.0m is recognised in property inventories.

The impairment charges are shown in the consolidated income statement as a non-underlying operating expense, due to their nature and on the basis that they are outside of the normal activities of the Group. Any future increases in value once any development of the assets has been completed, will be recognised as a gain through the impairment line within non-underlying operating expenses.

Impairment testing of other property, plant and equipment where no charge for impairment has been recognised

The London Southend Airport (LSA) CGU comprises the business operations of the commercial airport and railway station ancillary operation. The CGU has been tested for impairment as the business suffered a loss before tax in the year to 29 February 2020. The Group estimated the value-in-use of the CGU and determined that no charge for impairment was necessary. The pre-tax discount rate used in the value-in-use calculation was 11.1% (2019: 12.1%) based on the weighted average cost of capital for the CGU, taking into account the cost of equity and debt for the CGU, and adjusting for risk specific to the CGU. The estimated value-in-use was based on estimates of the timing and extent of increases in the level of future passenger numbers, income per passenger, rental income and the discount rate. The cash flows are based on internal financial forecasts for the next ten years. Cash flows beyond the ten-year period are deemed to be in perpetuity but an annual growth rate of 2.0% (2019: 2.0%) is assumed in the calculations. The carrying value of PPE included in this CGU at 29 February 2020 was £164.4m (2019: £155.7m).

The calculation of the value-in-use is sensitive to the discount rate. In order for the estimated recoverable amount of the CGU to be equal to the carrying amount, the discount rate would need to be individually increased by 5.4 (2019: 10.4) percentage points. The key source of estimation uncertainty is future cash flow, driven by passenger volumes and estimated airport spend per passenger, which will be determined by the Group's ability to continue attracting new airlines and improving the customer experience in the terminal. If cash flows were reduced by 34.9% (2019: 53.7%) the estimated recoverable amount would equal the carrying amount.

COVID-19 has had a material impact on the revenue and cash flow generation of LSA post year end. The cash flows used in the value-in-use calculation detailed above were forecast numbers pre COVID-19. The recovery period has been estimated to be two years, as a result management have sensitised cash flows by reducing passenger numbers significantly in year one and assumed a straight-line recovery to 28 February 2022 and this did not drive an impairment. Capital expenditure to increase capacity at the airport was also reduced as a sensitivity as the airport already has sufficient capacity for the sensitised passenger numbers. Headroom under this scenario was reduced to £28.5m. Growth is likely to slow compared to forecasts in the short term, however, the airport is still very well positioned to take advantage of the aviation market post-COVID-19.

16 Property, plant and equipment (Continued)

Other disclosures in relation to property, plant and equipment

Bank borrowings are secured on the Group's freehold land and buildings, see note 26 for further details.

Included in land and buildings at 29 February 2020 are assets under construction of £8,760,000 (2019: £14,283,000). The current year assets relate principally to development work at LSA and CLDA.

At 28 February 2019, the net carrying amount of leased PPE held under finance lease was £46,283,000. The leases were secured on the respective assets.

17 Investments in associates and joint ventures

Entity	Year end	Issued ordinary shares	Company holding direct investment	Residence	Principal activity of the entity or group headed by the entity	% of nominal value of issued shares or members' capital held
Convoy Limited1	5 April	2	SPD1 Limited	Isle of Man	Property investment	50%
Mersey Bioenergy Holdings Limited	31 December	100	Stobart Green Energy Limited	UK	Operation of energy plant	39.6%
Connect Airways Limited1	31 December	500,000,100	Stobart Aviation Limited	UK	Commercial airlines	30%
PortR Limited	26 December	8,142,927	Stobart Group Limited	UK	Aviation services company	15.4%
PortR Limited	26 December	8,142,927	Stobart Group Brands LLP	UK	Aviation services company	4.1%

(1) These entities are joint ventures; all others are associates.

The Group disposed of its interest in Shuban Power Limited on 19 December 2019. This investment was carried at nil prior to disposal.

On 28 June 2019, the Group purchased additional shares in PortR Limited, increasing the shareholding to 19.5%. This remains an associate due to the Group holding significant influence but no control.

Associates and joint ventures

	2020	2019
	£'000	£'000
At 1 March	10,459	349
Additions	2,667	11,850
Impairment	(1,771)	—
Share of post-tax losses	(9,765)	(1,740)
At 29 February	**1,590**	**10,459**

Loans to associates and joint ventures, where the settlement is planned or expected to be repaid in the foreseeable future, do not form part of the equity investment and are included in other receivables or non-current amounts owed by associates and joint ventures according to the expected repayment terms.

The balance at 29 February 2020 relates to the investment in PortR Limited, which was impaired by £1.8m following the 2019 fund raising value per share being applied to the Group's holding.

Summary of material and immaterial carrying values of equity investments in associates and joint ventures	2020	2019
	£'000	£'000
Carrying amount of individual joint ventures	—	7,008
Carrying amount of individual associates	1,590	3,451
At 29 February	**1,590**	**10,459**

17 Investments in associates and joint ventures (Continued)

Aggregate joint ventures

	2020	2019
	£'000	£'000
Carrying amount	—	7,008
Share of post-tax losses	(9,108)	(747)

The 30% investment in Connect Airways Limited (Connect) has been fully written down in the year due to Connect entering administration on 18 March 2020. During the year the 30% share of Connect contributed equity accounted losses was estimated to be £9,108,000 (2019: £747,000), reflecting the total carrying amount of investment. This had to be estimated following a lack of detailed consolidated accounts being received since November 2019. There was no impact on the consolidated statement of cash flows from the investment write down or the equity accounted losses.

Aggregate associates

	2020	2019
	£'000	£'000
Carrying amount	1,590	3,451
Share of post-tax losses	(657)	(993)

During the year, the Group didn't take a 39.6% share of the Mersey Bioenergy Holdings Limited losses (2019: £349,000) as during the prior year the total equity accounted losses reached the cap at the value of the investment. During the year, PortR Limited contributed equity accounted losses of £657,000 (2019: £644,000). There was no impact on the consolidated statement of cash flows other than the purchase of additional equity in PortR Limited in the year.

18 Other financial assets

	2020	2019
	£'000	£'000
At 1 March	44,918	63,690
Additions	70	—
Revaluation—FVOCI	(40,212)	(18,772)
At 29 February	**4,776**	**44,918**

At 29 February 2020, the Group's 11.8% investment in AIM-listed Eddie Stobart Logistics plc (ESL) was worth £4,706,000 (2019: £44,918,000). In February 2020, the Group acquired a 7% shareholding in Connect.IO Ltd for £70,000, which was the fair value at year end. The Group made an irrevocable election to account for ESL as FVOCI, on adoption of IFRS 9 on 1 March 2018, and Connect.IO Ltd on acquisition. The fair value of ESL is calculated using the market price per AIM. The revaluation in the year relates to the change in ESL share price.

19 Investment property

	2020	2019
	£'000	£'000
At 1 March	4,000	4,700
Additions	85	15
Disposals	(2,250)	—
Loss on revaluation	(1,835)	(715)
At 29 February	**—**	**4,000**

There was no rental income received and there were no direct operating expenses attributable to investment property during both the current or prior year. At 29 February 2020, there were no contractual obligations to purchase investment property (2019: nil).

19 Investment property (Continued)

At 28 February 2019, the Group's investment property was subject to an independent valuation by Avison Young, on the basis of open market value, supported by market evidence. The open market value represents the amount at which the assets could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction at the date of the valuation. The valuation was performed in accordance with the RICS Valuation Standards issued by the Royal Institution of Chartered Surveyors and was based on available market evidence and comparables. As the one remaining investment property was sold during the year, no valuations were required at 29 February 2020.

20 Intangible assets

	Goodwill	Brand names	Customer relationships	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 March 2018	87,419	60,000	1,793	149,212
At 28 February 2019	87,419	60,000	1,793	149,212
Transferred to assets held for sale	—	(60,000)	—	(60,000)
At 29 February 2020	**87,419**	**—**	**1,793**	**89,212**
Amortisation and impairment				
At 1 March 2018	28,375	14,868	1,549	44,792
Amortisation charge	—	3,717	221	3,938
At 28 February 2019	28,375	18,585	1,770	48,730
Amortisation charge	—	7,433	23	7,456
Impairment	4,375	23,982	—	28,357
Transferred to assets held for sale	—	(50,000)	—	(50,000)
At 29 February 2020	**32,750**	**—**	**1,793**	**34,543**
Net book value				
At 28 February 2018	59,044	45,132	244	104,420
At 28 February 2019	59,044	41,415	23	100,482
At 29 February 2020	**54,669**	**—**	**—**	**54,669**

No internally generated intangible assets are recognised in the financial statements.

Brand names are the Stobart and Eddie Stobart trademarks and designs, and other Stobart-associated trademarks and designs. Customer relationships consist of contractual relationships with customers recognised on acquisitions.

During the year, indefinite life brands were impaired to their fair value less costs to sell and transferred to assets held for sale, see note 23.

Goodwill and intangible assets with indefinite lives

The goodwill and brands with indefinite lives from business combinations have been allocated to CGUs. Carrying amounts of goodwill and brand names with indefinite lives allocated to each CGU are set out in the following table. These assets are considered to have indefinite lives because there is no foreseeable limit to the period over which the assets are expected to generate net cash inflows for the Group. Factors taken into account in the consideration were the legal ownership, the long period over which the brand names have been established, the strength of brand awareness and the stability of the industries in which the main brands are involved.

20 Intangible assets (Continued)

	Stobart Energy		Stobart Rail & Civils		Other		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Carrying amount of goodwill	**54,669**	54,669	**—**	4,375	**—**	—	**54,669**	59,044
Carrying amount of brands with indefinite useful lives	**—**	8,800	**—**	4,100	**—**	1,700	**—**	14,600

Impairment testing of goodwill and intangible assets with indefinite lives

In accordance with IAS 36 Impairment of Assets, the Group has undertaken impairment testing for each CGU. The key assumptions applied in respect of each CGU are set out below. A sensitivity analysis has been performed, at the individual CGU level, in order to review the effect of changes in key assumptions. The intangible brand assets detailed below, were transferred to assets held for sale prior to the year end 29 February 2020, see note 23.

Stobart Energy CGU

The recoverable amount of goodwill in the Stobart Energy CGU has been based on value-in-use calculations using projections from financial forecasts approved by senior management covering a five-year (2019: five-year) period. The main assumptions on which the forecasts were based include sales volumes and profit margins. The pre-tax discount rate applied to the cash flow projections was 9.8% (2019: 10.4%) based on the weighted average cost of capital for the CGU, taking into account the cost of equity and debt for the CGU, and adjusting for risk specific to the CGU. Cash flows beyond the five-year period are deemed to be in perpetuity but an annual growth rate of 0.0% (2019: 2.0%) is assumed in the calculations. This reduction in growth rate was applied following a review of the future cash flow projections as the business has entered a mature phase, as such the annual growth rate is projected to be 0.0%. Significant growth would require additional capital expenditure, so the growth rate was reduced to nil.

No impairment losses, other than those relating to the brand post year end disposal detailed below, have been recognised in the current or prior year. The calculation of the value-in-use is most sensitive to the discount rate. With regard to the assessment of value in the CGU, management believes that no reasonably possible change in the discount rate would cause the carrying value of the CGU to exceed its recoverable amount. In order for the estimated recoverable amount of the CGU to be equal to the carrying amount, the discount rate would need to be individually increased by 18.4 percentage points. COVID-19 is having an impact on the actual cash flows compared to those forecast in the value-in-use calculation. However, a 40% reduction in lifetime cash flows, or three years of zero cash flows, would not drive an impairment in the Energy CGU. Post year end, the Group disposed of brand assets (see note 34), a fair value less costs to sell impairment test was conducted on the intangible assets in the Stobart Energy CGU, giving rise to an impairment of £7.3m, prior to reclassifying the brand assets to assets held for sale.

Stobart Rail & Civils CGU

During the year, the goodwill and intangible assets in the Rail & Civils CGU of £8,474,000 were impaired to nil following a value-in-use calculation, triggered by adverse actual performance compared to budget and operating losses. The key assumption was cash flows from future contract wins and the pre-tax discount rate applied to the cash flow projections was 12.2% (2019: 11.0%). At the year end there was no goodwill or intangible assets in the CGU. For the remaining tangible assets a fair value less costs to sell exercise was completed indicating no impairment of tangible assets was required at the year end.

Other

The brands with indefinite life in the 'Other' column in the table relate to Stobart brands for which the Group obtained an independent valuation in 2014 which supports these values. This asset has been

20 Intangible assets (Continued)

tested for impairment at the year end on a fair value less costs to sell basis, following the post balance sheet disposal of brand assets (see note 34), giving rise to an impairment of £1.7m.

The balance of the brands of £8,500,000 (2019: £26,815,000), not included in the above table, has been transferred to assets held for sale (see note 23). This is not included in the table in the current year because this asset is not considered to have an indefinite life, but instead has been amortised and impaired to a residual value of £8.5m. This residual value represents the agreed disposal proceeds within the contract exchanged post year end (see note 34).

The discount rates used in the impairment workings for most of the CGUs are in line with those used in the prior year. The methods used to determine the factors within the discount rate calculations were consistent with the prior year. Reasons for changes in some of the discount rates include a decrease in size premium and variations in gearing and beta values for comparative companies used to calculate cost of equity.

The Stobart Energy CGU is part of the Energy segment, the Stobart Rail & Civils CGU is part of the Rail & Civils segment and the Other CGU is part of the Adjustments and eliminations segment.

21 Inventories

	2020	2019
	£'000	£'000
Consumable supplies	844	917
Goods held for resale	176	108
Property inventories	12,873	21,534
	13,893	**22,559**

Property inventories relating to Widnes and CLDA are subject to a fixed charge under the RCF, see note 26 for further details.

Property inventories includes development land and buildings at Widnes, Carlisle and Chelford. The net realisable values of the development assets is expected to be equal to or higher than the carrying values. The net realisable values of these property inventories are based on certain estimates. The assets are at different stages of development. The key estimation uncertainties are timing and type of development, build costs, rental values and exit yield, although the Directors consider that the calculations are most sensitive to the exit yield. A movement in the exit yield of 0.25% percentage points would result in a valuation range of £12.1m to £14.0m.

Following an external valuation, an impairment of £5,000,000 (2019: £nil) has been recorded against the development land at Widnes to recognise that some of the land may be sold undeveloped. During the year, four acres of land at Widnes, with carrying value of £1,408,000, previously disclosed as property inventories, met the criteria of IFRS 5 and was reclassed as an asset held for sale, see note 23. As part of the impairment of the CLDA CGU property inventory has been impaired by £1,974,000 (2019: £nil), see note 16 for further details.

22 Trade and other receivables

	2020 £'000	2019 £'000
Non-current		
Amounts owed by associates and joint ventures	8,000	44,642
	8,000	**44,642**
Current		
Trade receivables—net	27,771	23,600
Other taxes and social security	14	—
Other receivables and prepayments	12,382	17,671
	40,167	**41,271**
Movement in the loss allowance		
At 1 March	182	156
Movement in the year	28	26
At 29 February	**210**	**182**

The analysis of trade receivables due is as follows:

	2020 Receivable £'000	2020 Provision £'000	2019 Receivable £'000	2019 Provision £'000
Current	15,133	(41)	9,853	—
1 month	10,760	(3)	11,164	(4)
2 months	373	(4)	354	(2)
3+ months	1,715	(162)	2,411	(176)
	27,981	**(210)**	**23,782**	**(182)**

The standard period for credit sales varies from 30 days to 60 days. The Group assesses creditworthiness of all trade debts on an ongoing basis providing for expected credit losses in line with IFRS 9. The Group has considered credit risk rating grades, these are based on the ageing categories above. COVID-19 has not had a material impact on the collection of 29 February 2020 year end trade receivables. New customers are subject to stringent credit checks.

The analysis of trade receivables past due but not impaired is as follows:

	2020 £'000	2019 £'000
Neither past due nor impaired	22,182	18,967
<30 days	3,469	1,019
31–60 days	931	1,215
61–90 days	823	1,878
91–120 days	46	491
>120 days	530	212
	27,981	**23,782**

23 Assets classified as held for sale

On 22 February 2019, the aircraft leasing business, Propius Holdings Limited, which was part of the Aviation division, was classified as a disposal group held for sale where it remained until its disposal on 8 November 2019, see note 5.

23 Assets classified as held for sale (Continued)

The major classes of assets and liabilities of the disposal groups classified as held for sale at 29 February 2020 are as follows:

	2020 £'000	2019 £'000
Assets		
Property inventory	1,408	—
Brand names	10,000	
Other receivables	—	1,474
Total assets classified as held for sale	**11,408**	**1,474**
Liabilities		
Corporation tax	—	(1,030)
Deferred tax liability	—	(2,498)
Maintenance reserves	—	(17,889)
Other payables	—	(6,128)
Total liabilities classified as held for sale	**—**	**(27,545)**

In the prior year, there was an intercompany receivable of £19,689,000 that was not included in the disposal group held for sale, as it is eliminated under IFRS 10. However, now that Propius Holdings Limited is disposed of, the continuing group recognises this as a payable During the year, four acres of land at Widnes within the Non-Strategic Infrastructure division, with a carrying value of £1,408,000 that was previously disclosed as property inventories, met the criteria of IFRS 5 and was reclassified as an asset held for sale.

At the year ended 29 February 2020, brand assets totalling £10,000,000 have been transferred from intangible assets, see note 20. The fair value of these assets will be recovered via disposal post year end as detailed in note 34.

24 Trade and other payables

	2020 £'000	2019 £'000
Trade payables	21,939	28,637
Other taxes and social security	—	1,298
Other payables, accruals and deferred income	39,448	23,044
Government grants	512	669
	61,899	**53,648**

25 Other liabilities

	2020 £'000	2019 £'000
Other payables, accruals and deferred income	—	167
Government grants	9,687	10,929
	9,687	**11,096**

The Group has a number of government grants, which have different conditions attached to them. Where a grant relates to a specific asset, the grant is released to the consolidated income statement over the useful life of the asset to which it relates.

During the year, cash grants received totalled £318,000 (2019: £5,400,000), £1,152,000 (2019: £nil) was repaid, as a result of a sale and leaseback of land at Widnes in the prior year, and £565,000 (2019: £5,095,000) was released to the consolidated income statement.

26 Financial assets and liabilities

Loans and borrowings	2020 £'000	2019 £'000
Non-current		
Fixed rate:		
Obligations under leases	24,371	20,668
Variable rate:		
Obligations under leases	5,532	5,886
Revolving credit facility (net of arrangement fees)	74,757	57,567
	104,660	**84,121**
Current		
Fixed rate:		
Obligations under leases	8,647	6,663
Exchangeable bonds	51,689	—
Variable rate:		
Obligations under leases	3,852	6,770
	64,188	**13,433**
Total loans and borrowings (excluding IFRS 16)	**168,848**	**97,554**
Cash	(9,802)	(14,432)
Comparable net debt (excluding IFRS 16)	**159,046**	**83,122**
Non-current		
IFRS 16 obligations	73,128	—
Current		
IFRS 16 obligations	3,281	—
Net debt	**235,455**	**83,122**

Reconciliation of movements of liabilities to cash flows arising from financing activities

	2020 £'000	2019 £'000
Exchangeable bond		
Proceeds from bond issue (net of costs)	51,305	—
Release of deferred issue costs	260	—
Exchange derivative recognised	124	—
Movement in bond liability	**51,689**	**—**
Revolving credit facility		
Net cash drawn	17,000	18,000
Cash outflow from debt issue costs	(4)	(428)
Release of deferred issue costs	194	311
Movement in RCF liability	**17,190**	**17,883**
Obligations under leases		
Principle elements of lease payments	(20,783)	(14,382)
New leases entered into	21,037	14,178
Unwind of discount	134	142
Transition liability recognised	78,252	—
Non-cash interest accruals	184	—
Movement in lease obligations	**78,824**	**(62)**

Obligations under leases existed prior to the transition to IFRS 16 and IFRS 16 obligations are new obligations that have arisen following the transition to IFRS 16, see note 1.

26 Financial assets and liabilities (Continued)

Any variable lease payments that were not included in the calculation of IFRS 16 lease obligations have been expensed as incurred in the consolidated income statement. These amounts are not material.

The variable rate committed RCF with end date January 2022, was drawn at £75,000,000 (2019: £58,000,000) at the year end. Under the RCF, Stobart Group Limited and all material subsidiaries have charged security to the lenders via a debenture, the material subsidiaries are also guarantors and obligors in relation to the facility agreement. There are fixed charges over land and properties including LSA, CLDA, Widnes and Runcorn, in addition floating charges and charges over shares. The facility agreement contains typical security protections for the lender including negative pledge, and restrictions on disposals and financial indebtedness together with allowances for permitted disposals, permitted security and permitted financial indebtedness.

Stobart Group Limited provides support to its subsidiaries where required. Examples of support include intercompany funding arrangements and the provision of guarantees in relation to financing lines provided by a number of lenders. The Group was in compliance with all financial covenants throughout both the current and prior year.

The book value and fair values of financial assets and financial liabilities are as follows:

	Book value 2020	Fair value 2020
	£'000	£'000
Financial assets		
Cash	9,802	9,802
Other investments	4,776	4,776
Amounts owed by associates and joint ventures	8,385	8,385
Trade receivables	27,771	27,771
Other receivables	2,380	2,380
Swaps	364	364
Financial liabilities		
Trade payables	21,937	21,937
Revolving credit facility	74,757	74,757
Exchangeable bonds	51,689	46,389
Lease obligations	118,811	113,446
Other payables	8,573	8,573
Swaps	416	416

	Book value 2019	Fair value 2019
	£'000	£'000
Financial assets		
Cash	14,432	14,432
Other investments	44,918	44,918
Amounts owed by associates and joint ventures	48,342	48,342
Trade receivables	23,600	23,600
Other receivables	790	790
Swaps	850	850
Financial liabilities		
Trade payables	28,589	28,589
Revolving credit facility	57,567	57,567
Finance leases	39,987	38,858
Other payables	1,746	1,746
Swaps	602	602

For trade and other receivables/payables with a remaining life of less than one year, the carrying amount is considered to reflect the fair value.

26 Financial assets and liabilities (Continued)

The fair values of loans and borrowings have been calculated by discounting the expected future cash flows at prevailing interest rates. The fair value of finance leases and hire purchase arrangements and of loans and borrowings are classified as level 2 in the fair value hierarchy.

In the prior year, only leases classified as finance leases under IAS 17 were included in financial liabilities. However, in the current year this includes all leases recognised under IFRS 16.

The Group entered into a put option with fellow Connect Airways shareholder Cyrus Capital Partners (Cyrus) on 11 January 2019. This agreement gave Cyrus the option to exchange £23m of second ranking six-year 8% RCF debt with Connect Airways, for equity shares in Stobart Group Limited at 250p per share. The option can only be exercised after two years following the acquisition of Flybe plc by Connect Airways and requires 30 days' notice. Another requirement that must be satisfied to allow the option to be exercised includes a measure of passenger volumes at LSA driven by Connect Airways over a 12-month rolling period.

Following 29 February 2020, the Connect Airways business which included operations at LSA, via Stobart Air, entered administration and the Connect Airways operations have now ceased. The passenger volume measure relating to Connect Airways operations, that have now ceased, is no longer measurable due to administration.

This level 3 year end fair value of the put option has been recognised within finance costs in the consolidated income statement with a corresponding financial liability on the statement of financial position.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Financial assets and liabilities measured at fair value

As at 29 February 2020	Total £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Financial assets				
Other financial assets	4,776	4,706	—	70
Financial liabilities				
Other financial liabilities	3,500	—	—	3,500
Swaps	52	—	52	—

As at 28 February 2019	Total £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Financial assets				
Other financial assets	44,918	44,918	—	—
Swaps	248	—	248	—

Assets classified as held for sale

Included within assets held for sale are brand intangible assets disposed of post year end (see note 34) and property inventory (see note 21). Both assets were subject to valuations that fall within level 3 of the fair value hierarchy, using an income approach and market approach valuation techniques respectively.

26 Financial assets and liabilities (Continued)

Fair value calculation methodology

Other investments are valued based on quoted market price. Swaps are valued based on market rates and market-accepted models.

Fair value for financial instruments held at amortised cost has been estimated by discounting cash flows at prevailing interest rates.

During the current and prior year, there were no transfers between level 1 and level 2 fair value measurements, and no transfers into and out of level 3 fair value measurements.

Financial instruments—risk management

The Group is exposed through its operations to the following financial

risks:

- Credit risk
- Liquidity risk
- Diesel price risk
- Currency price risk
- Fair value or cash flow interest rate risk
- Capital risk

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them.

Principal financial instruments

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

- Trade and other receivables
- Exchangeable bonds
- Floating-rate revolving credit facility
- Cash at bank
- Trade and other payables
- Lease obligations

General objectives, policies and processes

The Board has overall responsibility for the determination of the Group's risk management objectives and policies. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below:

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or a counterparty to a financial instrument fails to meet its contractual obligations. The Group is mainly exposed to credit risk from credit sales. It is Group policy, implemented locally, to assess the credit risk of new customers before entering contracts. Such credit ratings are taken into account by local business practices.

All credit sales are made under Group payment and delivery terms and conditions and are mostly covered by insurance. All credit limits are formally set and are in agreement with the bank.

26 Financial assets and liabilities (Continued)

The recoverability of the net trade receivables, including contract assets, is considered highly likely. This is supported by the collection history of the Group. In generating the expected credit loss (ECL) provision, historical credit loss rates for the preceding five years are observed, including consideration given to factors that may affect the ability of customers to settle receivables, and percentages applied to the trade and other receivable aging buckets at the year end.

The Group applies the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

The expected credit losses on other receivables have not been recognised as the resultant provision would not be material to the financial statements.

Interest rate risk

The Group is exposed to cash flow interest rate risk from long-term borrowings and cash at variable rates. There are loan facilities at variable rates as well as amounts held on deposit. These borrowing policies are managed centrally. Although the Board accepts that this policy neither protects the Group entirely from the risk of paying rates in excess of current market rates nor eliminates fully cash flow risk associated with variability in interest payments, it considers that it achieves an appropriate balance of exposure to these risks.

The Group's borrowings at variable rate were denominated in GBP and the fixed rate borrowings were denominated in US Dollars and GBP.

Capital risk

The Group is exposed to capital risk in relation to its shareholding in Eddie Stobart Logistics plc. Any adverse movement in the quoted share price will directly impact the fair value of the investment held.

Diesel price risk

The Group is exposed to diesel price risk as diesel fuel is a key supply to the transport fleet of vehicles in the Energy business. If diesel prices rise, there will be increases in the base costs that cannot be fully passed on to customers. In order to mitigate this risk, the Group has taken out diesel swap contracts to manage its exposure.

The fair value of diesel swap contracts falling within level 2 of the fair value hierarchy as at 29 February 2020 is £416,000 liability (2019: £53,000 asset) and the gross swap coverage was £1,877,000 (2019: £2,435,000). The fair value of the swaps is calculated by Lloyds Bank Corporate Markets plc and Mitsui Bussan Commodities Ltd based on mid-market levels as of the close of business on 28 February 2020.

Jet fuel price risk

Following the disposal of Everdeal Holdings Limited, the Group is no longer being exposed to jet fuel price risk as jet fuel was a key supply to the aircraft fleet, disposed with Everdeal Holdings Limited.

Currency price risk

Following the disposal of Everdeal Holdings Limited, the Group is no longer being exposed to a significant amount of certain transactions denominated in foreign currencies, which previously included the leasing and purchasing of aircraft, spare parts, maintenance and fuel in US Dollars and Euros. The Group does have a US Dollar balance payable in instalments so has taken out currency swap contracts to manage its exposure.

The fair value of currency swap contracts falling within level 2 of the fair value hierarchy as at 29 February 2020 is £195,000 asset (2019: £431,000 liability) and the gross swap coverage was

26 Financial assets and liabilities (Continued)

£13,305,000 (2019: £15,682,000). The fair value of the swaps is calculated by Lloyds Bank plc based on mid-market levels as of the close of business on 28 February 2020.

Sensitivity analysis

The sensitivity analysis set out in the following table summarises the sensitivity of the market value of financial instruments to hypothetical changes in market rates and prices. Sensitivity is calculated based on all other variables remaining constant.

The interest rate analysis assumes a 1% change in interest rates, the currency analysis assumes a 1% change in currency price and the diesel price analysis assume a 10% price change. The diesel and currency price sensitivity analysis is based on diesel and currency-related derivative instruments held at the end of each reporting period.

The impact of a 1% increase in interest rates, a 1% increase in currency price and a 10% increase in the diesel price is disclosed. A corresponding decrease results in an equal and opposite impact on the consolidated income statement.

	Interest rate 1% increase	Diesel price 10% increase	Currency price 1% increase
	£'000	£'000	£'000
At 29 February 2020			
Increase in fair value of financial instruments . .	799	146	134
Impact on profit: (loss)/gain	(770)	146	134
At 28 February 2019			
Increase in fair value of financial instruments . .	679	249	158
Impact on profit: (loss)/gain	(673)	249	158

Capital management

The objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group monitors capital using gearing ratios. Gearing based on net debt divided by capital was 228.4% at 29 February 2020 (2019: 28.0%). The Group includes the following within borrowings: bank loans, lease obligations including IFRS 16 leases and exchangeable bonds. Capital comprises equity attributable to the equity holders of the Parent. Gearing has been impacted by IFRS 16 in the current year. Excluding IFRS 16, gearing was 147.2% at 29 February 2020.

The Group uses share capital to partly fund major acquisitions where considered appropriate.

The Group is not subject to any externally imposed capital restraints except compliance with normal bank covenants.

Dividends are payable after considering the solvency of the Group and the forecast funding requirements and headroom.

Liquidity risk

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. See the maturity profile of loans and borrowings below.

The Group prepares and reviews rolling weekly cash flow projections. Actual cash and debt positions along with available facilities and headroom are reported weekly. These are monitored by Group management.

26 Financial assets and liabilities (Continued)

In addition, full annual five-year forecasts are prepared including cash flow and headroom forecasts. These are full, detailed forecasts prepared by each division and consolidated for the Group.

The financial statements have been prepared using the going concern basis. See note 1 for further details.

The table below summarises the maturity analysis of financial liabilities based on contractual undiscounted payments:

	<1 year	1 to 5 years	>5 years	Total
	£'000	£'000	£'000	£'000
At 29 February 2020				
Loans and borrowings	1,944	129,857	—	131,801
Obligations under lease	20,135	52,300	125,003	197,438
Trade payables	13,279	—	—	13,279
Swaps	416	—	—	416
	35,774	**182,157**	**125,003**	**342,934**
At 28 February 2019				
Loans and borrowings	1,052	59,634	—	60,686
Finance lease borrowings	13,932	24,014	7,888	45,834
Trade payables	28,589	—	—	28,589
Swaps	949	—	—	949
	44,522	**83,648**	**7,888**	**136,058**

27 Employee benefits—pension schemes

The Ansa plan remains open for employees of Ansa Logistics Limited, a subsidiary of the Group. The latest actuarial valuation of the Ansa plan was as at 31 December 2016 and was carried out by an independent qualified actuary using the projected unit method. At the date of the latest actuarial valuation, the realisable value of assets was £24,424,000, which was sufficient to cover 74% of the value of benefits that had accrued to members, measured on the continuing basis. Total contributions payable for the year to 29 February 2020 amounted to £1,155,000 (2019: £1,111,000) with £97,000 (2019: £92,000) of contributions due to the plan at 29 February 2020.

The scheme is established under trust law and has a corporate trustee that is required to run the scheme in accordance with the scheme's trust deed and rules and to comply with all the relevant legislation. Responsibility for governance of the scheme lies with the trustee. The trustee is a company whose Directors comprise representatives of the Group and the scheme participants, in accordance with its Articles of Association and UK pension law.

The scheme was formed after 1997 and therefore Guaranteed Minimum Pension (GMP) is not an issue.

There was a change in approach during the year in relation to calculating the discount rate and inflation assumptions. Instead of selecting the appropriate point on the curve, the full yield curve was applied to the plan's projected cash flows and then the 'single equivalent' rate that produces the same liability value was identified. This is a more sophisticated approach and aligns with market practice.

In addition, there are anticipated changes to the formulation of RPI, to bring it closer to CPI, which are not believed to have been fully priced in by the markets. To allow for these a downward adjustment has been introduced to the RPI assumption of 0.3%.

27 Employee benefits—pension schemes (Continued)

The principal assumptions for the purpose of the actuarial valuations used in these consolidated financial statements were as follows:

	2020	2019
Discount rate for scheme liabilities	1.60%	2.70%
Rate of inflation (RPI)	2.80%	3.45%
Rate of inflation (CPI)	2.10%	2.45%
Rate of general increase in salaries	n/a	n/a
Mortality table used	S3NA, CMI_2018, 1.25% minimum annual improvement	S2NA, CMI_2017, 1.25% minimum annual improvement

Longevity assumptions for members of the Ansa plan

The life expectancies based on the plan's IAS 19 mortality assumptions at the plan's normal retirement age of 65 are as follows:

	Male life expectancy	Female life expectancy
29 February 2020	87	89
29 February 2040	88	90
28 February 2019	87	89
28 February 2039	88	90

The figures for the members 20 years in the future show how the expected future improvements in longevity, as a result of the CMI projections and the 1.25% per annum minimum annual improvements, affect life expectancies. An 'improvement' means the decrease in the rate of mortality at a given age over the time period.

The mortality projection has changed in the year to ensure the new demographic assumptions reflect the Scheme Actuary's view of best estimate assumptions for the 2017 actuarial valuation.

Sensitivities to principal assumptions

The principal risk to the Group in relation to the plan is that the Group would be required to fund any deficits in the plan, the level of which is variable and depends upon mortality rates, inflation and returns on plan assets.

The most significant sensitivity stems from the following assumptions:

- **Discount rate:** This is a key assumption because it is applied to the future pension payments.
- **Price inflation:** This is a key assumption because it is used to determine increases to pensions in payment and in deferment, and increases to pensionable salaries for the one active member.
- **Mortality after retirement:** This is a key assumption because it determines how long pensions are paid for when they come into payment. The central assumptions are the S3NA base tables, with the CMI_2018 projections of future experience, subject to a 1.25% per annum minimum annual improvement with no age rating.

Sensitising the assumptions listed above would have the following effects on the total liabilities, assets and deficit positions. For the purposes of the mortality sensitivity illustrations, we have varied the minimum annual improvement.

27 Employee benefits—pension schemes (Continued)

Discount rate assumption	1.35%	1.60%	1.85%
	£'000	£'000	£'000
Liabilities	33,713	32,311	30,980
Assets	27,889	27,889	27,889
Deficit	(5,824)	(4,422)	(3,091)

RPI inflation assumption	2.55%	2.80%	3.05%
	£'000	£'000	£'000
Liabilities	33,342	32,311	31,313
Assets	27,889	27,889	27,889
Deficit	(5,453)	(4,422)	(3,424)

Minimum annual improvement	0.75%	1.25%	1.75%
	£'000	£'000	£'000
Liabilities	33,015	32,311	31,620
Assets	27,889	27,889	27,889
Deficit	(5,126)	(4,422)	(3,731)

Amounts recognised in the consolidated statement of financial position

	2020	2019
	£'000	£'000
Present value of funded obligations	32,311	28,850
Fair value of scheme assets	27,889	25,680
Net liability recognised in the consolidated statement of financial position	**(4,422)**	**(3,170)**

Amounts recognised in the consolidated income statement

	2020	2019
	£'000	£'000
Return on scheme assets	689	691
Interest expense	(763)	(778)
Finance expense	**(74)**	**(87)**
Current service cost (included in staff costs)	**(4)**	**(2)**

Amounts recognised in the consolidated statement of comprehensive income

	2020	2019
	£'000	£'000
Actual return less return recognised in profit or loss	1,814	(524)
Experience losses arising on the scheme liabilities	(226)	(4)
Changes in financial assumptions underlying the present value of the scheme liabilities	(3,637)	268
Amounts recognised in the consolidated statement of comprehensive income	**(2,049)**	**(260)**
Deferred tax	348	45
Remeasurement on defined benefit plan	**(1,701)**	**(215)**
Cumulative net gains recognised	**(3,946)**	**(2,245)**
Actual return less return recognised in profit or loss		
Actual return on scheme assets	2,503	167
Less return recognised in profit or loss	(689)	(691)
	1,814	**(524)**

27 Employee benefits—pension schemes (Continued)

Changes in the present value of defined benefit obligations and the fair value of scheme assets are as follows:

	2020 £'000	2019 £'000
Defined benefit obligation		
Opening defined benefit obligation	28,850	29,311
Current service cost	4	2
Interest expense	763	778
Actuarial losses/(gains)	3,863	(264)
Employee contributions	1	1
Benefits paid	(1,170)	(978)
Closing defined benefit obligation	**32,311**	**28,850**
Fair value of scheme assets		
Opening fair value of scheme assets	25,680	25,659
Return recognised in profit or loss	689	691
Actuarial gains/(losses)	1,814	(524)
Contributions made by the Group	1,155	1,111
Employee contributions	1	1
Benefits paid	(1,170)	(978)
Expenses	(280)	(280)
Closing fair value of scheme assets	**27,889**	**25,680**

The fair value of the scheme assets at the year end is analysed as follows:

	2020 £'000	2019 £'000
Equity instruments	6,557	6,552
Bonds	14,742	12,632
Diversified growth funds	6,489	6,218
Other (including cash)	101	278
Fair value of scheme assets	**27,889**	**25,680**

COVID-19 has had a significant post balance sheet impact on the asset values within the scheme. Scheme asset values fell by c.£2m in the month of March 2020, driven by falling equity values and decreased bond yields. With such market volatility, these asset values are likely to move materially over the six months to 31 August 2020, when the next valuation is prepared. Any material decrease in asset values will be presented in other comprehensive income at the next reporting date. The current actuarial valuation as at 31 December 2019 is ongoing and as part of this the deficit contributions payable by the Group may vary from the current level.

The plan assets do not include any of the Group's own financial instruments, nor any property occupied by, or other assets used by, the Group. The trustees of the Ansa plan regularly review their investment strategies to ensure that wherever possible the nature of assets held in each scheme is appropriate to the maturity profile of the underlying pension obligation. The types of assets held are shown above, all of which have quoted prices in active markets with the exception of other assets. The age profile of the Ansa plan members, which provides an indication of the maturity profile of the defined benefit obligation, is as follows:

	2020 Years	2019 Years
Normal retirement age	65	65
Average age of deferred members	56	56
Average age of pensioner members	68	68

27 Employee benefits—pension schemes (Continued)

The Group expects to contribute £1,179,000 to the Ansa plan in the year ending 28 February 2021. A schedule of contributions was agreed with the trustees in the year ending 29 February 2016 to cover a 16-year period to 28 February 2031, setting out the deficit contributions payable into the scheme. The trustees seek to align the investment strategies with the maturity profile of the liabilities in the schemes. An additional liability for any surplus contributions payable as a result of this agreement has not been recognised as the Group has the right to a refund of any surplus.

The Group operates a defined contribution plan. The charge in the year to the consolidated income statement was £1,251,000 (2019: £1,093,000). The value of contributions outstanding as at 29 February 2020 and included in other payables is £97,000 (2019: £257,000).

28 Deferred tax

Deferred tax liabilities

	2020	2019
	£'000	£'000
Accelerated allowances on plant and machinery	(4,316)	(2,213)
Roll-over relief	2,543	2,543
Revaluation of properties to fair value on acquisition	5,980	7,077
Brands recognised on acquisition	1,700	7,041
Other temporary differences	(171)	(888)
	5,736	**13,560**

Deferred tax assets have been recognised in respect of temporary differences giving rise to deferred tax assets because it is probable that the assets will be recovered.

Deferred tax has not been recognised in respect of tax losses of certain Group entities of £10,619,000 as at 29 February 2020 (2019: £49,451,000) on the basis that there is uncertainty over whether taxable profit will be available within the trades operated by these entities against which the unused tax losses can be utilised in future periods.

The deferred tax balances have been calculated at 17%, as this was the rate that was substantively enacted at the statement of financial position date. The March 2020 Budget announced that the corporation tax rate now applicable from 1 April 2020 remains at 19% rather than the previously enacted reduction to 17%. This was enacted on 17 March 2020. Given the change was enacted after the date of statement of financial position of 29 February 2020, the deferred tax assets/liabilities as at 29 February 2020 have been recognised/provided at 17%. The deferred tax liability at the year end totals £5,736,000. As such, recognition/provision at 19% will result in the provision of an additional deferred tax liability and a deferred tax charge of approximately £675,000. This will be included within the Group accounts for the year ending 28 February 2021.

28 Deferred tax (Continued)

Movement in deferred tax balances during the year

	Balance 28 February 2018	Recognised in profit or loss	Foreign exchange adjustment	Recognised in other comprehensive income	Recognised in retained earnings	Transfer to assets held for sale	Balance 28 February 2019	Recognised in profit or loss	Recognised in other comprehensive income	Recognised in retained earnings	Balance 29 February 2020
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Provisions	(1,130)	(381)	—	—	673	1,252	414	50	—	—	464
Tax losses	531	(42)	—	—	—	—	489	(489)	—	—	—
Share-based payments	2,186	(34)	—	—	(925)	—	1,227	(193)	—	(914)	120
Pension	618	(123)	—	45	—	—	540	(134)	348	—	754
Roll-over relief	(580)	(341)	—	—	—	(1,622)	(2,543)	—	—	—	(2,543)
Revaluation of properties to fair value on acquisition	(7,612)	535	—	—	—	—	(7,077)	1,097	—	—	(5,980)
Brands recognised on acquisition	(7,673)	632	—	—	—	—	(7,041)	5,341	—	—	(1,700)
Accelerated allowances on plant and machinery	(3,993)	2,452	(141)	—	—	3,895	2,213	2,103	—	—	4,316
Capitalised interest	(1,782)	—	—	—	—	—	(1,782)	—	—	—	(1,782)
Corporate interest restriction disallowance	—	—	—	—	—	—	—	615	—	—	615
	(19,435)	**2,698**	**(141)**	**45**	**(252)**	**3,525**	**(13,560)**	**8,390**	**348**	**(914)**	**(5,736)**

29 Provisions

	Site restoration	Onerous leases/ contracts	Corporation tax	Litigation and claims	Development commitment	Total
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 March 2019	2,890	20,227	—	4,096	4,000	31,213
Provisions used	—	(5,142)	—	(4,617)	—	(9,759)
Provisions made	—	560	11,355	2,373	—	14,288
Provisions utilised	—	(1,912)	—	(163)	(58)	(2,133)
Provisions reversed during the year	—	(3,163)	—	—	—	(3,163)
Unwind of discount	72	19	—	—	—	91
At 29 February 2020	**2,962**	**10,589**	**11,355**	**1,689**	**3,942**	**30,537**
Analysis of provisions:						
Current	—	560	—	1,689	3,942	6,191
Non-current	2,962	10,029	11,355	—	—	24,346

Provisions comprise liabilities where there is uncertainty about the timing of settlement, but where a reliable estimate can be made of the amount. Details of each provision category are as follows:

Site restoration

The Group leases a long leasehold property which is currently unoccupied, in respect of which it has annual holding costs and dilapidation obligations. The estimated liability is discounted to its present value.

Onerous leases/contracts

Following the disposal of Everdeal Holdings Limited, who operate the UKFFO, the Group had an agreement to part fund the operation. At 28 February 2019, the Directors estimated the onerous contract to be £7,031,000. This operation, for which tickets went on sale in December 2016 and which commenced flights in May 2017, has been withdrawn following the expansion of the easyJet and Ryanair operations at LSA. Part of the provision was used in the year to cover costs incurred and the remaining balance has been reversed through discontinued operations. The balance is nil at year end.

In the prior year, a provision of £12,322,000 for an onerous lease contract was made in connection with the disposal of Propius Holdings Limited, see note 5. The amount of this liability was not known but was estimated as an amount to cover the difference between the lease rentals for certain aircraft

29 Provisions (Continued)

payable to a lessor between 2023 and 2027, and a lower amount agreed as a sub-lease to Connect Airways. The amount in US Dollars has been reassessed and when translated to GBP at the year end rate and discounted to the year end date. The balance held at 29 February 2020 is £9,625,000.

The Directors do not believe that the present value of the future payments will be materially greater than the amounts provided for the two provisions above.

Corporation tax

There are a number of tax enquiries across the Group which management is working with HMRC and professional advisers to satisfy and resolve. There are uncertainties around the outcomes and potential liabilities in connection with these enquiries. The Directors believe that a responsible range of outcomes for the liabilities under these enquiries is between £nil and £16m, excluding interest and penalties. Provisions have been made for corporation tax and other taxes at a level that the Directors believes is a reasonable estimate to cover the potential liabilities on an enquiry by enquiry basis. This provision has been reclassified in the current year from the corporation tax liability. These provisions have not changed during the year.

Litigation and claims

Relates mainly to provisions made within the Energy division, relating to a claim under a contract with a waste wood material supplier. In addition, a provision is held in relation to an ongoing case relating to air travel tax in Ireland.

Development commitment

The Group has entered into a commitment to its landlord to undertake the development of a leasehold site. The provision represents the estimated cost of the required development works with work estimated to begin within the next 24 months. The impact of discounting is not material and has not been recognised.

30 Share-based payments

The table below shows the expenses arising from share-based payment transactions (credited)/ charged to operating profit.

	2020	2019
	£'000	£'000
Long-Term Incentive Plan 2014 to date	99	(45)
SAYE schemes to date	1,090	64
Stobart Energy Incentive Plan	34	41
Stobart Aviation Incentive Plan	(72)	324
Services rendered	120	330
	1,271	**714**

The share-based payment plans are described as follows.

Long-Term Incentive Plan 2014 to date

During the current and prior years, performance shares were awarded to Executive Directors and other senior management under a Long-Term Incentive Plan. These performance shares vest subject to the TSR and the cumulative adjusted EPS, both measured over three-year periods.

50% of the share awards vest dependent on the TSR performance of the Group. None of these share awards will vest if the TSR performance of the Group is less than that of the comparator group (the TSR of the FTSE 250). 25% of the awards will vest if the TSR performance of the Group equals that of the comparator group and the remaining 75% will vest proportionately in line with how the TSR performance of the Group exceeds that of the comparator group between 0% and 10%.

30 Share-based payments (Continued)

50% of the share awards vest dependent on the cumulative adjusted EPS over the three financial years ending at the end of the third February after grant. None of these share awards will vest if the cumulative adjusted EPS is less than threshold, 25% of the shares will vest if the cumulative adjusted EPS is threshold and the remaining 75% will vest proportionately in line with how the cumulative adjusted EPS performs between threshold and stretch.

If both elements of the performance conditions are achieved in full, the awards will be subject to a multiple up to a maximum of 2x multiplier if the Group's three-year TSR outperforms the index by 40% per annum or more. Further details are included in the Directors' Remuneration Report.

EPS threshold and EPS stretch for each issue

Grant date	Number of awards	EPS threshold	EPS stretch
22 June 2017	896,721	52.0p	60.0p
1 November 2017	2,333	52.0p	60.0p
20 June 2018	726,522	20.0p	28.0p
3 July 2019	127,660	20.0p	28.0p
3 July 2019	1,796,415	4.4p	14.1p
11 December 2019	15,823	4.4p	14.1p

2018 Save-As-You-Earn (SAYE)

During the prior year, qualifying employees and Directors were invited to join the 2018 SAYE scheme, where participants enter into a contract to save a fixed amount per month of up to a maximum of £500 for three years and are granted an option over shares at a fixed option price, set at a 20% discount to average market price for the three days prior to the invitation to participate. The number of shares comprising the option is determined by the monthly amount saved on maturity of the savings contract. Options granted under the SAYE scheme are not subject to any performance conditions. To date, 92,100 options have been forfeited and 1,031,291 options have been cancelled. There are 89,760 options remaining at the year end.

2019 Save-As-You-Earn (SAYE)

During the year, qualifying employees and Directors were invited to join the 2019 SAYE scheme, where participants enter into a contract to save a fixed amount per month of up to a maximum of £500 for three years and are granted an option over shares at a fixed option price, set at a 20% discount to average market price for the three days prior to the invitation to participate. The number of shares comprising the option is determined by the monthly amount saved on maturity of the savings contract. Options granted under the SAYE scheme are not subject to any performance conditions. The maximum number of shares, if all vest, is 2,962,928. To date, 66,016 options have been forfeited and 308,456 options have been cancelled. There are 2,588,456 options remaining at the year end.

Stobart Energy Incentive Plan (SEIP)

Eligible participants were invited to purchase shares in a subsidiary company under the SEIP. Ownership of these shares gave the participants the opportunity to benefit from a potential increase in value of the Energy division. Details of the plan were provided in the Notice of Annual General Meeting and Approval of the SEIP document circulated in advance of the 2016 AGM. The SEIP vested during the year and was settled with 665,251 existing Stobart Group shares transferred from the Employee Benefit Trust and the issue of 3,830,947 new Stobart Group ordinary shares. The aggregate number of ordinary shares awarded was calculated with reference to the weighted average mid-market price in the period from 30 June 2019 to 5 September 2019.

Stobart Aviation Incentive Plan (SAIP)

In January 2017, an eligible participant entered into an incentive plan which gives the participant the opportunity to benefit from a potential increase in value of the Aviation division. This scheme will be

30 Share-based payments (Continued)

part settled with cash and part settled with Stobart Group shares. The updated terms of the SAIP were provided in the Directors' Remuneration Report of the 2019 Annual Report at the 23 July 2019 AGM. Further details are provided in the Directors' Remuneration Report.

Services rendered

The Group has used share options as partial consideration for services received. The fair value was determined using a market price for the services received. These share options will vest dependent on the market capitalisation of the Group during the performance period.

Movements in the year

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of, and movements in, outstanding share awards during the year:

	2020 No.'000	2020 WAEP	2019 No.'000	2019 WAEP
Outstanding at 1 March	3,353	£0.57	5,968	£0.11
Granted during the year	4,921	£0.59	1,923	£1.01
Exercised during the year	(897)	£0.00	(2,626)	£0.24
Lapsed during the year	(156)	£0.00	(260)	£0.00
Forfeited during the year	(152)	£1.62	(1,428)	£0.01
Cancelled during the year	(1,329)	£1.50	(224)	£0.08
Outstanding at end of year	**5,740**	**£0.48**	**3,353**	**£0.57**
Exercisable at end of year	**—**	**—**	**1**	**£0.84**

Of the 2016 LTIPs a proportion vested, based on performance, and the remainder lapsed. All of the shares that vested were exercised during the year.

The weighted average contractual life of awards/options outstanding at the year end is 20 months (2019: 14 months).

Valuation details

The fair value of the options granted without market-based performance conditions is estimated using a Black-Scholes model taking into account the terms and conditions upon which the options were granted. The fair value of the options granted with market- based performance conditions are estimated using a Monte Carlo model taking into account the terms and conditions upon which the options were granted.

The following table lists the inputs to the models used for the current and prior year.

2017 LTIP share awards	Long-Term Incentive Plan subject to TSR	Long-Term Incentive Plan subject to EPS
Dividend yield (%)	5.74	5.74
Expected volatility (%)	25.46	25.46
Risk-free interest rate (%)	0.24	0.24
Expected life of options (years)	3	3
Weighted average share price (£)	2.925	2.925
Fair value at date of grant (£)	1.453	2.462
Model used	Monte Carlo	Black-Scholes

30 Share-based payments (Continued)

2018 LTIP share awards	Long-Term Incentive Plan subject to TSR	Long-Term Incentive Plan subject to EPS
Dividend yield (%)	5.74	5.74
Expected volatility (%)	25.46	25.46
Risk-free interest rate (%)	0.24	0.24
Expected life of options (years)	3	3
Weighted average share price (£)	2.568	2.568
Fair value at date of grant (£)	1.258	2.132
Model used	Monte Carlo	Black-Scholes

2019 LTIP share awards	Long-Term Incentive Plan subject to TSR	Long-Term Incentive Plan subject to EPS
Dividend yield (%)	2.46	2.46
Expected volatility (%)	25.46	25.46
Risk-free interest rate (%)	0.24	0.24
Expected life of options (years)	3	3
Weighted average share price (£)	1.220	1.220
Fair value at date of grant (£)	0.598	1.013
Model used	Monte Carlo	Black-Scholes

2018 SAYE scheme	SAYE plan
Dividend yield (%)	3.97
Expected volatility (%)	36.13
Risk-free interest rate (%)	0.83
Expected life of options (years)	3.5
Weighted average share price (£)	1.51
Fair value at date of grant (£)	0.29
Model used	Black-Scholes

2019 SAYE scheme	SAYE plan
Dividend yield (%)	5.14
Expected volatility (%)	55.21
Risk-free interest rate (%)	0.83
Expected life of options (years)	3.5
Weighted average share price (£)	1.17
Fair value at date of grant (£)	0.29
Model used	Black-Scholes

SAIP	SAIP
Dividend yield (%)	nil
Expected volatility (%)	30
Average risk-free interest rate (%)	0.447
Expected life of options (years)	1.258
Comparable multiplier	16.2
Equity value at valuation date (£m)	204.1
Model used	Monte Carlo

The fair value at the date of grant of the awards subject to the multiplier was £0.009 (2019: £0.02).

30 Share-based payments (Continued)

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

31 Issued share capital and reserves

	2020	2019
	£'000	£'000
Ordinary share capital Authorised		
—505,272,670 (2019: 505,272,670) shares of 10p each	50,527	50,527

	£	£
Ordinary share capital—deferred shares		
Authorised—1,000 shares of 0.1p each	1	1

Ordinary shares of 10p each issued and fully paid	Number of shares 2020	Share capital 2020	Number of shares 2019	Share capital 2019
	'000	£'000	'000	£'000
At 1 March	370,822	37,082	354,329	35,434
Share issue	3,831	383	16,493	1,648
At 29 February	**374,653**	**37,465**	**370,822**	**37,082**

During the year ended 29 February 2020, the Company bought none (2019: 1,450,000) of its own shares for a net consideration of £nil (2019: £3,416,000). The Group transferred no shares (2019: 7,035,425) to the employee benefit trust for nil consideration (2019: £nil). The number of shares held by the employee benefit trust reduced from 5,059,362 at 28 February 2018 to 2,980,992 at 29 February 2020, following the issue of shares during the year to satisfy employee share options.

During the year ended 29 February 2020, the Company issued 3,830,947 (2019: 16,492,884) ordinary shares of 10p each for nil consideration (2019: £24,702,000) to settle employee share options.

The Group has a retained deficit at 29 February 2020, however, this does not prevent dividends being paid. Stobart Group Limited is registered in Guernsey and under Guernsey Law, prior to making payments to shareholders, a company must satisfy the solvency test, which requires that it is able to meet its liabilities as they fall due and has assets which are greater than its liabilities, and the Directors must certify that this is the case. Taking into account the significant share premium account, the Company continues to satisfy these requirements.

Voting rights

Ordinary shareholders are entitled to vote at all general meetings.

The deferred shares and treasury shares have no voting rights.

Capital entitlement

The deferred shareholders are entitled to the repayment of the amounts paid up on the deferred shares after payment in respect of each ordinary share and £1,000,000.

Nature and purpose of other reserves

Own shares held by employee benefit trust

This comprises the weighted average cost of own shares held by the employee benefit trust.

32 Lease commitments

Group as lessee

The Group leases a number of premises, vehicles and equipment with varying terms and renewal rights. Under IFRS 16, each lease is reflected in the consolidated statement of financial position as a right-of-use asset and a lease liability, with the exception of short- term leases and leases of low-value underlying assets. In the prior year, under IAS 17, the Group recognised lease assets and lease liabilities for finance leases only. The assets were presented in PPE and the liabilities as part of borrowings. Further details around the transition to IFRS 16 are presented in note 1.

The following amounts have been recognised in the consolidated income statement:

Under IFRS 16	2020
	£'000
Interest on lease liabilities	4,098
Expenses relating to short-term leases	1,352
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	44
	5,494

Under IAS 17	2019
	£'000
Lease expense	**3,361**

Recognised in the consolidated statement of cash flows	2020
	£'000
Total cash outflow for leases	**21,961**

Group as lessor

The Group has entered into commercial property leases on some of its properties. This includes a sub-lease on one property that has been presented as a right-of-use asset. Both the lease and sub-lease have an expiration date of February 2038. The sub-lease is presented as a finance lease.

The maturity analysis of the future undiscounted lease receivables is shown in the table below.

	2020
	£'000
Less than one year	1,060
One to two years	1,060
Two to three years	1,060
Three to four years	1,060
Four to five years	1,060
More than five years	13,790
Total undiscounted lease receivable	**19,090**
Finance income	(5,843)
Net investment in lease	**13,247**

Capital commitments

At 29 February 2020, the Group had commitments of £nil (2019: £971,000). The commitments in the prior year related to development work at a leasehold site in Widnes in the Non-Strategic

32 Lease commitments (Continued)

Infrastructure division, development and expansion works at LSA in the Aviation division and development works at the Port Clarence processing site in the division.

33 Contingent liabilities

Liability under financial guarantees exist across the Group and a number of these liabilities are no longer considered remote.

Eddie Stobart property rent guarantees have been in place since the disposal of ESL in April 2014. Given the recent issues reported by ESL, the Group believes that the possibility of any outflow in settlement is no longer remote. An outflow would only materialise if Eddie Stobart would need to fail in its lease obligations to the landlord, in addition to a new tenant not stepping into the lease. The Group's maximum exposure over the period to February 2034 is £77.3m.

Guarantees have been provided in respect of the airline Stobart Air, in relation to jet fuel and foreign exchange hedging contracts. The exposure on these contracts at the year end is c.€2m. In addition, a facility provided by Aer Lingus, under which Stobart Air receives 100% of ticket revenue in advance of passenger flights, has been guaranteed up to maximum of €18m.

Following the sale and leaseback of eight ATR72-600 aircraft in April 2017, the Group provided guarantees over the $15.4m annual rentals payable by Propius. These guarantees remained in place on disposal of Propius and expire in April 2027, with a break clause in April 2023 if the Aer Lingus franchise is not extended in December 2022 which would trigger a payment by the guarantor of a break fee of $21.2 million.

During the year, various claims have been made against our Energy and Aviation divisions. One of these claims has a court date set for October 2020. Stobart is vigorously defending all these claims and believes the risk of outflow to be low, however, the likelihood of a future outflow of economic benefit is no longer classified as remote. The maximum exposure under these claims is £19.3m.

34 Post balance sheet events

Flybe entered administration on 5 March 2020, followed by Connect Airways on 18 March 2020. The loans receivable from Connect Airways Limited, the parent company of Flybe, Stobart Air and Propius, have been impaired to £nil as a result as at 29 February 2020. The administration of Connect Airways Limited and Flybe Limited post year end increased the probability of cash outflows in respect of the guarantees provided in respect of Stobart Air and Propius, as disclosed in note 33, and potentially crystallised a liability in respect of these items. To mitigate this risk, discussions took place with the administrators of Connect Airways and Flybe to acquire the Stobart Air and Propius businesses.

On 27 April 2020, the Group reached an agreement to acquire an effective indirect economic interest of 78.75% in Stobart Air and Propius for consideration comprising cash of £0.3m, payable on completion, deferred consideration of £2.0m, to be paid by 15 December 2020, and a contingent deferred consideration up to maximum of £6.25m, based on the equity value achieved, after disposal costs, on a realisation of value in respect of one of both of the businesses prior to 31 December 2023. It is expected that these businesses will be accounted for as 100% subsidiaries.

Following these acquisitions, the fair value of aircraft lease liabilities and the right of use assets of Stobart Air and Propius will be recognised in the Group consolidated statement of financial position, as required under IFRS 3: Business Combinations and IFRS 16: Leases.

As at the date of issue, the initial accounting for the business combination as per IFRS 3 is incomplete due to the complexity of the acquisition accounting and insufficient time between the date of acquisition and the date the financial statements were authorised for issue. As such, disclosures relating to the fair value of assets and liabilities acquired have not been disclosed. It is however anticipated there will be a material adverse impact on the income statement as a result of the accounting for the pre-existing guarantee arrangements as noted in the contingent liabilities noted and the subsequent acquisition accounting. This adverse impact is partly dependent on the assessment of

34 Post balance sheet events (Continued)

the fair value of the leased assets compared to the liabilities recognised. Cash requirements of the acquisition and subsequent operation have been considered in the going concern assessment.

On 20 May 2020, the Group disposed of its Eddie Stobart and Stobart trademarks and designs to Eddie Stobart Limited for cash consideration of £10.0m, of which £6.0m is payable upon completion, £2.5m is to be paid by 1 December 2020 and £1.5m is to be paid 36 months after completion.

The impact of COVID-19 is judgemental and has been accounted for as a non-adjusting post balance sheet event. The impact on significant balance sheet items such as impairments and IFRS 9 expected credit losses have been discussed in the respective notes to the accounts. After taking all available information into account, the Directors made the judgement that there is no material impact on the 29 February 2020 consolidated balance sheet balances due to the COVID-19 pandemic.

35 Notes to the consolidated cash flow statement

	Notes	Year ended 29 February 2020	Year ended 28 February 2019
		£'000	£'000
Loss before tax from continuing operations		**(157,984)**	**(42,114)**
Adjustments to reconcile loss before tax to net cash flows:			
Non-cash:			
Loss in value of investment properties	19	1,835	715
Realised loss/(profit) on sale of property, plant and equipment and investment properties		88	(584)
Share of post-tax losses of associates and joint ventures accounted for using the equity method	17	9,765	1,740
Gain on conversion of loan	8	—	(1,095)
Loss in value/loss on disposal of assets held for sale		—	683
Loss/(profit) on sale and leaseback, net of costs		62	(629)
Loss on sale of property inventories		49	—
Depreciation of property, plant and equipment	16	22,723	16,305
Finance income	11	(4,346)	(63)
Finance costs	12	13,397	4,512
Release of grant income	8	(565)	(609)
Release of deferred premiums		(2,617)	(2,617)
Impairments		104,663	7,800
Amortisation of intangibles	8	7,456	3,938
Charge for share-based payments	8	1,271	714
Loss on swaps mark to market valuation	26	300	353
Retirement benefits and other provisions		(3,840)	87
IFRS 15 transition adjustment		—	(3,949)
Working capital adjustments:			
Decrease/(increase) in inventories		10	(127)
(Increase)/decrease in trade and other receivables		(5,468)	4,196
(Decrease)/increase in trade and other payables		(3,009)	9,007
Cash used in continuing operations		**(16,210)**	**(1,737)**

36 Related parties

Relationships of common control or significant influence

W A Tinkler was a related party until 14 June 2018 when he ceased to be a Director of the Group and a such there were no related party sales or purchases during the current year. The amounts outstanding are unsecured and were entered into under normal commercial terms.

36 Related parties (Continued)

WA Developments International Limited is owned by W A Tinkler. During the prior year, the Group made purchases of £20,000 relating to the provision of passenger transport and the Group levied recharges of £5,000 relating to the recovery of staff costs and expenses to WA Developments International Limited. £63,000 (2019: £63,000) was due from WA Developments International Limited at the year end. As of 14 June 2018, WA Developments International Limited was no longer a related party.

Apollo Air Services Limited is owned by W A Tinkler. During the prior year, the Group made purchases of £185,000 relating to the provision of passenger transport and sales of £21,000 relating to fuel to Apollo Air Services Limited. £83,000 (2019: £83,000) was owed by the Group and £46,000 (2019: £46,000) was owed to the Group by this company at the year end. As of 14 June 2018, Apollo Air Services Limited was no longer a related party.

WA Tinkler Racing is owned by W A Tinkler. During the prior year, the Group made sales of £27,000 relating to car and race box hire. £26,000 (2019: £26,000) was owed to the Group at the year end. As of 14 June 2018, WA Tinkler Racing was no longer a related party.

During the prior year, transactions with W A Tinkler and close family members of W A Tinkler totalled £10,000 and £nil (2019: £7,000) was owed to the Group at the year end. As of 14 June 2018, W A Tinkler and his close family members were no longer a related party.

During the prior year, the Group made purchases of £150,000 and sales of £3,000 to Stobart Capital Limited, a business part-owned by W A Tinkler, relating to investment management. £6,000 (2019: £6,000) was owed to the Group at the year end. As of 14 June 2018, Stobart Capital Limited was no longer a related party.

Speedy Hire plc is a related party from 1 June 2019, when David Shearer became Non-Executive Chairman of the Group, as he is also Non-Executive Chairman of Speedy Hire plc. During the year, the Group made purchases of £285,000 relating to equipment hire of which £5,000 was owed by Group at the year end.

Associates and joint ventures

In the prior year, the Group had unsecured loans, not part of the net investment, outstanding from its associate interest Shuban Power Limited of £3,700,000. These were disclosed within trade and other receivables at 28 February 2019 and were settled in cash during the current year. There are no balances outstanding as at 29 February 2020.

The Group had loans, not part of the net investment, outstanding from its associate interest, Mersey Bioenergy Holdings Limited, of £7,302,000 (2019: £7,302,000) at the year end which is disclosed within trade and other receivables in non-current assets. The interest outstanding at the year end, net of amounts provided, was £698,000 (2019: £3,451,000) and is disclosed within trade and other receivables in non-current assets. The loans are unsecured, have a ten-year term ending in November 2024 and will be settled in cash. In addition, the Group made sales of £nil (2019: £33,000) to Mersey Bioenergy Holdings Limited relating to director fees. At the year end, £nil (2019: £10,000) was owed to the Group.

During the year, the Group made sales of £6,684,000 (2019: £5,171,000) to Mersey Bioenergy Limited (a subsidiary of Mersey Bioenergy Holdings Limited) relating to the sale of material. At the year end, £535,000 (2019: £885,000) was owed to the Group.

The Group had loans, not part of the net investment, outstanding from its joint venture interest, Connect Airways Limited, of £nil (2019: £33,888,000) at the year end due to the loans being impaired by £45,075,000. At 28 February 2019, the balance was shown within trade and other receivables in non-current assets, of which £18,745,000 was an unsecured loan note and £15,143,000 was part of a second-ranking facility, both had a six-year term ending February 2025.

36 Related parties (Continued)

During the year, the Group made sales of £nil (2019: £488,000) to subsidiaries of Connect Airways Limited relating to passenger handling services and cost recharges. At the year end, £nil (2019: £488,000) was owed to the Group.

The Group has loans outstanding to a subsidiary of Connect Airways Limited, of £18,038,000 at the year end. This balance is shown within trade and other receivables in non-current assets. This loan is repayable in biannual instalments over a three-year term ending May 2023 and will be settled in cash.

On 8 November 2019, the Group disposed of its subsidiary Propius Holdings Limited to Connect Airways Limited. Refer to note 5.

There were no other balances between the Group and its joint ventures and associates during the current or prior year.

All loans are unsecured and all sales and purchases are settled in cash on the Group's standard commercial terms.

Key management personnel

Key management personnel are the Executive and Non-Executive Directors and the Chief Financial Officer. Total aggregate emoluments, including pension contributions, were £1,704,000 (2019: £2,081,000) and consisted of:

	2020	2019
	£'000	£'000
Emoluments	1,529	1,937
Share-based payment	43	(184)
Company contribution to money purchase pension plan	175	144
	1,747	**1,897**

Further details of the Executive and Non-Executive Directors' remuneration are set out in the Directors' Remuneration Report.

37 Alternative performance measures

In the reporting of financial information, the Directors have adopted various alternative performance measures (APMs). These measures are not defined by International Financial Reporting Standards (IFRS) and therefore may not be directly comparable with other companies' APMs.

APMs should be considered in addition to, and are not intended to be a substitute for, or superior to, IFRS measurements.

Non-GAAP APMs are used as they are considered to be both useful and necessary as well as enhancing the comparability of information between reporting periods, by adjusting for non-recurring or uncontrollable factors which affect IFRS measures, to aid users in understanding the Group's performance.

Consequently, APMs are used by the Directors and management for internal performance analysis, planning, reporting and incentive-setting purposes. The presentation of these measures facilitates comparability with other companies, although management's measures may not be calculated in the same way as similarly titled measures reported by other companies.

The APMs reported in the current and prior years have not been materially impacted by COVID-19. The global pandemic took hold after the year end and has had a material impact on both the Aviation and Energy divisions in the new year ending February 2021, with the six-month interim review ending 31 August 2020 being the next report due.

Underlying EBITDA

Underlying EBITDA is the key profitability measure used by management for performance review in the day-to-day operations of the Group.

37 Alternative performance measures (Continued)

Underlying EBITDA represents loss before interest, tax, depreciation, amortisation, swaps and non-underlying items. Refer to note 3 for reconciliation to statutory loss before tax.

As a result of the Group taking the modified retrospective approach when transitioning to IFRS 16 on 1 March 2019, the underlying EBITDA for the year has improved by £5.6m, as a result of operating lease charges previously recognised within underlying EBITDA now recognised as depreciation and interest.

Underlying loss before tax

Underlying loss before tax represents loss before tax and before non-underlying items. Refer to note 3 for reconciliation to statutory loss for the period.

As a result of the Group taking the modified retrospective approach when transitioning to IFRS 16 on 1 March 2019, the underlying loss before tax for the year has worsened by £0.8m as the increased interest and depreciation charges initially outweigh the operating lease cost saving, but over the life of the lease this will neutralise.

Earnings per share from underlying continuing operations This APM is based on underlying loss after tax which is loss for the year from continuing operations before non-underlying items, see note 14 for further details.

FY18/19 FINANCIAL STATEMENTS

The FY18/19 Financial Statements, including the independent auditor's audit report, is incorporated into this document by reference to the 2019 Annual Report, as described in Part X—Documentation Incorporated by Reference. The independent auditor's audit report in respect of the FY18/19 Financial Statements is unqualified.

PART VII—UNAUDITED PRO FORMA FINANCIAL INFORMATION

SECTION A—PRO FORMA FINANCIAL INFORMATION

The unaudited pro forma statement of net assets and accompanying notes (the ***Pro forma financial information***) set out in Section A of this Part VII has been prepared to show the effect of the Capital Raise on the Group's net assets as at 29 February 2020 as if the Capital Raise had been undertaken at that date.

The Pro forma financial information has been prepared in accordance with Annex 20 of the Prospectus Regulation, and in a manner consistent with the accounting policies adopted by the Group in preparing its consolidated financial statements for the year ended 29 February 2020. It has been prepared on a voluntary basis and for illustrative purposes only and, due to its nature, the Pro forma financial information addresses a hypothetical situation and, therefore, does not represent the Group's actual financial position or results.

The Pro forma financial information does not constitute financial statements within the meaning of section 434 of the UK Companies Act 2006. Shareholders should read the whole of this document and not rely solely on the summarised financial information contained in this Part VII.

KPMG LLP's report on the Pro forma financial information is set out in Section B of this Part VII.

Unaudited pro forma statement of net assets

	Statement of net assets as at 29 February 2020	Proceeds from the Capital Raise	Pro forma statement of net assets as at 29 February 2020
	Note 1 (£'000)	Note 2 (£'000)	Note 3 and Note 4 (£'000)
Non-current assets			
Property, plant and equipment	306,584	—	306,584
Investment in associates and joint ventures	1,590	—	1,590
Other financial assets	4,776	—	4,776
Intangible assets	54,669	—	54,669
Net investment in lease	13,247	—	13,247
Trade and other receivables	8,000	—	8,000
	388,866	—	**388,866**
Current assets			
Inventories	13,893	—	13,893
Trade and other receivables	40,167	—	40,167
Cash and cash equivalents	9,802	93,500	103,302
Assets held for sale	11,408	—	11,408
	75,270	**93,500**	**168,770**
Total assets	**464,136**	**93,500**	**557,636**
Non-current liabilities			
Loans and borrowings	(177,788)	—	(177,788)
Defined benefit pension obligation	(4,422)	—	(4,422)
Other liabilities	(9,687)	—	(9,687)
Deferred tax	(5,736)	—	(5,736)
Provisions	(24,346)	—	(24,346)
	(221,979)	—	**(221,979)**
Current liabilities			
Trade and other payables	(61,899)	—	(61,899)
Financial liabilities	(3,500)	—	(3,500)
Loans and borrowings	(15,780)	—	(15,780)
Exchangeable bonds	(51,689)	—	(51,689)
Provisions	(6,191)	—	(6,191)
	(139,059)	—	**(139,059)**
Total liabilities	**(361,038)**	—	**(361,038)**
Net assets	**103,098**	**93,500**	**196,598**

Notes:

1. The net assets of Stobart Group Limited as at 29 February 2020 have been extracted without material adjustment from Part VI—Financial Information of the Group.
2. The adjustment in Note 2 reflects the net cash proceeds from the Capital Raise. Net cash proceeds comprises gross proceeds of £100.0 million, net of transaction costs of £6.5 million.
3. No adjustment has been made to reflect the trading results of the Group since 29 February 2020 or any other change in its financial position in this period.
4. No adjustment has been made to reflect the Group's new £40,000,000 revolving credit facility (Facility B).

KPMG LLP
Transaction Services
15 Canada Square
London E14 5GL
United Kingdom

Tel +44 (0) 20 7311 1000
Fax +44 (0) 20 7311 3311

The Directors
Stobart Group Limited
Floor 2, Trafalgar Court
Les Banques
St Peter Port
Guernsey
GY1 4LY

5 June 2020

Ladies and Gentlemen

Stobart Group Limited

We report on the pro forma statement of net assets (the 'Pro forma financial information') set out in Part VII of the prospectus dated 5 June 2020, which has been prepared on the basis described in Section A, for illustrative purposes only, to provide information about how the Capital Raise might have affected the financial information presented on the basis of the accounting policies adopted by Stobart Group Limited in preparing the financial statements for the period ended 29 February 2020. This report is required by Section 3 of Annex 20 of the Commission Delegated Regulation (EU) 2019/980 (the 'Prospectus Delegated Regulation') and is given for the purpose of complying with that Section and for no other purpose.

Responsibilities

It is the responsibility of the directors of Stobart Group Limited to prepare the Pro forma financial information in accordance with Annex 20 of the Prospectus Delegated Regulation.

It is our responsibility to form an opinion, as required by Section 3 of Annex 20 of the Prospectus Delegated Regulation, as to the proper compilation of the Pro forma financial information and to report that opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro forma financial information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Save for any responsibility arising under Prospectus Regulation Rule 5.3.2R (2)(f) to any person as and to the extent there provided, 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 Item 1.3 of Annex 1 of the Prospectus Delegated Regulation, consenting to its inclusion in the prospectus.

Basis of Opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. 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 of Stobart Group Limited.

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 Stobart Group Limited.

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.

Opinion

In our opinion:

- the Pro forma financial information has been properly compiled on the basis stated; and
- such basis is consistent with the accounting policies of Stobart Group Limited.

Declaration

For the purposes of Prospectus Regulation Rule 5.3.2R (2)(f) we are responsible for this report as part of the prospectus and declare that, to the best of our knowledge, the information contained in this report is in accordance with the facts and that the report makes no omission likely to affect its import. This declaration is included in the prospectus in compliance with Item 1.2 of Annex 1 of the Prospectus Delegated Regulation.

Yours faithfully

KPMG LLP

PART VIII—TAXATION

1. UK Taxation

The following statements are intended only as a general guide to certain UK tax considerations and do not purport to be a complete analysis of all potential UK tax consequences of acquiring, holding or disposing of New Shares. Prospective acquirers of New Shares are advised to consult their own professional advisers concerning the tax consequences of the acquisition, ownership and disposition of New Shares. The following statements are based on current UK law and what is understood to be the current practice of HM Revenue & Customs (HMRC) as at the date of this document, both of which may change, possibly with retroactive effect. They apply only to Shareholders who are resident for tax purposes in (and only in) the UK (except in so far as express reference is made to the treatment of non-UK residents), who hold their Shares as an investment (other than in an individual savings account or pension arrangement), and who are the absolute beneficial owners of both their Shares and any dividends paid on them. The tax position of certain categories of Shareholders who are subject to special rules (such as persons acquiring their New Shares in connection with employment, dealers in securities, insurance companies and collective investment schemes) is not considered.

The statements summarise the current position and are intended as a general guide only. Prospective acquirers of New Shares who are in any doubt about their taxation position or who may be subject to tax in a jurisdiction other than the UK are strongly recommended to consult their own professional advisers.

1.1 Taxation of Chargeable Gains

1.1.1 UK tax resident Shareholders

1.1.1.1 *New Shares acquired pursuant to the Placing and Open Offer*

No liability to UK taxation on chargeable gains (CGT) should arise in respect of the issue of New Shares to the extent that a Qualifying Shareholder takes up their Open Offer Entitlements and Excess Open Offer Entitlements. This is the case regardless of whether the acquisition of New Shares pursuant to the Placing and Open Offer constitutes a reorganisation of the Company's share capital for the purposes of CGT. Whether or not reorganisation treatment applies may however affect the calculation of any gain or loss arising on any subsequent disposal of New Shares.

The published practice of HMRC to date has been to treat any subscription of shares by an existing shareholder which is equal to or less than the shareholder's minimum entitlement pursuant to the terms of an open offer as a reorganisation, but it is not certain that HMRC will apply this practice in circumstances where an open offer is not made to all shareholders. HMRC's treatment of a Qualifying Shareholder's acquisition of New Shares up to their Open Offer Entitlement as a reorganisation cannot therefore be guaranteed and specific confirmation has not been requested in relation to the Placing and Open Offer.

To the extent that the acquisition of the New Shares is regarded as a reorganisation of the share capital of the Company for the purposes of CGT, the New Shares issued to a Qualifying Shareholder will be treated as the same asset as, and having been acquired at the same time as, the Qualifying Shareholder's Existing Shares. The amount of subscription monies paid for the New Shares will be added to the base cost of the Qualifying Shareholder's Existing Shares.

To the extent that a Qualifying Shareholder takes up New Shares in excess of that Qualifying Shareholder's Open Offer Entitlement pursuant to the Excess Application Facility, that will not constitute a reorganisation, irrespective of the treatment applicable to any New Shares comprising that Qualifying Shareholder's minimum entitlement.

If, or to the extent that, the acquisition of New Shares under the Placing and Open Offer (including pursuant to the Excess Application Facility) is not regarded as a reorganisation of the Company's share capital, the New Shares acquired by each Qualifying Shareholder under the Placing and Open Offer will, for the purposes of CGT, be treated as a separate acquisition of Shares. When computing any gain or loss on a disposal of New Shares, the relevant statutory share identification provisions will need to be taken into consideration.

1.1.1.2 *New Shares acquired pursuant to the Firm Placing*

The issue of New Shares under the Firm Placing will not constitute a reorganisation of share capital for CGT purposes and, accordingly, any New Shares acquired pursuant to the Firm Placing will be treated as acquired separately from any Existing Shares held, as described above.

1.1.1.3 *Disposals*

If a Shareholder sells or otherwise disposes of all or some of the New Shares, he or she may, depending on his or her circumstances and subject to any available exemption or relief, incur a liability to CGT.

1.1.2 **Non-UK tax resident Shareholders**

A Shareholder who is not resident for tax purposes in the UK will not generally be subject to CGT on a disposal of New Shares unless the Shareholder is carrying on a trade, profession or vocation in the UK through a branch or agency (or, in the case of a corporate Shareholder, a permanent establishment) in connection with which the New Shares are used, held or acquired. Non-UK tax resident Shareholders may be subject to non-UK taxation on any gain under local law.

An individual Shareholder who has been resident for tax purposes in the UK but who ceases to be so resident or becomes treated as resident outside the UK for the purposes of a double tax treaty for a period of five years or less and who disposes of all or part of his or her New Shares during that period may be liable to CGT on his or her return to the UK, subject to any available exemptions or reliefs.

1.2 Taxation of Dividends

The Company will not be required to withhold tax at source when paying a dividend in respect of Shares.

1.2.1 **UK resident individual Shareholders**

Under current UK tax rules specific rates of tax apply to dividend income. These include a nil rate of tax (the nil rate band) for the first £2,000 of dividend income in any tax year and different rates of tax for dividend income that exceeds the nil rate band. For these purposes "dividend income" includes UK and non-UK source dividends and certain other distributions in respect of shares.

An individual Shareholder who is resident for tax purposes in the UK and who receives a dividend from the Company will not be liable to UK tax on the dividend to the extent that (taking account of any other dividend income received by the Shareholder in the same tax year) that dividend falls within the nil rate band.

To the extent that (taking account of any other dividend income received by the Shareholder in the same tax year) the dividend exceeds the nil rate band, it will be subject to income tax at 7.5 per cent. to the extent that it falls below the threshold for higher rate income tax. To the extent that (taking account of other dividend income received in the same tax year) it falls above the threshold for higher rate income tax, then the dividend will be taxed at 32.5 per cent. to the extent that it is within the higher rate band, or 38.1 per cent. to the extent that it is within the additional rate band. For the purposes of determining which of the taxable bands dividend income falls into, dividend income is treated as the highest part of a Shareholder's income. In addition, dividends within the nil rate band which would (if there was no nil rate band) have fallen within the basic or higher rate bands will use up those bands respectively for the purposes of determining whether the threshold for higher rate or additional rate income tax is exceeded.

1.2.2 **UK resident corporate Shareholders**

It is likely that most dividends paid on the Shares to UK resident corporate shareholders would fall within one or more of the classes of dividend qualifying for exemption from corporation tax. However, it should be noted that the exemptions are not comprehensive and are also subject to anti-avoidance rules.

1.2.3 **UK resident exempt Shareholders**

UK resident Shareholders who are not liable to UK tax on dividends, including exempt pension funds and charities, are not entitled to any tax credit in respect of dividends paid by the Company.

1.2.4 Non-UK resident Shareholders

A Shareholder resident outside the United Kingdom will not generally be subject to UK tax on dividends received in respect of Shares, unless the Shareholder is carrying on a trade, profession or vocation in the United Kingdom (or, in the case of a Shareholder within the charge to UK corporation tax, in connection with a trade carried on in the United Kingdom through a permanent establishment in the United Kingdom) from or through which the dividend arises (directly or indirectly) or in respect of which the Shares are used or held. No tax credit will attach to any dividend paid by the Company. A Shareholder resident outside the United Kingdom may also be subject to non-UK taxation on dividend income under local law. A Shareholder who is resident outside the United Kingdom for tax purposes should consult his or her own tax adviser concerning his or her tax position on dividends received from the Company.

1.3 UK Stamp Duty and Stamp Duty Reserve Tax (SDRT)

The following comments are intended as a guide to the current general stamp duty and SDRT position and do not relate to persons such as market makers, brokers, dealers, intermediaries and persons connected with depository arrangements or clearance services, to whom special rules apply.

No UK stamp duty, and no UK SDRT, will be payable on the issue of the New Shares.

UK stamp duty (at the rate of 0.5 per cent., rounded up where necessary to the nearest £5 of the amount of consideration for the transfer) will in principle be payable on any instrument of transfer of the Shares which is executed in the UK or which "relates to any matter or thing done or to be done" in the UK, although in practice any such instrument will not require stamping in order for the register of Shares to be updated. Provided that the Shares are not registered in any register kept in the UK by or on behalf of the Company and that the Shares are not paired with Shares issued by a company incorporated in the UK, an agreement to transfer the Shares will not be subject to UK SDRT.

2. United States Federal Income Taxation

The following discussion is a general summary based on present law of certain US federal income tax consequences of the allocation, exercise and lapse of Open Offer Entitlements and Excess Open Offer Entitlements pursuant to the Placing and Open Offer and the acquisition, ownership and disposition of New Shares pursuant to the Capital Raise. This discussion applies only to US Holders (as defined below) that are allocated, with respect to their Existing Shares, Open Offer Entitlements and, to the extent applied for and allocated pursuant to the Excess Application Facility, Excess Open Offer Entitlements, and/or that purchase New Shares in the Capital Raise at the Offer Price, hold Existing Shares, if any, as capital assets and will hold Open Offer Entitlements, Excess Open Offer Entitlements and New Shares as capital assets, and use the US dollar as their functional currency. The discussion is a general summary; it is not a substitute for tax advice. It does not address all tax considerations that may be relevant to a particular US Holder or the tax treatment of US Holders subject to special rules, such as banks or other financial institutions, insurance companies, tax exempt entities, dealers, traders in securities that elect to mark-to-market, regulated investment companies, real estate investment trusts, investors liable for alternative minimum tax, US expatriates, persons that directly, indirectly or constructively own 10 per cent. or more of the total combined voting power of the Company's voting stock or of the total value of the Company's equity interests, investors liable for alternative minimum tax, investors that hold Open Offer Entitlements, Excess Open Offer Entitlements or New Shares in connection with a permanent establishment or fixed base outside the United States, or investors that hold New Shares as part of a hedge, straddle, conversion, constructive sale or other integrated financial transaction. This summary also does not address US federal taxes other than the income tax (such as estate or gift taxes) or US state and local, or non-US tax laws or matters.

As used here, a "US Holder" means a beneficial owner of Open Offer Entitlements, Excess Open Offer Entitlements or New Shares that is for US federal income tax purposes (i) a citizen or individual resident of the United States, (ii) a corporation created or organised under the laws of the United States, any state thereof, or the District of Columbia, (iii) a trust subject to the control of one or more US persons and the primary supervision of a US court and (iv) an estate the income of which is subject to US federal income tax without regard to its source.

The US federal income tax treatment of a partner in a partnership (or other entity or arrangement treated as a partnership for US federal income tax purposes) that holds Open Offer Entitlements, Excess Open Offer Entitlements or New Shares will generally depend on the status of the partner and

the activities of the partnership. Prospective purchasers that are entities or arrangements treated as partnerships for U.S. federal income tax purposes should consult their own tax advisers concerning the US federal income tax consequences to them and their partners of the receipt, exercise and expiration of Open Offer Entitlements and Excess Open Offer Entitlements and the acquisition, ownership and disposition of New Shares.

The Company believes, and the following discussion assumes, that the Company was not a passive foreign investment company (PFIC) for US federal income tax purposes in its most recently completed taxable year and will not become a PFIC in its current taxable year or in the foreseeable future. The determination of whether a company is a PFIC is made annually and a company's status can change depending, among other things, on changes in the composition and relative value of its gross receipts and assets (including the income and assets of its 25 per cent. or more owned subsidiaries), changes in its operations and changes and the market value of its stock. Accordingly, no assurance can be provided by the Company that it will not become a PFIC in its current taxable year or in any future taxable year.

2.1 Open Offer Entitlements and Excess Open Offer Entitlements

2.1.1 Allocation of Open Offer Entitlements and Conditional Allocation of Excess Open Offer Entitlements

A US Holder should be entitled to treat the allocation of Open Offer Entitlements and the conditional allocation of Excess Open Offer Entitlements as a non-taxable distribution with respect to its Existing Shares. However, the characterization of allocation of Open Offer Entitlements and the conditional allocation of Excess Open Offer Entitlements for US federal income tax purposes is not entirely free from doubt. The Company has not requested, and will not request, a ruling from the United States Internal Revenue Service (the ***IRS***) with respect to any of the US federal income tax consequences described in this Part VIII, and therefore no assurance can be provided that the IRS will not disagree with or challenge the treatment of the allocation of Open Offer Entitlements and Excess Open Offer Entitlements described herein, or that such contrary position would not be sustained by a court. Were the distribution or allocation to be treated as a distribution of property (not including a distribution of rights or options to subscribe for and purchase New Shares), the holder generally would recognise dividend income equal to the fair market value, if any, of such property. The following discussion assumes the allocation of Open Offer Entitlements and the conditional allocation of Excess Open Offer Entitlements should be treated by a US Holder as a non-taxable distribution with respect to its Existing Shares.

If the fair market value of Open Offer Entitlements and Excess Open Offer Entitlements when received or allocated is less than 15 per cent. of the fair market value of the Existing Shares, the Open Offer Entitlements and Excess Open Offer Entitlements will have no tax basis unless the US Holder affirmatively elects to allocate its adjusted tax basis in its Existing Shares to the Open Offer Entitlements and Excess Open Offer Entitlements in proportion to the relative fair market values of the Existing Shares and the Open Offer Entitlements and Excess Open Offer Entitlements on the date Open Offer Entitlements and Excess Open Offer Entitlements are received or allocated. A US Holder must make this election in a statement attached to its tax return for the taxable year in which it receives or is allocated the Open Offer Entitlements and Excess Open Offer Entitlements.

If the fair market value of Open Offer Entitlements and Excess Open Offer Entitlements when received or allocated is 15 per cent. or more than the fair market value of the Existing Shares, a US Holder must allocate its adjusted tax basis in its Existing Shares between the Existing Shares and the Open Offer Entitlements and Excess Open Offer Entitlements in proportion to their relative fair market values on the date Open Offer Entitlements and Excess Open Offer Entitlements are received or allocated. However, if a US Holder does not elect to take up its Open Offer Entitlements, no gain or loss will be recognised and no allocation of tax basis will be required.

2.1.2 Exercise

A US Holder will not recognise taxable income when it receives New Shares by taking up its Open Offer Entitlements or Excess Open Offer Entitlements to subscribe for and purchase New Shares. The US Holder's tax basis in the New Shares will equal its tax basis, if any, in the Open Offer Entitlements and Excess Open Offer Entitlements taken up plus the US dollar value of the pounds sterling Offer

Price paid on the acquisition date (or in the case of cash basis and electing accrual basis taxpayers, the settlement date).

If a US Holder uses previously acquired pounds sterling to pay the Offer Price for the New Shares, any currency gain or loss that it recognises on the exchange of the pounds sterling for New Shares will generally be US source ordinary income or loss.

2.1.3 Expiration, Lapse or Reallocation upon failure to take up Open Offer Entitlements

If a US Holder does not take up the New Shares to which it is entitled under the Open Offer Entitlements allocated to such holder and does not apply for any Excess Shares with respect to its right to subscribe Excess Open Offer Entitlements, such US Holder's Open Offer Entitlements and Excess Open Offer Entitlements should be deemed to have no tax basis no gain or loss will be recognised by the US Holder upon the expiration, lapse or reallocation of such US Holder's Open Offer Entitlements. Any tax basis that was allocated from Existing Shares to the Open Offer Entitlements or Excess Open Offer Entitlements would revert to and remain with the Existing Shares.

2.2 Dividends

The gross amount of any distribution of cash or property with respect to New Shares (other than certain pro rata distributions of ordinary stock) will be included in a US Holder's gross income as ordinary income from foreign sources when actually or constructively received. The dividends will not be eligible for the dividends-received deduction generally available to US corporations.

Dividends received by eligible non-corporate US Holders that satisfy a minimum holding period and certain other requirements generally will be taxed at the preferential rate applicable to qualified dividend income if the Company qualifies for the benefits of the income tax treaty between the United States and the United Kingdom (the ***US-UK Treaty***), which the Company believes it does, and the Company is not a PFIC in the Company's taxable year of distribution or the preceding taxable year.

Dividends paid in pounds sterling will be included in income in a US dollar amount based on the exchange rate in effect on the date of receipt, whether or not the pounds sterling are converted into US dollars at that time. A US Holder's tax basis in the pounds sterling will equal the US dollar amount included in income. Any gain or loss on a subsequent conversion or other disposition of the pounds sterling for a different US dollar amount generally will be US source ordinary income or loss. If dividends paid in pounds sterling are converted into US dollars on the day they are received, a US Holder generally will not be required to recognise exchange gain or loss in respect of the dividend income.

Dividends received by certain non-corporate US Holders will generally be includible in "net investment income" for purposes of the Medicare contribution tax.

2.3 Disposition

A US Holder generally will recognise capital gain or loss on the sale or other disposition of New Shares equal to the difference between the US dollar value of the amount realised and the US Holder's adjusted tax basis in the New Shares. The US Holder's amount realised will include the gross amount of the proceeds from the sale or other disposition. Any gain or loss generally will be treated as arising from US sources. The gain or loss will be long term capital gain or loss if the US Holder's holding period exceeds one year. Long term capital gains of non-corporate US Holders are subject to preferential tax rates. Deductions for capital loss are subject to significant limitations.

The initial tax basis of a US Holder's New Shares will generally be the US dollar value determined in the manner described above under paragraph 2.1.2 of this Part VIII if the New Shares were received by exercising Open Offer Entitlements or Excess Open Offer Entitlements or the Offer Price if the New Shares were received pursuant to the Firm Placing. A cash basis US Holder and, if the New Shares are treated as traded on an "established securities market" at the time of the Capital Raise, an accrual basis US Holder that so elects, will determine the US dollar value of the Offer Price by translating the amount of pounds sterling paid at the spot rate of exchange on the settlement date of the purchase. A cash basis US Holder that receives pounds sterling on the sale or other disposition of the New Shares will realise an amount equal to the US dollar value of the pounds sterling received at the spot rate on the settlement date. An accrual basis US Holder that receives pounds sterling on the sale or other disposition of the New Shares will realise an amount equal to the US dollar value of the pounds

sterling received at the spot rate on the date of sale or other disposition or, if the New Shares are treated as traded on an "established securities market" at the time of the sale or other disposition and the accrual basis US Holder so elects, the settlement date. An accrual basis US Holder that does not elect to determine the amount realised using the spot rate on the settlement date will recognise foreign currency gain or loss equal to the difference between the US dollar value of the amount received based on the spot exchange rates in effect on the date of sale or other disposition and the settlement date. A US Holder will have a tax basis in the pounds sterling received equal to its US dollar value at the spot rate on the settlement date. Any currency gain or loss realised on the settlement date or on a subsequent conversion of pounds sterling for a different US dollar amount generally will be US source ordinary income or loss.

Capital gains from the sale or other disposition of the New Shares received by certain non-corporate US Holders will generally be includible in "net investment income" for purposes of the Medicare contribution tax.

2.4 Passive Foreign Investment Company Rules

Based on the composition of the Company's current gross assets and income (including the income and assets of the Group) and the manner in which the Company has operated the Group's business and expects to operate the Group's business in the foreseeable future, the Company believes that it was not a passive foreign investment company for US federal income tax purposes in its most recent taxable year and will not become a PFIC in its current taxable year or in the foreseeable future. In general, a non-US corporation will be a PFIC for any taxable year in which, taking into account a pro rata portion of the income and assets of 25 per cent. or more owned subsidiaries, either (i) 75 per cent. or more of its gross income is passive income, or (ii) 50 per cent. or more of the average quarterly value of its assets are assets that produce, or are held for the production of, passive income or which do not produce income. For this purpose, passive income generally includes, among other things and subject to various exceptions, interest, dividends, rents, royalties and gains from the disposition of assets that produce passive income. Whether the Company is a PFIC is a factual determination made annually, and the Company's status could change depending among other things upon changes in the composition and relative value of its gross receipts and assets. Because the market value of the Company's assets (including for this purpose goodwill) may be measured in large part by the market price of the New Shares, which is likely to fluctuate after the Capital Raise, no assurance can be given that the Company will not be a PFIC in the current year or in any future taxable year.

If the Company were a PFIC for any taxable year in which a US Holder holds New Shares, such US Holder would be subject to additional taxes on any excess distributions and any gain realised from the sale or other taxable disposition of New Shares (including certain pledges) regardless of whether the Company continues to be a PFIC. A US Holder will have an excess distribution to the extent that distributions on New Shares during a taxable year exceed 125 per cent. of the average amount received during the three preceding taxable years (or, if shorter, the US Holder's holding period). To compute the tax on excess distributions or any gain, (i) the excess distribution or gain is allocated rateably over the US Holder's holding period, (ii) the amount allocated to the current taxable year and any year before the Company became a PFIC is taxed as ordinary income in the current year and (iii) the amount allocated to other taxable years is taxed at the highest applicable marginal rate in effect for each year and an interest charge is imposed to recover the deemed benefit from the deferred payment of the tax attributable to each year.

A US Holder may be able to avoid some of the adverse impacts of the PFIC rules described above by electing to mark New Shares to market annually. The election is available only if the New Shares are considered "marketable stock," which generally includes stock that is regularly traded in more than de minimis quantities on a qualifying exchange. If a US Holder makes the mark-to-market election, any gain from marking New Shares to market or from disposing of them would be ordinary income. Any loss from marking New Shares to market would be recognised only to the extent of unreversed gains previously included in income. Loss from marking New Shares to market would be ordinary, but loss on disposing of them would be capital loss except to the extent of mark-to-market gains previously included in income. No assurance can be given that the New Shares will be traded in sufficient frequency and quantity to be considered "marketable stock" or whether the London Stock Exchange is or will continue to be considered a qualifying exchange for purposes of the PFIC mark-to-market

election. A valid mark-to-market election cannot be revoked without the consent of the IRS unless the New Shares cease to be marketable stock.

US Holders should consult their own tax advisors concerning the Company's possible PFIC status and the consequences to them if the Company were classified as a PFIC for any taxable year.

2.5 Information and Backup Withholding

Dividends on New Shares and proceeds from the sale or other disposition of New Shares paid through a US paying agent or other US intermediary may be reported to the IRS unless the holder establishes a basis for exemption. Backup withholding tax may apply to amounts subject to reporting. Any amount withheld may be credited against the holder's US federal income tax liability subject to certain rules and limitations. US Holders should consult with their own tax advisers regarding the application of the US information reporting and backup withholding rules.

Certain non-corporate US Holders are required to report information with respect to investments in New Shares not held through an account with a domestic financial institution. US Holders that fail to report required information could become subject to substantial penalties. Potential investors are encouraged to consult with their own tax advisers about these and any other reporting obligations arising from their investment in New Shares.

THE DISCUSSION ABOVE IS A GENERAL SUMMARY. IT DOES NOT COVER ALL TAX MATTERS THAT MAY BE OF IMPORTANCE TO A PARTICULAR INVESTOR. EACH PROSPECTIVE INVESTOR IS URGED TO CONSULT ITS OWN TAX ADVISOR ABOUT THE TAX CONSEQUENCES TO IT OF AN INVESTMENT IN THE NEW SHARES IN LIGHT OF THE INVESTOR'S OWN CIRCUMSTANCES.

PART IX—ADDITIONAL INFORMATION

1 Responsibility

The Company and the Directors, whose names and principal functions appear on page 41 of this document, accept responsibility for the information contained in this document. To the best of the knowledge of the Company and the Directors, the information contained in this document is in accordance with the facts and this document makes no omission likely to affect its import.

2 Incorporation and registered office

2.1 The Company was incorporated and registered in Guernsey on 10 January 2002 as a non-cellular company limited by shares under the Companies (Guernsey) Law, 1994 to 1996 (as amended) with the name The Westbury Property Fund Limited and with registered number 39117. The Company's name was changed to Stobart Group Limited on 28 September 2007. Its LEI number is 213800BINQVRZFKA3E89.

2.2 The Company is domiciled in Guernsey with its registered office at PO Box 286, Floor 2, Trafalgar Court, Les Banques, St Peter Port, Guernsey GY1 4LY. The telephone number of the Company's registered office is +44 (0) 1481 742742.

2.3 The Company is registered under, and governed by, the Companies (Guernsey) Law, 2008 (as amended (the ***Companies Law***).

3 Share capital

3.1 Immediately prior to the publication of this document, the share capital of the Company was £37,465,266.20, comprised of 374,652,662 Existing Shares of £0.10 each, all of which were fully paid or credited as fully paid. The Company has no Shares held as treasury shares. The Existing Shares in the share capital of the Company have a nominal value of £0.10 each and are listed on the premium listing segment of the Official List and admitted to trading on the London Stock Exchange's main market for listed securities.

3.2 The following table shows the changes in the share capital of the Company which occurred from 1 March 2017 to 29 May 2020 (being the latest practicable date prior to the date of this document):

	Issued Share Capital	Shares held as treasury shares	Shares with Voting Rights
At 1 March 2017	354,328,831	0	354,328,831
At 15 May 2017	354,328,831	40,000	354,288,831
At 16 May 2017	354,328,831	97,500	354,321,331
At 30 May 2017	354,328,831	3,000,000	351,328,831
At 16 June 2017	354,328,831	3,700,000	350,628,831
At 2 February 2018	354,328,831	2,605,425	351,723,406
At 5 February 2018	354,328,831	3,105,425	351,223,406
At 6 February 2018	354,328,831	3,305,425	351,023,406
At 8 February 2018	354,328,831	3,512,425	350,816,406
At 9 February 2018	354,328,831	3,837,425	350,491,406
At 12 February 2018	354,328,831	5,052,425	349,276,406
At 15 February 2018	354,328,831	5,217,425	349,111,406
At 16 February 2018	354,328,831	5,252,425	349,076,406
At 19 February 2018	354,328,831	5,285,425	349,043,406
At 20 February 2018	354,328,831	5,585,425	348,743,406
At 2 March 2018	354,328,831	5,735,425	348,593,406
At 5 March 2018	354,328,831	6,735,425	347,593,406
At 7 March 2018	354,328,831	7,035,425	347,293,406
At 20 June 2018	354,328,831	5,320,425	349,008,406
At 26 June 2018	354,328,831	0	354,328,831
At 18 January 2019	370,821,715	0	370,821,715
At 9 September 2019	374,652,662	0	374,652,662

3.3 As at 29 May 2020 (being the latest practicable date prior to the date of this document), the issued and fully paid share capital of the Company was as follows:

	Number	Aggregate nominal value (£)
Shares	374,652,662	37,465,266.20

The issued and fully paid share capital of the Company immediately following completion of the Capital Raise, assuming that no Shares are issued as a result of the exercise of any options between 29 May 2020 (being the latest practicable date prior to the date of this document) and the completion of the Capital Raise, is expected to be as follows:

	Number	Aggregate nominal value (£)
Shares	624,652,662	62,465,266.20

The Company remains subject to the continuing obligations of the listing rules of the FCA (Listing Rules) with regard to the issue of securities for cash and the provisions of article 7(2) of the Articles (which confers on Shareholders rights of pre-emption in respect of the issue of equity securities which are, or are to be, paid up in cash) apply to the issues of Shares by the Company which are not the subject of the disapplication approved by the Shareholders in a general meeting of the Company.

3.4 Subject to Admission and pursuant to the Capital Raise, 250,000,000 New Shares will be issued at a price of 40 pence per New Share. This will result in the issued ordinary share capital of the Company increasing by approximately 66.7 per cent. Qualifying Shareholders who take up their pro rata Open Offer Entitlements in full will be diluted by 32.0 per cent. as a result of the Firm Placing. Shareholders who do not or are not permitted to acquire the New Shares will be diluted by 40.0 per cent. following the Capital Raise (assuming no options granted under the Share Schemes are exercised between 29 May 2020 (being the latest practicable date prior to the publication of this document) and the completion of the Capital Raise).

3.5 As described in paragraph 9 of Part I—Letter from the Chair of Stobart Group Limited of this document, at the General Meeting, Shareholders will be asked to consider and vote on the Resolutions. Four of the Resolutions are ordinary resolutions to: (i) increase the Company's share capital to £63,000,001 divided into 630,000,000 Shares and 1,000 Deferred Shares; (ii) authorise the Board to implement the Capital Raise and issue the New Shares; (iii) approve the issue of the New Shares on the terms set out in this document at a price of 40 pence per New Share (which represents a discount of greater than 10 per cent. to the middle market price of the Shares as at 4 June 2020); and (iv) approve the issue of Shares to Toscafund. These ordinary resolutions will pass if more than 50 per cent. of the votes cast (either in person or by proxy) are in favour. One of the Resolutions is a special resolution to disapply pre-emption rights in connection with the Capital Raise. This special resolution will pass if more than 75 per cent. of the votes cast (either in person or by proxy) are in favour.

3.6 The New Shares will have the same rights in all respects as the Existing Shares (including the right to receive all dividends or other distributions declared after the date of their issue).

3.7 The New Shares will trade under ISIN GB00B03HDJ73 and the SEDOL number is B03HDJ7.

4 Articles of Incorporation

The Articles of Incorporation of the Company (the Articles) are also available for inspection and, along with the relevant provisions of the Companies Law, have provisions to the following effect:

4.1 Business

Any branch or kind of business which by the Memorandum of Incorporation of the Company (the Memorandum) or by the Articles is either expressly or impliedly authorised to be undertaken may be undertaken or suspended at any time by the Board whether commenced or not.

4.2 Limited liability

The liability of the Company's members is limited to the amount, if any, unpaid on the shares in the Company held by them.

4.3 Change of name

The Company may change its name by special resolution under the Companies Law.

4.4 Share rights

Without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares, any share in the Company may be issued with such preferred, deferred or other special rights or restrictions whether as to dividend, voting, return of capital or otherwise as the Company at any time by ordinary resolution may determine and, subject to and in default of such determination, as the Board may determine. Subject to the provisions of the Articles, the unissued shares shall be at the disposal of the Board which may issue them, or grant rights to subscribe for or to convert any security into them, to such persons on such terms and conditions and at such times as the Board determines but so that no share shall be issued at a discount and so that the amount payable on application on each share shall be fixed by the Board.

The Company's share capital consists of 505,272,670 Shares and 1,000 Deferred Shares. Holders of the Shares may participate in the distribution of capital on the winding up of the Company in accordance with the Companies Law and is entitled to receive notice, attend and vote at general meetings of the Company. A holder of a Share shall have one vote in respect of each Share held by him. Dividends and other distributions resolved to be distributed resolved to be distributed in respect of any financial year of the Company shall be distributed to the holders of Shares pro rata to their holdings.

Holders of Deferred Shares are not entitled to vote, may only participate in a return of capital on winding up or otherwise to the extent they receive repayment of the amounts paid up on such Deferred Shares after payment in respect of each Share of the capital paid upon such Share and £1,000,000, are not entitled to payment of any dividend or other distribution, Deferred Shares must be held in certificated form (unless otherwise determined by the Board), are not entitled to receive notice of or attend or vote at any general meeting of the Company and are not entitled to seek any public listing or trading on any public market for shares. An allotment and issue of or conversion into Deferred Shares shall be deemed to confer irrevocable authority on the Company at any time thereafter to appoint any person to execute on behalf of the holders of such Deferred Shares a transfer thereof to such person as the Company may determine as custodian thereof and/or to purchase the same in any such case for not more than 1p for all the Deferred Shares without obtaining the sanction of the holder or holders thereof pending such transfer and/or purchase to retain the certificate for such Deferred Shares.

The Company may issue fractions of a share in accordance with the Companies Law.

Subject to the provisions of the Companies Law, the terms and rights attaching to the Shares, the Deferred Shares and the Articles, any shares may be issued on the terms that they are, or at the option of the Company are liable, to be redeemed on such terms and in such manner as the Board may determine and all or any class of shares may be converted into redeemable shares

4.5 Pre-emption rights

Subject to the Articles, the Company shall not issue equity securities (as defined in the Articles) of a particular class to a person on any terms unless:

(i) it has made an offer to each person who holds shares of the relevant class to issue to him on the same or more favourable terms a proportion of those securities that is as nearly as practicable equal to the proportion in number held by him of that class of shares; and

(ii) the period during which any such offer may be accepted has expired or the Company has received notice of the acceptance of refusal of every offer so made,

(***the Pre-emption Right***).

Equity securities that the Company has offered to issue to a holder of shares may be allotted to him, or anyone in whose favour he has renounced his right to their issue, without contravening the Pre-Emption Right and, if the Pre-emption Right applies in relation to the grant of such right, it will not apply in relation to the issue of equity securities (as defined in the Articles) in pursuance of that right. Treasury shares are disregarded for the purposes of the Pre-emption Right and the Pre-emption Right shall not apply in relation to the issue of bonus shares, scrip dividend shares nor to a particular issue

of equity securities if these are, or are to be, wholly or partly paid otherwise than in cash or held under or allotted or issued or transferred pursuant to an employee share scheme (as defined in the Companies Law).

The Company may by special resolution exclude the Pre-emption Right, or modify its application:

(i) generally in relation to the issue by the Company of equity securities;

(ii) in relation to issues of a particular description; or

(iii) in relation to a specified issue of equity securities,

and any such resolution must state the maximum number of equity securities in respect of which the Pre-emption Right is excluded or modified and specify the date on which such exclusion or modification will expire.

4.6 Voting rights

Subject to any special rights or restrictions for the time being attached to any class of share, Shareholders will be entitled to receive notice of and to attend and vote at a general meeting or class meeting whether on a show of hands or a poll. A poll vote may be held at the option of the Chairman or demanded by one Shareholder representing at least 10 per cent. of the issued shares or by two Shareholders.

The Articles provide that:

(i) on a show of hands every Shareholder present in person or by proxy shall have one vote; and

(ii) on a poll every Shareholder present in person or by proxy shall have one vote for each share held by him.

In the case of joint holders of a share such persons shall not have the right of voting individually in respect of such share but shall elect one of their number to represent them and to vote whether in person or by proxy in their name. In default of such election the person whose name stands first on the Register shall alone be entitled to vote.

4.7 Restrictions

No Shareholder shall be entitled to attend or vote at any general meeting or class meeting (whether in person or by proxy) in respect of any share held by him if any calls then payable by him or her in respect of that share remains unpaid, if he has not been registered as their holder or if a Shareholder has been duly served with a notice given by the Directors (in accordance with the Articles) after failure to provide the Company with information concerning interests in those shares required to be provided under the Companies Law and has failed to comply with such notice.

4.8 Dividends and other distributions

The Company may pay dividends in the amount authorised by the Board. Subject to the provisions of the Articles relating to disclosure of interests by Shareholders in the shares held by that Shareholder, unless and to the extent that the rights attached to any shares or the terms or issue thereof otherwise provide, all dividends shall be declared and paid according to the amounts of nominal value paid up on the shares in respect whereof the dividend is paid.

The Board may at any time declare and pay such interim dividends as appear to be justified by the position of the Company.

No dividend or other monies payable on or in respect of a share shall bear interest against the Company.

The Board may deduct from any dividend payable on or in respect of a share all sums of money (if any) payable by him to the Company on account of calls or otherwise and may retain any dividend or other monies payable on or in respect of a share on which the Company has a lien and may apply the same in or towards satisfaction of the liabilities or obligations in respect of which the lien exists. In addition, the Board may retain dividends payable upon shares in respect of which any person is entitled to become a Shareholder until such person has become a Shareholder.

Any dividend interest or other monies payable in cash in respect of shares may be paid by cheque or warrant sent through the post at the risk of the person entitled to the money represented thereby to the registered address of the Shareholder or in the case of joint Shareholders who is first named on the Register. Any one of two or more joint Shareholder may give effectual receipts for any dividends, interests, bonuses or other monies payable in respect of their joint holdings.

The Board may in relation to any dividend whether declared or not offer holders of shares dividends in stock in lieu of cash. Such scrip dividends may be satisfied, at the discretion of the Board, by the issue of new shares and/or if the market price of the shares is below their net asset value by the purchase in the market of existing shares at a price not exceeding their net asset value at the time.

All unclaimed dividends may be invested or otherwise made use of by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. Any dividend unclaimed after a period of five years from the date when it was declared or became due for payment shall be forfeited and revert to the Company.

4.9 Variation of rights

Subject to the Companies Law and any provisions contained in the rights of a class of shares relating to the amendment of such rights, rights attached to any class of shares may be varied with the written consent of the holders of not less than three-fourths in nominal value of the issued shares of that class, or with the sanction of a special resolution passed at a separate general meeting of the holders of those shares. At every such separate general meeting (except an adjourned meeting) the quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of the class. Any holder of shares of the class present in person or by proxy may demand a poll.

The rights conferred upon the holders of any shares shall not, unless otherwise expressly provided in the rights attaching to those shares, be deemed to be varied by the creation or issue of further shares ranking pari passu with them. In addition, the special rights conferred upon the holders of any shares or class of shares issued with preferred, deferred or other special rights shall not be deemed to be varied by the exercise of any powers of the Board in terms of the provisions of the Articles relating to disclosure of interests by Shareholders in the shares held by that Shareholder.

4.10 Transfer of shares

The Shares are in registered form. Under and subject to the CREST Regulations, the Board shall have power to implement such arrangements as it may think fit in order for any class of shares to be held in uncertificated form and, subject to the Articles, the CREST Regulations and the CREST rules (as defined in the CREST Regulations) title to uncertificated shares may be transferred by means of CREST in such manner provided for and subject to the CREST Regulations and CREST rules. Provisions of the Articles do not apply to any uncertificated shares to the extent that such provisions are inconsistent with the holding of shares in uncertificated form, with the transfer of shares by means of CREST, with any provision of the CREST Regulations and CREST rules relating to uncertificated shares or to the extent that those Articles require or contemplated the effecting of a transfer by an instrument in writing and the production of a certificate for the share to be transferred.

Unless the Board otherwise determines, shares held by the same holder or joint holder in certificated form and uncertificated form shall be treated as separate holdings. Shares may be changed from certificated to uncertificated form and from certificated to uncertificated form, in accordance with a subject to the CREST Regulations and the CREST rules.

Subject to the Articles, any member may transfer all or any of his certificated shares by an instrument of transfer in any usual form or in any other form which the board may approve. The instrument of transfer must be signed by or on behalf of the transferor and, unless the share is fully paid, by or on behalf of the transferee.

The transferor of a share is deemed to remain the holder until the transferee's name is entered in the register.

If it shall come to the notice of the Board that any shares are owned directly, indirectly, or beneficially by a Non-Qualified Holder (as defined in the Articles), the Board may give notice to such person requiring him either (i) to provide the Board within thirty days of receipt of such notice with sufficient satisfactory documentary evidence to satisfy the Board that such person is not a Non-Qualified

Holder; or (ii) to sell or transfer his shares to a person who is not a Non-Qualified Holder within thirty days and within such thirty days to provide the Board with satisfactory evidence of such sale or transfer.

Pending such sale or transfer the Board may suspend the exercise of any voting or consent rights and rights to receive notice of, or attend, meetings of the Company and any rights to receive dividends or other distributions with respect to such shares, and the holder shall repay the Company any amounts distributed to such holder by the Company during the time such holder held such shares. If any person upon whom such a notice is served does not within thirty days after such notice either (i) transfer his shares to a person who is not a Non-Qualified Holder or (ii) establish to the satisfaction of the Board (whose judgment shall be final and binding) that he is not a Non-Qualified Holder; (a) such person shall be deemed upon the expiration of such thirty days to have forfeited his shares and the Board shall be empowered at their discretion to follow the procedure regarding forfeiture of shares under the Articles or, (b) if the Board in its absolute discretion so determines, to the extent permitted under the CREST Regulations and CREST rules, if any, the Board may arrange for the Company to sell the shares at the best price reasonably obtainable to any other person so that the shares will cease to be held by a Non-Qualified Holder, in which event the Company may, but only to the extent permitted under the CREST Regulations and the CREST rules, take any action whatsoever that the Board considers necessary in order to effect the transfer of such shares by the holder of such shares (including where necessary requiring the holder in question to execute powers of attorney or other authorisations, or authorising an officer of the Company to deliver an instruction to Euroclear), and the Company shall pay the net proceeds of sale to the former holder upon its receipt of the sale proceeds and the surrender by him of the relevant share certificate or, if no certificate has been issued, such evidence as the Board may reasonably require to satisfy themselves as to his former entitlement to the shares and to such net proceeds of sale and the former holder shall have no further interest in the relevant shares or any claim against the Company in respect thereof. No trust will be created and no interest will be payable in respect of such net proceeds of sale.

The Board may, in its absolute discretion and without giving reasons, decline to register any transfer of any share which is not a fully paid share or on which the Company has a lien, provided that, in the case of a listed or quoted share, that this would not prevent dealings in the share from taking place on an open and proper basis on the London Stock Exchange. The Board may also decline to register a transfer if:

(i) in relation to a share in certificated form, it is not accompanied by the certificate for the shares to which it relates and such other evidence as the Board may reasonably require to prove title of the transferor and the due execution by him or her of the transfer or, if the transfer is executed by some other person on his or her behalf, the authority of that person to do so;

(ii) is in respect of only one class of share;

(iii) if to joint transferees, is in favour of not more than four such transferees; or

(iv) the transfer is in favour of any Non-Qualified Holder.

Registration of a transfer of an uncertificated share may only be refused in the circumstances set out in the CREST Regulations, the CREST rules, any regulations as may otherwise be adopted by the Board and where, in the case of a transfer to joint holders, the number of joint holders to whom the uncertificated share is to be transferred exceeds four.

To the extent permitted by the Companies Law, the registration of transfers may be suspended at such times and for such periods (not exceeding 30 days in the aggregate in any calendar year) as the Board may decide on giving notice in La Gazette Officielle and either generally or in respect of a particular class of share except that, in respect of any shares which are participating shares held in uncertificated form, the Register shall not be closed without the consent of CREST.

4.11 Alteration of share capital

Subject as provided for in the Articles, the Company may by ordinary resolution alter its share capital, including, inter alia, consolidating share capital, sub-dividing shares, cancelling untaken shares, converting shares into shares of a different currency and denominating or redenominating the currency of share capital.

The Company may by special resolution reduce its share capital, any capital redemption reserve fund or any share premium account in any manner and with and subject to any incident authorised and consent required by the Companies Law.

4.12 General meetings

General meetings (which are annual general meetings) shall be held once at least in each calendar year. Notice for annual general meetings shall be given not less than 21 clear days' prior to such meeting, and notice for all other general meetings shall be given not less than 14 clear days' prior to such meeting, in each case specifying the time and place of such meeting. In the case of any special business such written notice shall also specify the general nature of the business to be transacted. Notice shall be given in this manner to such Shareholders as are entitled to receive notices, provided that with the consent in writing of all the Shareholders entitled to receive notices of such meeting a meeting may be convened by a shorter notice or at no notice and in any manner they think fit. In every notice there appear a statement that a Shareholder entitled to attend and vote is entitled to appoint one or more proxies to attend and vote instead of him and that a proxy need not be a Shareholder.

All Shareholders are deemed to have agreed to accept communications from the Company by electronic means in accordance with the Articles.

4.13 Directors

A. Number of Directors

The Directors shall be not less than two and, unless and until otherwise determined by the Company in general meeting, not more than ten in number. The Company may in general meeting vary the minimum and/or maximum number of Directors.

B. Directors' shareholding qualification

A Director shall not be required to hold any shares in the Company.

C. Appointment of Directors

Directors may be appointed by the Company by ordinary resolution or by the Board.

The Board or any committee authorised by the Board may from time to time appoint one or more Directors to hold any employment or executive office for such period and on such terms as they may determine and may also revoke or terminate any such appointment.

D. Annual retirement of Directors

The Articles require that, at each annual general meeting, one-third of the Directors who are subject to retirement by rotation and in office at the opening of business on the date of the notice calling the relevant annual general meeting or, if their number is not three or a multiple of three, then the number nearest to but not exceeding one-third, or if their number is less than three then one of them, shall retire from office. However, in order to comply with the UK Corporate Governance Code (the Governance Code), the practice of the Company is that at every annual general meeting all the Directors shall retire from office and may offer himself for re-appointment by the Shareholders.

E. Removal of Directors by ordinary resolution

The Company may by ordinary resolution remove any Director before the expiration of his period of office.

F. Vacation of office

The office of a Director shall be vacated if:

(i) he or she resigns his or her office by written notice signed by him or her sent to or deposited at the Office;

(ii) he or she is requested to resign by written notice signed by all his or her co-Directors;

(iii) he or she shall have absented himself or herself (such absence not being absence with leave or by arrangement with the Board on the affairs of the Company) from meetings of the Board for a consecutive period of 12 months and the Board resolves that his or her office shall be vacated;

(iv) he or she becomes a lunatic, of unsound mind or incapable;

(v) he or she becomes bankrupt, suspends payment, compounds with his or her creditors or is adjudged insolvent;

(vi) he or she dies or becomes ineligible to be a director in accordance with the Companies Law; or

(vii) if the Company in general meeting declares that he or she shall cease to be a Director.

G. Alternate Director

Any Director may by notice in writing under his or her hand served upon the Company appoint any person (whether a member of the Company or not) as an alternate Director.

H. Proceedings of the Board

The Board may meet for the despatch of business, adjourn and otherwise regulate meetings as it thinks fit. Questions arising at any meeting shall be decided by a majority of votes. In the case of an equality of votes, the Chairman at the meeting shall have a second or casting vote. The Board may elect one of their number as Chairman of their meetings and determine the period for which he is to hold office.

A video link or telephone conference call or other electronic or telephonic means of communication in which a quorum of Directors participates and all participants can hear and speak to each other shall be a valid meeting.

The Board shall also determine the notice necessary for its meetings and the persons to whom such notice shall be given. A meeting of the Board at which a quorum is present shall be competent to exercise all powers and discretions exercisable by the Board. The quorum necessary for the transaction of the business of the Board may be fixed by the Board and unless so fixed shall be two. A resolution in writing signed by each Director entitled to receive notice of a meeting of the Board or by all the members of a committee shall be as valid and effectual as a resolution passed at a meeting of the Board or committee.

The Board may delegate any of its powers to committees, consisting of such one or more Directors as they think fit. Any committee so formed shall in the exercise of the powers so delegated conform to any regulations that may be imposed on it by the Board.

I. Remuneration of Directors

The Directors (other than alternate Directors) shall be entitled to receive by way of fees for their services as Directors such sum as the Board may from time to time determine. Any fees payable pursuant to the Articles shall be distinct from and shall not include any salary, remuneration for any executive office or other amounts payable to a Director pursuant to any other provisions of the Articles and shall accrue from day to day. The Directors shall be entitled to be repaid all reasonable travelling, hotel and other expenses properly incurred by them in or about the performance of their duties as Directors, including expenses incurred in attending meetings of the Board or any committee of the Board or general meetings or separate meetings of the holders of any class of shares or of debentures of the Company. If by arrangement with the Board, any Director shall perform or render any special duties or services outside his ordinary duties as a Director, he may be paid such sum as the Board may think fit for expenses and also such reasonable additional remuneration as the Board may determine. In addition, the Board may appoint one or more Directors to be the holder of any executive office on such terms and for such periods as the Board may determine.

The Board have determined, in accordance with their powers provided in the Articles, that executive Directors will only receive the sums stipulated in their respective remuneration packages and shall not be entitled to additional fees for services as Directors. A summary of the executive Directors' remuneration packages is provided in paragraph 9.1 below. Non-executive Directors are entitled to receive fees for services as Directors and such fees are detailed in paragraph 9.2 below.

J. Directors' interests

A Director who to his knowledge is in any way directly or indirectly interested in a contract or arrangement or proposed contract or arrangement with the Company shall disclose the nature of his interest at a meeting of the Board. In the case of a proposed contract such disclosure shall be made at the meeting of the Board at which the question of entering into the contract or arrangement is first taken into consideration or if the Director was not at the date of that meeting interested in the proposed contract or arrangement at the next meeting of the Board held after he became so

interested. In a case where the Director becomes interested in a contract or arrangement after it is made disclosure shall be made at the first meeting of the Board held after the Director becomes so interested. For the purpose of the foregoing a general notice given to the Board by a Director to the effect that he is a member of a specified company or firm and is to be regarded as interested in any contract or arrangement which may after the date of the notice be made with that company or firm shall be deemed to be a sufficient disclosure of interest if either it is given at a meeting of the Board or the Director takes reasonable steps to ensure that it is raised and read at the next meeting of the Board after it is given.

A Director may not vote (or be counted in the quorum) in respect of any resolution of the Directors or committee of the Directors concerning a contract, arrangement, transaction or proposal to which the Company is or is to be a party and in which he has an interest which (together with any interest of any person connected with him) is, to his knowledge, a material interest (otherwise than by virtue of his interest in shares or debentures or other securities of or otherwise in or through the Company) but, in the absence of some other material interest than is mentioned below, this prohibition does not apply to a resolution concerning any of the following matters:

(i) obligations incurred by him or her or any other person at the request of or for the benefit of the Company or any of its subsidiaries;

(ii) the giving of a guarantee, security or indemnity in respect of a debt or obligation of the Company or any of its subsidiaries for which he himself or she herself has assumed responsibility in whole or in part, either alone or jointly with others, under a guarantee or indemnity or by the giving of security;

(iii) a contract, arrangement, transaction or proposal concerning an offer of shares, debentures or other securities of the Company or any of its subsidiaries for subscription or purchase, in which offer he or she is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which he or she is to participate;

(iv) a contract, arrangement, transaction or proposal to which the Company is or is to be a party concerning another company (including a member of the Group) in which he or she (and any persons connected with him or her) is interested and whether as an officer, shareholder, creditor or otherwise, if he or she does not to his or her knowledge hold an interest in shares representing one per cent. or more of either a class of the equity share capital (or of any third party company through which his or her interest is derived) or of the voting rights in the relevant company;

(v) any contract, arrangement, transaction or proposal relating to an arrangement for the benefit of the employees of the Company or its subsidiaries which does not award him or her any privilege or benefit not generally awarded to the employees to which such arrangement relates concerning the adoption, modification or operation of a pension, superannuation or similar scheme or retirement, death or disability benefits scheme or employees' share scheme under which he or she may benefit and which either has been approved by or is subject to and conditional on approval by the Board of Inland Revenue for taxation purposes or relates to both employees and Directors of the Company (or any of its subsidiaries) and does not accord to any Director as such any privilege or advantage not accorded to the employees to which such scheme or fund relates; and

(vi) a contract, arrangement, transaction or proposal concerning the purchase and/or maintenance of any insurance policy for the benefit of Directors or for the benefit of persons including Directors.

Any Director may continue to be or become a director, managing director, manager or other officer or member of any company promoted by the Company or in which the Company may be interested, and any such Director shall not be accountable to the Company for any remuneration or other benefits received by him as a director, managing director, manager or other officer or member of any such company.

K. Restrictions on voting

A Director, notwithstanding his interest, may be counted in the quorum present at any meeting whereat he or any other Director is appointed to hold any such office or place of profit under the Company, or whereat the terms of any such appointment are arranged or whereat any contract in which he is interested is considered, and he may vote on any such appointment or arrangement other than his own appointment or the arrangement of the terms thereof. Where proposals are under

consideration concerning the appointment (including without limitation fixing or varying the terms of appointment or its termination) of two or more directors to offices or places of profit with the Company or a company in which the Company is interested, such proposals shall be divided and a separate resolution considered in relation to each director. In such case each of the directors concerned (if not otherwise debarred from voting under these provisions) is entitled to vote (and be counted in the quorum) in respect of each resolution except that concerning his own appointment.

L. Borrowing and other powers

Subject to the Articles, the business of the Company will be managed by the Board who may exercise all the powers of the Company, whether relating to the management of the business of the Company or not. In particular, the Directors may exercise all the powers of the Company to borrow money, to give guarantees and to mortgage, hypothecate, pledge or charge its undertaking, property and assets both present and future and uncalled capital, or any part thereof, and, subject to the provisions of the Companies Law, to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or its holding company (if any) or any subsidiary of the Company or of any third party.

The Directors shall restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiary undertakings so as to secure that the aggregate amount at any one time owing by the Group in respect of moneys borrowed (exclusive of moneys borrowed by the Company or any of its subsidiaries from any other of such companies) shall not, without the previous sanction of the Company in general meeting, exceed an amount equal to twice the adjusted capital and reserves (as set out in the Articles).

The Directors may give security for the payment of moneys payable by the Company in like manner as for the payment of moneys borrowed or raised, but in such case the amount shall for the purposes of the limit in the Articles be reckoned as part of the moneys borrowed.

M. Indemnity of Directors

To the extent permitted by the Companies Law, the Directors are indemnified and secured harmless out of the assets and profits of the Company against any liability. The Directors may exercise all powers of the Company to purchase and maintain for any Director or former director of the Company insurance against any liability.

5 Mandatory Bids and Compulsory Acquisition Rules Relating to the Shares

5.1 Mandatory bid

The Company is subject to the UK City Code on Takeovers and Mergers (the "City Code"). The City Code provides that a mandatory offer to acquire all of the target's share capital must be made when the bidder (or parties acting in concert) either:

- acquires an interest that results in the bidder holding a stake of 30 per cent. or more of the voting rights in the target. This includes any interest acquired through derivatives; or
- has an interest in shares carrying between 30 per cent. and 50 per cent. of the target's voting rights and the bidder or any person acting in concert with it acquires an interest in any other of the target's voting shares. Share buy-back authorisations

5.2 Share buy-back authorisations

At each annual general meeting of the Company, the Company seeks the authority of shareholders to make market purchases of its own shares, within the limits of that authority. At the 2019 AGM, the Company was authorised to make market acquisitions of up to 37,082,171 Shares, which authority will expire at the conclusion of the 2020 AGM, or on 23 October 2020 (if earlier).

5.3 Squeeze-out

In the event of a successful takeover of the Company, the Companies Law provides that Shares can be compulsorily purchased from minority Shareholders by using a squeeze-out procedure if the takeover offer satisfies the following requirements:

- The bidder prepares a scheme or contract that relates to the purchase of the Shares (Share Purchase Offer). The Share Purchase Offer must be made to all of the Shareholders (with certain exceptions).
- Shareholders holding 90 per cent. of the value of the Shares affected by the offer must accept the Share Purchase Offer within four months of the making of the Share Purchase Offer.
- The bidder may, within two months following the closing of the Share Purchase Offer, serve a notice to acquire, on any Shareholder who has not accepted the Share Purchase Offer, explaining the bidder's intention to purchase the Shares on the same terms and offering the same choice (if any) of consideration.
- Shareholders have one month to apply to the Royal Court for a cancellation of the notice.

If the notice to acquire has not been cancelled within one month of being issued, the bidder is obliged to purchase the Shares from these Shareholders by paying the consideration due under the Share Purchase Offer to the Company. The consideration is then held on trust for the Shareholders by the Company.

5.4 Sell-out

Neither the Companies Law nor the Articles contains any right for Shareholders to require a successful bidder to acquire their Shares.

6 Directors and Management Board

6.1 Directors

The Directors of the Company as at the date of this document are listed below.

Name	Age	Position
David Shearer	61	Non-Executive Chair
Warwick Brady	55	Chief Executive Officer
Lewis Girdwood	52	Chief Financial Officer
Nick Dilworth	47	Chief Operating Officer
David Blackwood	61	Non-Executive Director
John Coombs	60	Non-Executive Director
Ginny Pulbrook	62	Non-Executive Director

Each of the Director's business address is the Company's registered office address at PO Box 286, Floor 2, Trafalgar Court, Les Banques, St Peter Port, Guernsey GY1 4LY.

The experience and principal business activities of each of the Directors are as follows:

David Shearer, Non-Executive Chair

David Shearer joined the Board on 1 June 2019 and became the Non-Executive Chair following the Stobart Group AGM on 23 July 2019. David is an experienced independent director and corporate financier and turnaround specialist. He is currently Non-Executive Chair of Speedy Hire Plc, Socium Group Limited and the Scottish Edge Fund.

David was previously the senior partner of Deloitte LLP for Scotland and Northern Ireland, and a UK executive board member of the firm until 2003. He has subsequently held the positions of co-Chair of Martin Currie (Holdings) Limited and Chair of Mouchel Group plc and Crest Nicholson plc, and Non-Executive Director of City Inn Limited. David was also Non-Executive Chairman of Aberdeen New Dawn Investment Trust plc, Liberty Living Group plc and Liberty Living Finance plc, and Senior Independent Director of Renold plc, STV Group plc and Superglass Holdings plc, and Non-Executive Director of Mithras Investment Trust plc. David holds a Bachelor of Accountancy degree from the University of Glasgow and is a member of the Institute of Chartered Accountants of Scotland.

Warwick Brady, Chief Executive Officer

Warwick was appointed CEO in July 2017, having worked closely with the Group since 2011, whilst he was Chief Operating Officer for easyJet. Warwick has significant experience in the aviation sector, having worked in senior executive roles at easyJet, Ryanair and Kingfisher/Air Deccan in India. He also has a background in private equity in manufacturing and technology. He has held board positions at Airline Group and NATS (National Air Traffic Services), the UK's airspace provider, and is currently a Non-Executive Director of FirstGroup plc, a transport operator in the United Kingdom and North America. Warwick holds an MBA from Brunel University.

Lewis Girdwood, Chief Financial Officer

Lewis Girdwood was appointed Chief Financial Officer and Executive Director on 1 April 2019. Lewis previously served as Chief Financial Officer to IAG Cargo. Prior to that, he was Head of Financial Planning and Analysis at easyJet, responsible for financial business partnering across the airline. Lewis has also held senior finance roles at Premier Foods PLC, British Bakeries Ltd and Racal Electronics Group International. Lewis holds a BA from Heriot Watt University in Edinburgh.

Nick Dilworth, Chief Operating Officer

Nick Dilworth joined Stobart Group as Group Commercial Director in November 2017 from BES Utilities, where he was Managing Director. He was appointed to the Board as an Executive Director and promoted to Chief Operating Officer as of 1st September 2018. Nick has previously occupied a number of leadership roles at Practice Plan Limited and Medenta Finance. He qualified as a Chartered Accountant with BDO before joining Grant Thornton as a Corporate Financier. Nick holds an Economics Degree from Loughborough University.

David Blackwood, Non-Executive Director

David Blackwood was appointed to the Board on 1 March 2019. He holds Non-Executive Director positions at Dignity plc and Scapa Group plc where he is also Chair of the Audit Committee and Senior Independent Director. He is also the Non-Executive Chair of Connect Group plc, a leader in the distribution of newspapers and magazines in the United Kingdom. Previous positions include Chief Financial Officer of Synthomer plc. Prior to this he held a number of senior roles with ICI plc. David has also previously served as a member of the Cabinet Office Audit and Risk Committee and the Board for Actuarial Standards. David is a member of the Stobart Group Audit, Remuneration and Nomination Committees and became Chair of the Audit Committee in June 2019. He is a member of the Institute of Chartered Accountants in England and Wales (ICAEW) and a Fellow of the Association of Corporate Treasurers (ACT). David holds a maths degree from Durham University.

John Coombs, Non-Executive Director

John Coombs joined the Board on 1 July 2014. He was the Managing Director of Unilever Ventures Ltd from 2002 until 2017, during which time he chaired the Investment Committee. He has sat on the boards of more than 20 companies, five as Chair. Currently he is Non-Executive Chair of The Co-op's Federal Retail and Trading Services Limited and is a director of Farleigh Investments Limited. John holds an MA in Engineering Science from Oxford University.

Ginny Pulbrook, Non-Executive Director

Ginny Pulbrook has more than 30 years' experience as a board level adviser to quoted companies in the infrastructure, industrial and support services sectors. Ginny was appointed to the Board in October 2018. She is a Partner at Capital Market Communications ('Camarco'). Prior to joining Camarco in 2014, Ginny co-founded and spent 26 years at Citigate Dewe Rogerson. A former Development Council Member of the Natural History Museum, she is currently the Vice Chair of Carers (UK) the United Kingdom's leading charity for unpaid carers.

Set out below are the directorships and partnerships held by the Directors (other than, where applicable, directorships held in the Company or subsidiaries of the Company), in the five years prior to the date of this document:

Name	Current directorships / partnerships	Past directorships / partnerships
David Shearer	Buchanan Shearer & Co Limited Buchanan Shearer Associates LLP Scottish Edge C.I.C. Socium Group Holdings Limited Speedy Hire Plc Violet Topco Limited	Aberdeen New Dawn Investment Trust plc Liberty Living Investments Limited Liberty Living Investments II Limited Liberty Living Investments GP1 Limited Liberty Living Investments GP2 Limited Liberty Living Investments GP3 Limited Liberty Living Finance Plc Liberty Living Group plc Liberty Living (HE) Holdings Limited Mithras Investment Trust plc STV Group plc
Warwick Brady	Connect Airways Limited Everdeal 2019 Limited FirstGroup plc The Didsbury Management Company Limited	Easyjet Airline Company Limited Easy Jet Sterling Limited Easy Jet Leasing Limited
Lewis Girdwood	—	IAG Cargo Limited Zenda Group Limited Dunwoody Airline Services Limited
Nick Dilworth	Connect Airways Limited Everdeal 2019 Limited PortR Limited	Matched Finance Limited
David Blackwood	Connect Group plc Dignity plc Scapa Group plc	Synthomer (UK) Limited
John Coombs	Farleigh Investments Limited The Co-Op's Federal Retail and Trading Services Limited	Borchers Catalyst (UK) Limited Brandtone Holdings (IRE) Limited Catexel Cellulosics Limited Catexel Technologies Limited CDDM Technology Limited Snog Pure Frozen Yogurt Limited Unilever Corporate Holdings Limited Unilever Ventures General Partner Limited Unilever Ventures Limited Unilever Ventures (SLP) General Partner Limited
Ginny Pulbrook	Carers UK	Natural History Museum

6.2 Management Board

The members of the Management Board are as follows:

Name	Age	Position
Warwick Brady	55	Chief Executive Officer
Lewis Girdwood	52	Chief Financial Officer
Nick Dilworth	47	Chief Operating Officer
Louise Brace	47	Company Secretary
Jonathan Brown	53	Group General Counsel
John Cawrey	53	Group IT Director
Charlie Geller	41	Group Communications Director
Angela Smith	47	Group People Director

Each member of the Management Board's business address is the Company's registered office address at PO Box 286, Floor 2, Trafalgar Court, Les Banques, St Peter Port, Guernsey GY1 4LY.

See "—Directors" above for biographies of Warwick Brady, Lewis Girdwood and Nick Dilworth as well as the directorships and partnerships held by them in the five years prior to the date of this document.

Louise Brace, Company Secretary

Louise Brace joined the Group as Company Secretary in October 2017. She is a qualified solicitor and was previously Group Legal Manager and Company Secretary of a UK manufacturing company listed on the London Stock Exchange. Prior to moving into industry, Louise was in private practice for 14 years with leading law firms in London and Manchester.

Jonathan Brown, Group General Counsel

Jonathan Brown joined Stobart Group in a part-time capacity in the Legal Team in April 2014. Jonathan has been a practising corporate lawyer since 1990 acting for a wide range of clients, both public and private companies undertaking transactions in the United Kingdom and abroad. He has acted for Stobart Group since 2006 and has been involved in each of its corporate transactions since that time. Jonathan is the Chairman of Hill Dickinson LLP and holds a number of other board positions. He obtained his LLB from Sheffield University.

John Cawrey, Group IT Director

John Cawrey has been the Group's IT Director since May 2019. He initially held operational management positions in the hotel and leisure sector in the 1990s, which led to financial analysis and systems development roles. After 10 years providing outsourced services to small and medium enterprises, he joined Practice Plan. Following the sale of the business, a period followed working as a fractional IT Director with clients in the hospitality, legal and personal finance sectors.

Charlie Geller, Group Communications Director

Charlie Geller is a communications professional with approximately 20 years' experience spanning investor relations, corporate broking and public relations. He joined the Group in 2018 from Newgate Communications, where he was a director and co-head of the financial communications practice. Prior to that, Charlie worked for public relations agencies Tavistock Communications and WMC Communications (which became part of Bell Pottinger). He also worked in equity sales for a natural resources-focused investment bank.

Angela Smith, Group People Director

Angela Smith has held senior human resources management roles with both Virgin Management Ltd and Granada Hotels & Leisure. Following this, Angela had her own consultancy firm, providing strategic human resources advice to organisations and entrepreneurial businesses. Angela was also a non-executive director for Stockport NHS Foundation Trust (Stepping Hill Hospital & Community Health Services for Stockport) and continues in a non-executive role for PossAbilities.

Set out below are the directorships and partnerships held by the Management Board (other than, where applicable, directorships held in the Company or subsidiaries of the Company), in the five years prior to the date of this document:

Name	Current directorships / partnerships	Past directorships / partnerships
Louise Brace . . .	—	Anchor Chain and Power Transmission Company Limited Everdeal Finance Limited Hans Renold Limited John Holroyd and Company Limited Jones & Shipman Limited Renold (1997) Limited Renold Continental Limited Renold Group General Partner Limited Renold Holdings Limited Renold International Holdings Limited Renold plc Renold Power Transmission Limited Renold Transmission Limited
Jonathan Brown .	Derwent Lodge Estates Limited Halliwells Realisations 2010 Limited Hill Dickinson LLP Origintrade Limited PHD Core Investors LLP Praetura Group Limited Stobart Air UC	Connect Airways Limited Everdeal 2019 Limited Liverpool School of Tropical Medicine
John Cawrey . . .	Cawrey Business Services Limited	—
Charlie Geller . . .	—	—
Angela Smith . . .	Angela Smith Advisory Limited Possibilities C.I.C. SAL Property Services Limited	Stockport Stepping Hill NHS Trust

There is no family relationship between any of the Company's Directors or members of the Management Board.

6.3 As at the date of this document, none of the Directors and members of the Management Board has at any time within the past five years:

(a) save as disclosed in paragraphs 6.1 and 6.2 above, been a director or partner of any companies or partnerships; or

(b) had any convictions in relation to fraudulent offences (whether spent or unspent); or

(c) been adjudged bankrupt or has entered into any individual voluntary arrangements; or

(d) been a director of any company at the time of or within a 12 month period preceding any receivership, compulsory liquidation, creditors' voluntary liquidation, Administration, company voluntary arrangement or any composition or arrangement with such company's creditors generally or with any class of creditors of such company, other than Warwick Brady and Nick Dilworth, who were directors of Connect Airways Limited at the time it went into Administration on 10 March 2020, and John Coombs, who was a director of Brandtone Holdings Limited at the time it became insolvent; or

(e) been partner of any partnership at the time of or within a 12 month period preceding any compulsory liquidation, Administration or partnership voluntary arrangement of such partnership; or

(f) had his or her assets be the subject of any receivership; or

(g) been partner of any partnership at the time of or within a 12 month period preceding any assets thereof being the subject of a receivership; or

(h) been subject to any official public incrimination and/or sanctions by any statutory or regulatory authority (including any designated professional body); or

(i) ever been disqualified by a court from acting as a director or other officer of any company or from acting in the management or conduct of the affairs of any company.

6.4 Save for their capacities as persons legally and beneficially interested in Shares, there are:

(a) no potential conflicts of interest between any duties to the Company of the Directors and the members of the Management Board and their private interests and/or other duties; and

(b) no arrangements or understandings with major Shareholders, customers, suppliers or others, pursuant to which any Director or member of the Management Board was selected.

6.5 Corporate Governance

UK Corporate Governance Code

The Board is committed to the highest standards of corporate governance. As of the date of this document, the Board complies with the Governance Code published in July 2018 by the Financial Reporting Council, except that no Director is currently appointed as a Senior Independent Director. Prior to the COVID-19 pandemic, the Board was in the process of recruiting two new Non-Executive Directors, one of whom would be appointed as Senior Independent Director. The Board plans to continue this process when it is able to.

As envisaged by the Governance Code, the Board has established an audit committee, a nomination committee and a remuneration committee. If the need should arise, the Board may set up additional committees as appropriate.

The Governance Code recommends that at least half the board of directors, excluding the chair, should comprise non-executive directors determined by the board to be independent in character and judgement and free from relationships or circumstances which may affect, or could appear to affect, the director's judgement. The Board considers that the Company complies with the requirements of the Governance Code in this respect.

Audit Committee

The Audit Committee oversees the review and monitoring of the integrity of financial information provided to Shareholders, the Group's internal controls and risk management, including internal and external audit processes, and ensuring compliance with laws, regulations and ethical codes of practice. The Audit Committee will normally meet not less than three times a year.

The audit committee is chaired by David Blackwood and its other members are John Coombs and Ginny Pulbrook. The Governance Code recommends that all members of the audit committee be non-executive directors, independent in character and judgment and free from any relationship or circumstance which may, could or would be likely to, or appear to, affect their judgment and that one such member has recent and relevant financial experience. The Board considers that the Company complies with the requirements of the Governance Code in this respect.

Nomination Committee

The Nomination Committee takes the lead role in evaluating the Board by examining the skills and characteristics required for performance. This includes making recommendations to the Board regarding structure, size and composition, succession planning and appointments. The Nomination Committee is required to meet at least once a year.

The Nomination Committee is chaired by David Shearer and its other members are John Coombs, Ginny Pulbrook and David Blackwood. The Governance Code recommends that a majority of the nomination committee be non-executive directors, independent in character and judgment and free from any relationship or circumstance which may, could or would be likely to, or appear to, affect their judgment. The Board considers that the Company complies with the requirements of the Governance Code in this respect.

Remuneration Committee

The Remuneration Committee supports the Board in determining and agreeing its remuneration policy to ensure appropriate incentives are available to encourage enhanced performance and fair and responsible rewards for individual contributions towards the Group's success. The Remuneration Committee is required to meet at least twice a year.

The remuneration committee is chaired by John Coombs and its other members are Ginny Pulbrook and David Blackwood. The Governance Code recommends that all members of the remuneration committee be non-executive directors, independent in character and judgment and free from any relationship or circumstance which may, could or would be likely to, or appear to, affect their judgment. The Board considers that the Group complies with the requirements of the Governance Code in this respect.

7 Directors' and Management Board's interests

7.1 The interests of the Directors and the members of the Management Board, and their immediate families, in the share capital of the Company (all of which, unless otherwise indicated, are beneficial) on 29 May 2020 (being the latest practicable date prior to the publication of this document) and as they are expected to be immediately following the Capital Raise including as a percentage of the enlarged share capital (assuming full take up by the Directors and the members of the Management Board of their Open Offer Entitlements and no options granted under the Share Schemes between 29 May 2020 (being the latest practicable date prior to the publication of this document) and the completion of the Capital Raise), are as follows:

	Existing Shares beneficially held[1]		Shares expected to be beneficially held immediately following the Capital Raise	
Name	**No.**	**%**	**No.**	**%**
Directors				
David Shearer	100,000	0.03	412,500	0.07
Warwick Brady	279,705[2]	0.07	404,705	0.06
Lewis Girdwood	125,000	0.03	250,000	0.04
Nick Dilworth	63,594[3]	0.02	163,594	0.03
David Blackwood	44,534	0.01	169,534	0.03
John Coombs	80,006[4]	0.02	170,006	0.03
Ginny Pulbrook	5,000	0.00	17,500	0.00
Management Board				
Louise Brace	6,833	0.00	7,744	0.00
Jonathan Brown	—	—	—	—
John Cawrey	—	—	—	—
Charlie Geller	—	—	—	—
Angela Smith	4,711	0.00	5,339	0.00

Notes:

(1) As at 29 May 2020 (being the latest practicable date prior to publication of this document).

(2) Includes 170,983 Shares held by certain of Warwick Brady's family members.

(3) Includes 31,797 Shares held by Nick Dilworth's spouse.

(4) Includes 39,264 Shares held by John Coombs' spouse.

(5) Applications for Shares from five individuals, representing up to a further 275,000 Shares, were missed from the allocations in the Capital Raise but will be issued to the individuals outside the Capital Raise pursuant the Company's existing shareholder authorities on the same terms and conditions as the Capital Raise.

For a description of the Directors' intentions in respect of their participation in the Open Offer and the Firm Placing, please see paragraph 6 of Part I - Letter from the Chair of Stobart Group Limited.

The Directors and members of the Management Board have the same voting rights as all other Shareholders.

7.2 Details of the Directors' and the members of the Management Board's non-beneficial interests in the Shares subject to options and awards under the Share Schemes as at 29 May 2020 (being the latest practicable date prior to the publication of this document) are set out below:

Name	Type of award	Number of Shares subject to award[1]	Exercise price	Grant date	Vest/exercise date	Holding period
David Shearer	—	—	—	—	—	—
Warwick Brady[2]	LTIP	106,204	—	22/06/17	22/06/20	None
	LTIP	131,408	—	20/06/18	20/06/21	Up to 2 years from vest date
	LTIP	303,686	—	03/07/19	03/07/22	Up to 2 years from vest date
	SAYE	18,971	94.88p	02/08/19	31/08/22	None
Lewis Girdwood	LTIP	225,858	—	03/07/19	03/07/22	Up to 2 years from vest date
	SAYE	18,971	94.88p	02/08/19	31/08/22	None
Nick Dilworth	LTIP	52,563	—	20/06/18	20/06/21	None
	LTIP	127,660	—	03/07/19	20/06/21	None
	LTIP	348,376	—	03/07/19	03/07/22	Up to 2 years from vest date
	SAYE	18,971	94.88p	02/08/19	31/08/22	None
David Blackwood	—	—	—	—	—	—
John Coombs	—	—	—	—	—	—
Ginny Pulbrook	—	—	—	—	—	—
Louise Brace	LTIP	2,333	—	03/11/17	03/11/20	None
	LTIP	6,619	—	20/06/18	20/06/21	None
	LTIP	18,643	—	03/07/19	03/07/22	None
	SAYE	9,485	94.88p	02/08/19	31/08/22	None
Jonathan Brown	LTIP	22,225[3]	—	22/06/17	22/06/20	None
John Cawrey	LTIP	19,176	—	03/07/19	03/07/22	None
	SAYE	18,971	94.88p	02/08/19	31/08/22	None
Charlie Geller	LTIP	21,946	—	03/07/19	03/07/22	None
	SAYE	11,382	94.88p	02/08/19	31/08/22	None
Angela Smith	LTIP	95,883	—	03/07/19	03/07/22	None
	SAYE	18,971	94.88p	02/08/19	31/08/22	None

Notes:

(1) The interests shown in the table above are the maximum number of Shares that may be received under each of the awards, but do not include potential multipliers. The actual number of Shares that may be released or become exercisable is dependent, in some cases, on performance conditions and so may be more or less than the number shown.

(2) In 2017, Warwick Brady was granted an award under the Stobart Aviation Incentive Plan (***SAIP***) which will be paid 50 per cent. in cash and 50 per cent. in Shares upon the achievement of specific performance targets. A summary of the principal terms of the SAIP is set out in paragraph 11.2 of this Part IX.

(3) Jonathan Brown was due to receive an award in 2019 under the 2014 LTIP of 120,275 Shares. The quantum of the award was agreed later than the usual LTIP cycle and fell within a restricted period. The award has not been issued to Jonathan Brown as at the date of this document and will be issued once the restricted period ends.

The Non-Executive Directors (including the Chair) do not have any non-beneficial interests in the Shares subject to options and awards under the Share Schemes.

7.3 No Director has or has had any interest in any transactions which are or were unusual in their nature or conditions or are or were significant to the business of the Group or any of its subsidiary undertakings and which were effected by the Group or any of its subsidiaries during the current or immediately preceding financial year or during an earlier financial year and which remain in any respect outstanding or unperformed.

7.4 There are no outstanding loans or guarantees granted or provided by any member of the Group to or for the benefit of any of the Directors.

7.5 Save as set out in this Part IX, it is not expected that any Director will have any interest in the share or loan capital of the Company following the Capital Raise and, other than the Put Option as described in paragraph 15.1.4(vi) of this Part IX, there is no person to whom any capital of any member of the Group is under option or agreed conditionally or unconditionally to be put under option.

7.6 Save as disclosed in this paragraph 7, no Director or member of the Management Board has any interests (beneficial or non-beneficial) in the share capital of the Company or any of its subsidiaries.

7.7 London Southend Airport Company Limited, a wholly-owned subsidiary of the Company, has provided an indemnity to the Directors, to the extent specifically permitted by the Acts, in respect of any liabilities that may arise in respect of the Capital Raise. It will be an event of default under the Facility Agreement if any demand is made by any Director under this indemnity, which would allow the lenders under the Facility Agreement to, upon written notice to the Company, accelerate all or part of the outstanding loans, cancel the commitments and declare all or part of the loans payable on demand.

8 Interests of major Shareholders

Insofar as is known to the Company, the name of each person who, directly or indirectly, has an interest in 3.0 per cent. or more of the Company's issued share capital, and the amount of such person's interest, as at 29 May 2020 (being the latest practicable date prior to the publication of this document) are as follows:

	Shares	
Name	**No.**	**%**
Toscafund	89,640,562	23.93
Invesco	42,031,347	11.22
Cyrus Capital Partners	32,058,190	8.56
Harwood Capital	31,050,000	8.29
Mr A W Jenkinson	19,549,647	5.22
Royal London Asset Management	18,252,660	4.87
M&G Investment Management	16,248,682	4.34
Polygon Investment Partners	16,117,943	4.30
BlackRock Inc	11,618,966	3.10

Insofar as is known to the Company, the Company is not directly or indirectly owned or controlled by another corporation, any foreign government, or any other natural or legal person, severally or jointly.

None of the major Shareholders referred to above has different voting rights from other Shareholders.

Insofar as is known to the Company, immediately following the Capital Raise, the interests of those persons with an interest in 3.0 per cent or more of the Company's issued share capital, including as a percentage of the enlarged share capital (assuming there is no clawback of their conditional Placing allocations, which would only occur if there is no take-up under the Open Offer, and no options granted under the Share Schemes are exercised between 29 May 2020 (being the latest practicable date prior to the publication of this document) and the completion of the Capital Raise), will be as follows:

	Shares	
Name	**No.**	**%**
Toscafund	172,140,562	27.6
Invesco	42,031,347	6.7
Cyrus Capital Partners	32,058,190	5.1
Harwood Capital	57,675,000	9.2
Mr A W Jenkinson	19,549,647	3.1
Royal London Asset Management	29,652,660	4.7
M&G Investment Management	16,648,682	2.7
Polygon Investment Partners	34,117,943	5.5
BlackRock Inc	11,618,966	1.9

9 Directors' service agreements and letters of appointment

9.1 Executive Directors

The principal terms of Warwick Brady's, Lewis Girdwood's and Nick Dilworth's appointments are as follows:

9.1.1 General terms

The Executive Directors are each entitled to a remuneration package comprising annual base salary, a discretionary performance-related bonus and participation in a long-term incentive plan, personal

pension contributions (or a cash allowance in lieu of pension contributions) and participation in the Group's benefit plans (including private executive medical cover, death in service cover and car plans (or cash in lieu)).

The current Executive Directors' salaries are £475,087 for the Chief Executive Officer, £265,000 for the Chief Financial Officer and £272,500 for the Chief Operating Officer.

Base salaries will typically be reviewed annually and any increases will take into account increases awarded to the wider workforce, individual performance, market data and the ratio of CEO pay to the average employee and to senior management as appropriate. Having regard to the impact of COVID-19, no Executive Director salary increases will be made in the year ending 28 February 2021 and a 20 per cent. pay reduction will apply to each Executive Director for an initial period of three months with effect from 1 April 2020.

Executive Directors are eligible to participate in an annual bonus plan. Annual bonuses can be up to a maximum of 150 per cent. of salary for all Executive Directors. The Company has introduced a bonus deferral requiring 40 per cent. of any bonus earned to be deferred in shares for two years where the maximum bonus opportunity is more than 100 per cent. of salary.

Annual bonuses are based 70 per cent. on adjusted Group EBITDA and 30 per cent. on personal/ strategic objectives. Notwithstanding the Executive Directors' achievement against their personal/ strategic objectives, having regard to the wider circumstances in connection with the COVID-19 outbreak, the Remuneration Committee determined that no bonuses should be paid in respect of those objectives for FY19/20.

In light of the COVID-19 outbreak, the Company confirmed that all variable pay awards have been deferred to August 2020, at the earliest.

In addition to normal public holidays, the Executive Directors are entitled to 25 working days of paid holiday in each complete holiday year.

Executive Directors are eligible to participate in the Group's pension scheme, with a maximum contribution of 20 per cent. of salary for the Chief Executive Officer and the Chief Operating Offer, and a maximum contribution of 10 per cent. of salary for the Chief Financial Officer. Alternatively, they may opt to receive a cash allowance in lieu of employer pension contributions currently at a rate of approximately 20 per cent. of salary for the Chief Executive Officer and the Chief Operating Officer and 10 per cent. of salary for the Chief Financial Officer.

The Company is proposing the following key changes to executive remuneration, subject to Shareholder approval at the Company's next annual general meeting:

- a reduction in the overall incentive opportunity from 400 per cent. of salary (100 per cent. of salary from the annual bonus and 300 per cent. of salary from the LTIP) to 350 per cent. of salary. The proposed maximum opportunity is based on an annual bonus of 125 per cent. of salary (the policy includes flexibility to award an opportunity of up to 150 per cent. of salary, but there is no present intention to do so and the bonus opportunity for the year ending 28 February 2021 will be capped at 100 per cent. of salary) and an LTIP opportunity of 200 per cent. of salary;
- simplification of the LTIP by removing the relative total shareholder return element (described in more detail in paragraphs 11.1 and 11.4 of this Part IX);
- introduction of bonus deferral requiring 40 per cent. of any bonus earned to be deferred in shares for two years;
- the formal adoption of a two-year holding period at the end of the LTIP performance period (described in more detail in paragraphs 11.1 and 11.4 of this Part IX);
- the pension provision for any new Executive Director to be in line with the wider workforce and for existing Executive Directors the current provision, as a percentage of salary, will be reduced over time;
- introduction of a post-cessation shareholding policy; and
- malus and clawback triggers have been extended in line with best practice.

9.1.2 Long-Term Incentive Plan

The Group operates a Long-Term Incentive Plan (the ***2014 LTIP***).

Under the 2014 LTIP, the Remuneration Committee can grant eligible employees rights to acquire Shares for nil-cost. The maximum award in respect of any financial year is 150 per cent. of base salary, which could rise to 300 per cent. of base salary with a maximum 2x multiplier if certain performance conditions are met. In exceptional circumstances, as determined at the discretion of the Remuneration Committee, awards may be made up to a value of 200 per cent. of salary, which could rise to 400 per cent. of salary with a maximum 2x multiplier if certain performance conditions are met. The annual awards granted to Executive Directors are subject to the normal LTIP maximum. Having regard to the impact of COVID-19, the Company has deferred 2014 LTIP awards until August 2020 at the earliest.

For FY19/20, the Remuneration Committee intends to grant awards under a new LTIP (the ***2020 LTIP***) for which shareholder approval is being sought at the next annual general meeting of the Company. A summary of the principal terms of the 2020 LTIP is set out in paragraph 11.4 of this Part IX.

Awards granted to Executive Directors under the 2014 LTIP have a three-year performance period and a further post-vesting holding period of up to two years. A summary of the principal terms of the 2014 LTIP is set out in paragraph 11.1 of this Part IX.

As part of the proposed new remuneration policy to be voted on by Shareholders at the Company's next annual general meeting, the Company is seeking to institute a maximum LTIP grant of 200 per cent. of salary.

(i) Malus and clawback

Consistent with best practice, malus and clawback provisions will be operated at the discretion of the Remuneration Committee in respect of both the annual bonus and 2014 LTIP in the prescribed circumstances, with triggers which cover material misstatement, error or misrepresentation or gross misconduct by the participant.

(ii) Share ownership guidelines

The Group's existing Directors' remuneration policy requires the Executive Directors to build and maintain a shareholding in the Company to the value of 200 per cent. of their salary to be achieved within five years of the later of their appointment to the board or the introduction of the first Directors' remuneration policy on 27 June 2017.

For 12 months following cessation, an Executive Director must retain such of their relevant shares as have a value (as at cessation) equal to their in service shareholding guideline and 50 per cent. of this guideline for a further twelve months.

The Group operates appropriate enforcement mechanisms.

(iii) Recruitment policy

The remuneration package for the appointment of a new Executive Director would be set in accordance with the terms and maximum levels of the approved remuneration policy in force at that time.

In addition, the Remuneration Committee may offer additional cash and/or benefits if it considers these to be in the best interests of the Company and its shareholders, up to the fair value of the remuneration relinquished when leaving the former employer. This would take into account the nature and vesting horizons attached to any remuneration forfeited and the impact of any performance conditions. To facilitate this, the Remuneration Committee may need to avail itself of the discretion provided under Listing Rule 9.4.2R. The Company does not intend to use Listing Rule 9.4.2R for any other purpose than a buyout at up to fair value. Shareholders will be informed of any such payments at the time of appointment.

For an internal appointment, any variable pay element awarded in respect of the previous role will be honoured.

(iv) Termination policy

In the event of termination, service contracts provide for payments of base salary, pension and benefits only over the notice period. Should the Group decide to terminate employment without giving the period of notice required under an Executive Director's contract, the Executive Director is entitled to claim recompense up to one year's remuneration for payments in lieu of notice of salary and benefits including health cover, a company car or car allowance, life and health insurance and pension. Payments in lieu of notice are not pensionable. There are no enhanced provisions on a change of control. In some circumstances, the Remuneration Committee may also, at its discretion, pay a bonus to the Executive Director equivalent to the amount to which they would have been entitled, pro-rated over the portion of the year that they worked.

Under the 2014 LTIP, the default treatment is that any outstanding awards lapse on termination of employment. However, in certain prescribed 'good leaver' circumstances, the awards remain subject to performance conditions measured to the end of the performance period, and reduced by reference to the portion of the period they were employed. The Remuneration Committee retains discretion to pay Executive Directors' legal fees for settlement agreements.

For the purposes of the remuneration policy the Remuneration Committee interprets the term 'good leaver' to follow normal HMRC guidance, which will also allow them discretion in some circumstances where a Director leaves the Company for reasons other than those outlined by HMRC but whose performance merits such award as determined by the Remuneration Committee.

9.1.3 Termination provisions

The service contracts of the Executive Directors can be terminated by not less than 12 months' notice by either party.

Where either party has served notice to terminate, the Company may elect to terminate employment immediately by making a payment in lieu of notice equivalent to the Executive Director's salary for the notice period.

In addition, the employment of each Executive Director employment is terminable with immediate effect in certain circumstances, including where he: (i) is guilty of a serious breach of the rules or regulations as amended from time to time of the FCA or any regulatory authorities relevant to any entity in the Group as amended from time to time, (ii) fails or ceases to meet the requirements of any regulatory body whose consent is required to enable him to undertake all or any of his duties or is guilty of a serious breach of the rules and regulations of such regulatory body or of any compliance manual of the Group, (iii) is in breach of the Company's anti-corruption and bribery policy and related procedures, (iv) is guilty of any misconduct materially affecting the business of the Group, (v) commits any serious or repeated breach or non-observance of any of the provisions of his service agreement or refuses or neglects to comply with any reasonable and lawful directions of the Company and/or the Board, (vi) is, in the reasonable opinion of the Board, negligent and incompetent in the performance of his duties, (vii) is declared bankrupt, (viii) is convicted of any criminal offence (other than on offence under any road traffic legislation for which a fine or non-custodial penalty is imposed), (ix) becomes of unsound mind, (x) ceases to be eligible to work in the United Kingdom, (xi) is guilty of any fraud or dishonesty or acts in any manner which in the opinion of the Company brings him or the Group into disrepute or (xii) is guilty of a serious breach of any rules issued by the Company from time to time regarding its electronic communications systems.

In the event of termination, the service contract of each Executive Director imposes post-termination restrictions, including those described as follows. For a period of 6 months following his termination (less any period spent on garden leave immediately prior to termination), the Executive Director may not: (i) solicit or endeavour to entice away from the Company or the Group the business or custom of any customer or prospective customer of the Group (a ***Restricted Customer***) with a view to providing goods or services to that Restricted Customer in competition with any part of the business of the Company and the Group with which the Executive Director was involved to a material extent (a ***Restricted Business***) within the United Kingdom, (ii) in the course of any business concern with is in competition with any Restricted Business, offer to employ or engage or otherwise endeavour to entice away from the Company or the Group anyone employed or engaged by the Company or the Group who could materially damage the interests of the Company or the Group if they were involved in any business which competes with any Restricted Business (a ***Restricted Person***), (iii) in the course of any business concern which is in competition with any Restricted Business, employ or engage or

otherwise facilitate the employment or engagement of any Restricted Person, (iv) be involved in any capacity with any business concern which is or intends to be in competition with any Restricted Business within the Territory (v) be involved with the provision of goods or services to or otherwise have any business dealings with any Restricted Customer in the course of any business concern which is in competition with any Restricted Business within the Territory.

Save as disclosed in this paragraph 9.1, there are no existing service contracts between any Executive Director and any member of the Group, which provide for benefits upon termination.

9.2 Non-Executive Directors

The Non-Executive Directors (including the Non-Executive Chair) were appointed by letter of appointment. The principal terms of these agreements are as follows:

9.2.1 General terms

Name	Position	Date of appointment to the Board
David Shearer	Non-Executive Chair	1 June 2019
David Blackwood	Non-Executive Director	1 March 2019
John Coombs	Non-Executive Director	1 July 2014
Ginny Pulbrook	Non-Executive Director	1 October 2018

The FY19/20 and FY18/19 fees for the Non-Executive Chair and the Non-Executive Directors are set out in the following table.

Name	FY18/19 Fees	FY19/20 Fees
David Shearer	—	£150,000[(1)]
David Blackwood	—	£ 58,300[(2)]
John Coombs	£102,500[(3)]	£ 62,500
Ginny Pulbrook	£ 21,900[(4)]	£ 52,500

Notes:

(1) David Shearer's FY19/20 fee is based on his commencement date of 1 June 2019.

(2) David Blackwood's FY19/20 fee includes base fee of £52,500 plus additional fees of £10,000 for chairing the Audit and Remuneration Committees and fulfilling the role of Senior Independent Director. Where more than one individual has held the office of Committee Chair during the year ended 29 February 2020, the additional fee is pro-rated between them by reference to the period for which they held the office.

(3) Fees were paid to John Coombs for his additional services during FY18/19 in relation to the legal disputes and litigation facing the Company. These additional fees amounted to £40,000.

(4) Ginny Pulbrook's FY18/19 fee is based on her commencement date of 1 October 2018.

In addition, each Non-Executive Director and the Non-Executive Chair are entitled to be reimbursed for reasonable expenses necessarily incurred arising from the performance of their duties. Non-Executive Directors do not receive any pension, bonuses or other benefits.

Having regard to the impact of COVID-19, the Directors have agreed to 20 per cent. pay reductions, which will apply for an initial period of three months with effect from 1 April 2020.

9.2.2 Termination provisions

The appointment of the Non-Executive Chair and of each Non-Executive Director is terminable by either party on three months' notice.

The appointment of the Non-Executive Chair and each Non-Executive Director may also be terminated with immediate effect by the Company if he or she: (i) commits a material breach of his or her obligations pursuant to his or her letter of appointment, (ii) commits any serious or repeated breach or non-observance of his or her obligations to the Company (which includes an obligation not to breach his or her statutory, fiduciary or common-law duties), (iii) is guilty of any fraud or dishonesty or acts in any manner which, in the opinion of the Company, brings or is likely to bring him or her or the Company into disrepute or his materially adverse to the interests of the Company, (iv) is convicted or any arrestable criminal offence other than an offence under any road traffic legislation for which a fine or non-custodial penalty is imposed), (v) commits any act which constitutes an offence by him or her or the Company under the Bribery Act 2010 or otherwise fails to comply with any measures

adopted by the Company from time to time for the prevention of bribery and corruption, (vi) commits a tax evasion offence or a tax evasion facilitation offence or otherwise fails to comply with any measures adopted by the Company from time to time for the prevention of the facilitation of tax evasion, (vii) is declared bankrupt, (viii) is disqualified from acting as a director in any jurisdiction or (ix) ceases to be a director of the Company by reason of vacating office pursuant to any provision of the Articles or is removed as a director of the Company by a resolution passed at a general meeting.

There are no existing service contracts between any Non-Executive Director and any member of the Group which provide for benefits upon termination.

10 Directors' and Management Board remuneration

10.1 In addition to the options and awards under the Share Schemes disclosed in paragraph 11 of this Part IX, the amount of remuneration paid (including any contingent or deferred compensation), and benefits in kind granted to Directors of the Company for services in all capacities to the Group (including subsidiaries where applicable) by any person for the financial year ended FY19/20 was as follows:

Name	Position	Salary and fees	Taxable Benefits	Pension	Bonus	Long-term incentives vesting[1]	Total Variable Pay	Total pay
				(£'000)				
David Shearer	Non-Executive Chair	150.0	—	—	—	—	—	150.0
Warwick Brady	Chief Executive Officer	470.5	32.8	93.6	—	—	—	596.9
Lewis Girdwood[2]	Chief Financial Officer	242.9	18.3	24.3	—	—	—	285.5
Nick Dilworth	Chief Operating Officer	262.5	20.6	57.5	—	—	—	340.6
David Blackwood	Non-Executive Director	58.3	—	—	—	—	—	58.3
John Coombs	Non-Executive Director	62.5	—	—	—	—	—	62.5
Ginny Pulbrook	Non-Executive Director	52.5	—	—	—	—	—	52.5

Notes:

(1) The 2014 LTIP value for FY19/20 reflects the vesting of the 2016 LTIP award under the 2014 LTIP and has been valued using the average share price over the three-month period to 28 February 2019 of £1.54.

(2) Lewis Girdwood joined the Board on 1 April 2019. Remuneration for FY19/20 includes pay received in respect of his role as Executive Director from this date.

10.2 In addition to the options and awards under the Share Schemes disclosed in paragraph 11 of this Part IX, the aggregate remuneration (including any contingent or deferred compensation) and benefits in kind paid or granted to the members of the Management Board (not including Warwick Brady, Lewis Girdwood or Nick Dilworth) by the Company and its subsidiaries during FY19/20 for services in all capacities was £550,500. The Company is not required to, and does not otherwise, disclose publicly remuneration for the members of the Management Board on an individual basis.

10.3 Save as disclosed in this Part IX, none of the members of the administrative, management, or supervisory bodies' service contracts with the Company or any of its subsidiaries provide for benefits upon termination of employment.

11 Share Schemes

The Company operates a discretionary executive share plan, the Stobart Group Limited Long Term Incentive Plan 2014 (the ***2014 LTIP***). The Company is proposing to replace the 2014 LTIP with the Stobart Group 2020 Long Term Incentive Plan (the ***2020 LTIP***), subject to Shareholder approval at the Company's next annual general meeting.

The Group operates three Save As You Earn schemes, introduced on 1 September 2015, 1 February 2019 and 1 September 2019, respectively (the ***SAYE Plans***). The SAYE Plans are available to all qualifying employees and Directors.

The Stobart Aviation Incentive Plan (***SAIP***) was a discretionary executive incentive plan under which an award was made to Warwick Brady in order to secure his recruitment by the Group in December 2016. This award was granted to Warwick prior to his appointment to the Board, and Warwick has not and will not receive any further awards under the SAIP in his role as Chief Executive.

The Company is proposing to introduce the Stobart Group 2020 Deferred Bonus Plan (the ***2020 DBP***), subject to Sharheolder approval at the Company's next annual general meeting.

The LTIP, the SAYE Plans and the SAIP are, together, the ***Share Schemes***. The 2020 LTIP and the 2020 DBP are, together, the ***Proposed Share Schemes***.

The Share Schemes are available for operation at the Company's discretion, subject in each case to the recommendation of the Remuneration Committee. The main features of the Share Schemes are set out in paragraphs 11.1 to 11.3 below.

The main features of the Proposed Share Schemes are set out in paragraphs 11.4 to 11.5 below.

References in this section to the Board include any designated committee of the Board.

11.1 Long-Term Incentive Plan

The Group has previously granted awards under the Stobart Group Limited Long Term Incentive Plan 2014 (the ***2014 LTIP***). Subject to Shareholder approval of the Stobart Group 2020 Long Term Incentive Plan discussed in paragraph 11.4 at the Company's next annual general meeting, the Company does not propose to grant further awards under the 2014 LTIP.

The 2014 LTIP is a discretionary executive share plan.

Under the 2014 LTIP, the Remuneration Committee could, within certain limits, grant to eligible employees rights to acquire Shares for nil-cost (***Awards***). No payment was required for the grant of an Award.

Eligibility

All employees (including Executive Directors) were eligible for selection to participate in the 2014 LTIP at the discretion of the Remuneration Committee. However, Awards were typically granted only to Executive Directors and senior management.

Limits

In order to satisfy awards under the 2014 LTIP, the Company could transfer or issue Shares (as new Shares out of treasury or from the employee benefit trust formed for the purposes of holding Shares which is located in the Channel Islands and has independent trustee(s)).

The rules of the 2014 LTIP provide that, in any period of 10 calendar years, not more than 10 per cent. of the Company's issued ordinary share capital may be issued under the 2014 LTIP and under any other employees' share scheme adopted by the Company. Of this, not more than five per cent. may be issued under the 2014 LTIP and under any other discretionary share scheme adopted by the Company.

Shares issued out of treasury under the 2014 LTIP will count towards these limits for so long as this is required under institutional shareholder guidelines. New shares issued or shares issued out of treasury to satisfy Awards granted prior to the Company's listing will not be counted for the purposes of these limits.

Grant of Awards

The maximum value of Shares over which an eligible employee may be granted Awards in respect of any financial year is 150 per cent. of base salary, which could rise to 300 per cent. of salary with a maximum 2x multiplier if certain performance conditions are met. In exceptional circumstances, as determined at the discretion of the Remuneration Committee, Awards may be granted to an eligible employee in respect of a financial year over Shares with a value of up to 200 per cent. of base salary, which could rise to 400 per cent. of salary with a maximum 2x multiplier if certain performance conditions are met.

Awards may be granted: (i) within 42 days of the announcement by the Company of its results for any period; or (ii) at any other time that the Remuneration Committee, at its discretion, deems there are exceptional circumstances which justify the granting of Awards. If regulatory restrictions prevent the grant of Awards in these periods, Awards may be granted within the period of 42 days following the lifting of the restrictions.

However, no Awards may be granted more than 10 years after the date when the 2014 LTIP was adopted and, as noted above, subject to shareholder approval of the Stobart Group 2020 Long Term Incentive Plan referred to in paragraph 11.4, the Company does not propose to grant further Awards

under the 2014 LTIP. Awards are not transferable other than to the participant's personal representatives in the event of his death. The benefits received under the 2014 LTIP are not pensionable.

Performance and other conditions

The Remuneration Committee will impose performance conditions on the vesting of Awards. Awards are subject to two, equally weighted performance measures based on cumulative earnings per share and relative total shareholder return (***TSR***). The Remuneration Committee has discretion to adjust the formulaic vesting outcomes to ensure they reflect overall financial performance. Performance conditions for outstanding Awards may be adjusted if events have occurred in consequence of which the Remuneration Committee considers that the performance conditions should be amended so that the conditions will be a fairer measure of performance and provide a more effective incentive.

The performance period for Awards is the period from the start of the financial year of the Company in which the Award is granted, or such later date as the Remuneration Committee may at its discretion determine, to the third anniversary of such start date.

Vesting and exercise

Awards will vest subject to the achievement of the applicable performance conditions subject, ordinarily, to continued service. If or insofar as shares subject to an Award do not vest in consequence of a performance condition not being satisfied in full, the Award shall lapse in respect of the balance of such Shares.

Holding period

Awards may be subject to an additional holding period of up to two years after vesting before the shares are delivered to participants.

Malus and Clawback

The Remuneration Committee may decide, that the number of Shares subject to an Award shall be reduced (including to nil) and/or that vested Shares may be clawed back and cancelled in the event of risk taking in excess of that approved by the Board, a material misstatement, miscalculation of an Award, and/or gross misconduct (or in other circumstances specified in the relevant Award certificate.

Cessation of employment

If a participant ceases employment because of his ill-health, injury or disability (in each case, evidenced to the satisfaction of the Remuneration Committee), redundancy, or retirement, or his employing company or the business for which he works being transferred out of the Group, he will be considered a "good leaver" under the 2014 LTIP.

Unvested Awards held by a "good leaver" will vest at the end of the ordinary vesting period subject to the satisfaction of the applicable performance conditions (as determined by the Remuneration Committee) and, unless the Remuneration Committee determines otherwise, a reduction to reflect the proportion of the vesting period that has elapsed at cessation.

If a participant dies, his unvested Award will vest immediately by reference to the extent to which the performance conditions have been satisfied (as determined by the Remuneration Committee) and unless the Remuneration Committee determines otherwise, a reduction to reflect the proportion of the vesting period that has elapsed.

If a participant ceases employment other than as a "good leaver" or as a result of his death, any unvested Award he holds will lapse, unless the Remuneration Committee determines otherwise.

If a participant ceases employment during an Award's holding period, the Award will continue subject to the holding period, without prejudice the application of malus and clawback.

Corporate events

In the event of a takeover or winding up of the Company (other than an internal reorganisation), Awards will vest early subject to the extent that any applicable performance conditions are deemed to have been satisfied at that time having regard to the progress towards meeting the conditions.

In the event of an internal corporate reorganisation, Awards may (with the consent of the acquiring company) be replaced by equivalent new awards over shares in the acquiring company.

Variation of capital

If there is a variation of share capital of the Company or, in the event of a demerger, payment of a special dividend or other corporate event which materially affects the market price of the Shares, then the Remuneration Committee may make such adjustments as it considers appropriate to the number of Shares subject to Awards.

Dividend equivalents

Dividends will accrue over the vesting period on shares that vest.

Amendments

The Remuneration Committee may, at any time, amend the provisions of the 2014 LTIP in any respect, except that:

- the prior approval of Shareholders at a general meeting of the Company must be obtained in the case of any amendment to the advantage of participants or eligible employees which is made to the provisions relating to eligibility, individual or overall limits, the basis for determining an employee's entitlement to, and the terms of, Shares or cash provided under the 2014 LTIP, the adjustments that may be made in the event of any variation to the share capital of the Company and/or the rule relating to such prior approval, save that there are exceptions for: (i) any minor amendment to benefit the administration of the 2014 LTIP, to take account of the provisions of any change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for employees, the Company and/or its subsidiaries, or (ii) any permitted alteration to the performance conditions or any other conditions; and
- amendments to the material disadvantage of a participant (other than a permitted alteration to the performance conditions or any other conditions) may only be made with his consent.

11.2 Stobart Aviation Incentive Plan

The SAIP was a discretionary executive incentive plan under which an award was made to Warwick Brady in order to secure his recruitment by the Group in December 2016. This award was granted to Warwick prior to his appointment to the Board, and Warwick has not and will not receive any further awards under the SAIP in his role as Chief Executive.

Under the terms of the SAIP rules, the Remuneration Committee may, within certain limits and on a discretionary basis, grant to eligible employees the opportunity to benefit from a potential increase in the value of the Aviation division (the ***SAIP Award***).

No payment is required for the grant of a SAIP Award.

Eligibility

The Remuneration Committee may from time to time in its absolute discretion select any number of persons who are employees of a member of the Stobart Aviation division to enter into a SAIP.

Calculation of awards

The SAIP Award to an individual SAIP holder shall be such holder's "specified percentage" multiplied by the SAIP scheme value less any advances which have been paid to such holder since the date on which the SAIP was entered into by the Company and the employee in accordance with the following formula:

SAIP Award = (SV x SPi) – APi

where:

- AP is the aggregate value of all advance payments paid to the SAIP holder;
- i is the individual SAIP holder;
- SV is the total value of the scheme available to all SAIP holders;

- SP is the specified percentage attributable to the individual SAIP holder; and
- SV is calculated according to the value added by the Aviation (VA) as follows:

SV = the sum, across all of the banks shown in the table below, of that part of VA following between the lower limit and the upper limit, multiplied by the applicable SAIP percentage set out in column 4 of the following table:

Band	Lower Limit	Upper Limit	SAIP Percentage
1	£0m	£30m	0.750%
2	£30m	£60m	1.500%
3	£60m	£90m	2.250%
4	£90m	£120m	3.00%
5	£120m	£150m	3.750%
6	£150m	£180m	4.500%
7	£180m	£210m	5.250%
8	£210m	£240m	6.000%
9	£240m	£270m	6.750%
10	£270m	£300m	7.500%
11	£300m	£330m	6.875%
12	£330m	£360m	6.250%
13	£360m	£390m	5.625%
14	£390m	£420m	5.000%
15	£420m	£450m	4.375%
16	£450m	£480m	3.750%
17	£480m	£510m	3.125%
18	£510m	£540m	2.500%
19	£540m	£570m	1.875%
20	£570m	£1088m(1)	1.250%
21	£1088m	And above	0%

Note:

(1) The table shows the impact of the cap on value that can be realised by the SAIP holder (the SAIP Award, if awarded in cash, will not exceed £23 million. In the event of a change of control event (Division Share Sale, Company Share Sale or Asset Sale, as defined below) the upper limit is £1,835 million (the SAIP Award, if awarded in cash, will not exceed £30 million).

(2) Warwick Brady's specified percentage (SP, as defined above) as set out in the 2017 grant of the SAIP Award is 75.5 per cent.

VA = X-Y

where:

X is:

- the market value (as defined below) at the date of the SAIP Award event; plus
- the proceeds of any partial realisation(s) multiplied by the applicable hurdle rate (as defined below); plus
- any cash flow payment(s) (as defined below) (a receipt by the Company being positive and a payment by the Company being negative) multiplied by the applicable hurdle rate (as defined below)

Y is:

- £160 million;

multiplied by the hurdle rate (as defined below).

Market value means:

(a) where there has been no sale of the entire share capital of the Company, no sale of the entire share capital of the Aviation division, and no sale of the entire or substantially the entire business and assets of the Aviation division and the event triggering the right to receive a SAIP Award (as defined under the SAIP and outlined below) (or, if the Committee so resolves following a request in such terms from a majority of SAIP holders, 1 June 2022 or 1 June 2023) of the date the SAIP

is entered into between the employee and the Company, the market value of the Company's interests in the Aviation division as determined by the Remuneration Committee's appointed financial adviser;

(b) where there event triggering the right to receive a SAIP Award is the sale of the entire share capital of the Company, a proportion of the total consideration payable by the purchaser of the Company equal to the proportionate value of the Company's interests in the Aviation division; and

(c) where the event triggering the right to receive a SAIP award is the sale of the entire or substantially the entire business and assets of the Aviation division, the consideration paid for the acquisition of the assets by the purchaser net of any liabilities not assumed by the purchaser which remain for the account of the Aviation division of the Company.

Cash flow payment, for the purposes of the above calculation, means a cash payment to the Company or any other entity of the Group outside the Aviation division from the Aviation division (a payment of surplus cash by whatever means including a return of capital, a dividend or a loan repayment but excluding any payments made in relation to intra-Group trading) or a cash payment from the Company or any other entity of the Group outside the Aviation division to the Aviation (an investment by whatever means, including an investment in equity or a loan but excluding any payments made in relation to intra-Group trading and any amounts paid by the Aviation division to Stobart Group Brands LLP or by Stobart Group Brands LLP to the Aviation division in connection with the licence of certain brands to the Aviation division shall be treated as a cash flow payment to the Company or any other entity of the Group outside the Aviation division from the Aviation division or to the Aviation division from the Company or any entity of the Group outside the Aviation division, as the case may be.

Grant of SAIP Awards

The payment of the SAIP Awards will occur on the earliest of the following:

(a) on the date of a Company Share Sale; or

(b) on the date of a Division Share Sale; or

(c) on the date of an Asset Sale; or

(d) on 1 June 2021 (or if the Remuneration Committee so resolves following a written request in such terms from a majority of SAIP holders (such request not to be unreasonably refused), 1 June 2022 or 1 June 2023) of the date the SAIP, as applicable, is entered into between the employee and the Company;

each of (a) through (d) being a "payment event".

The holder of a SAIP Award shall be entitled to receive the payment, as calculated in accordance with the formula and table set forth above, within three months from the date of the "payment event" and in three equal instalments on the first, second and third anniversary of the "payment event".

The form of payment of the SAIP Award will depend on the nature of the "payment event" as determined in accordance with the following table:

Payment Event	Form of payment
Division Share Sale[1]	If the consideration for the sale is cash then cash, otherwise cash or the form of consideration paid by the purchaser
Company Share Sale[2]	The form of consideration paid by the purchaser
Asset Sale[3]	If the consideration for the sale is cash then cash, otherwise cash or the form of consideration paid by the purchaser
Financial advisor valuation on 1 June 2021, 1 June 2022 or 1 June 2023	Cash as regards 50% of the SAIP Award and a right to receive Shares as regards the remaining 50%.[4]

Payment Event	Form of payment
	If the "payment event" arises in 2021 or 2022, Shares cannot be transferred, assigned, charged or otherwise disposed of by the holder of the SAIP Award under the second anniversary of the "payment event". If the "payment event" is in 2023, Shares cannot be transferred, assigned, charged or otherwise disposed of by the holder of the SAIP Award until the first anniversary of the "payment event".

Notes:

(1) Division Share Sale means the completion of any offer or agreement to purchase all the equity share capital of all the companies in the Aviation division;

(2) Company Share Sale means the completion of any offer or agreement to purchase all the equity share capital of the Company;

(3) Asset Sale means the completion of any transaction or series of transactions whereby any person or group of persons purchase the whole or substantially the whole of the business and assets of the Aviation division and, subject to the written approval of the Remuneration Committee (who shall have absolute discretion), the completion of any transaction or series of transactions whereby any person or group of persons purchase part of the business and assets of the Aviation division.

(4) The number of shares will be equal to the SAIP Award to be paid in shares, divided by the average of the middle market closing prices of the Shares on the date of the "payment event" (or if that day is not a business day, the immediately preceding dealing day) and the two dealing days preceding that day, rounded to the nearest whole share.

On any date, the aggregate nominal amount of Shares in respect of which SAIP Awards may be granted under the SAIP may not, when added to the nominal amount of Shares allocated in the previous ten years under all employee share schemes of the Group (excluding awards made prior to listing), exceed 10 per cent. of the equity share capital of the Company.

Malus and Clawback

If the payment of the SAIP Awards calculated in accordance with the formula and table set forth above results in a negative figure, the holder of the SAIP Award will repay at the direction of the Remuneration Committee an amount in cash equal to the difference between the negative figure and nil up to a maximum of:

(a) the aggregate amount of all advance payments paid to the SAIP Award holder, net of any deduction or withholding paid to HMRC, received by the SAIP Award holder; and

(b) any withholding or deduction with the SAIP Award holder is able to and does recover from HMRC.

The Remuneration Committee may, notwithstanding that any conditions of the SAIP are or might be satisfied to any extent, determine and notify the SAIP Award holder that their specified percentage (as defined above) is, with effect from the date on which such notice is given, reduced to such extent (which could be to zero) as the Remuneration Committee shall determine if the Remuneration Committee (acting fairly and reasonably) is of the view that as a result, either directly or indirectly, of an action or omission on the part of any SAIP Award holder:

(a) the results or accounts for any period of the Company or the Aviation division were materially misstated, incorrect or misrepresented and that such misstatement, error or misrepresentation resulted either directly or indirectly in a larger SAIP Award payment, or any advance payment, than would have been the case had that misstatement, error or misrepresentation not been made; or

(b) the SAIP Award payment, or any advance payment, was otherwise determined based on an error of any kind and/or on the basis of information or assumption(s) that the Remuneration Committee subsequently discovers to have been inaccurate, misrepresented or misleading; or

(c) the SAIP Award holder has committed an act of gross misconduct.

A clawback may be claimed by the Company within 18 months of the SAIP Award payment or any advance payment.

Cessation of employment

If a SAIP Award holder ceases to be an employee within the Group and they are identified as a "good leaver" (as defined below), the following shall apply:

(a) subject to the discretion of the Remuneration Committee to waive any pro-rating for time, if cessation occurs before the "payment event" (as defined above), the SAIP shall continue and shall be calculated in accordance with the formula and table above as if no cessation had occurred, but shall be reduced pro rata to reflect the proportion which the period from the date of cessation to the "payment event" (as defined above) bears to the period from the date the SAIP Award is granted to the "payment event" (as defined above);

(b) the Remuneration Committee may, at its discretion, decide that the "payment event" (as defined above) shall be deemed to have occurred on the date of cessation and to the extent to which any SAIP Award payment is due will either be:

    i. calculated in accordance with the formula and table above, using the market value (as defined above) of the Company's interests in the Aviation division at that time as determined by the financial advisor appointed by the Remuneration Committee. This value shall be reduced pro rata to reflect the proportion which the period from the date of cessation to the "payment event" (as defined above) bears to the period from the date the SAIP Award is granted to the "payment event" (as defined above); or

    ii. in the case of a SAIP Award holder identified as a "good leaver" (as defined below) by reason of death, determined by a calculation based on the estimated market value (as defined above) of the Company's interests in the Aviation division at that time.

If a SAIP Award holder ceases to be an employee within the Group for a reason not specified above, the award will lapse immediately on such cessation if the "payment event" (as defined above) has not yet occurred.

For the purposes of the SAIP Awards, "good leaver" means any SAIP Award holder who ceases to be an employee of a member of the Aviation division as a result of:

(a) the death of that employee;

(b) disability or incapacity through ill health (other than where such ill heath arises from the abuse of alcohol or drugs) or injury where such ill health or injury is preventing, or is likely to prevent, the employee from performing his or her normal duties under the terms of his or her employment contract;

(c) the (partial or full) sale or disposal of the Company or any entity in the Group (or the business of the Company or any entity in the Group) by which the employee is engaged or employed, which does not otherwise result in a "payment event";

(d) the employee being made redundant by the Company or the Group;

(e) the SAIP Award holder ceasing to be an employee of the Aviation division but remaining any employee of the Group;

(f) retirement or early retirement as agreed with the board; or

(g) being capriciously dismissed or dismissal for a highly unreasonable reason,

provided that the Board shall be entitled to resolve that an SAIP Award holder is a "good leaver" for these purposes.

If a SAIP Award holder is unfairly dismissed prior to 1 June 2021 or a member of the Group acts capriciously to reduce or deny a SAIP Award holder's entitlement in relation to the SAIP Award, the "payment event," if elected by the SAIP Award holder in writing, shall occur on the later of 1 June 2020 and the date of the SAIP Award holder's dismissal (or date of the relevant action, as the case may be).

Amendments

The Remuneration Committee may from time to time make and vary such rules and regulations as apply to the SAIP as long as the changes are not materially inconsistent with the aims, intentions and rules of the SAIP. No alteration shall be made which would materially increase the liability of any SAIP

Award holder or which would materially decrease the value of any SAIP Award holder's subsisting rights attached to any SAIP Award without first obtaining the consent of the majority of the SAIP holders.

The terms of the SAIP may only be amended to the advantage of existing or new SAIP Award holders with the prior authority of the Company at a general meeting, except for minor amendments to benefit the administration of the SAIP, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment of existing or new SAIP Award holders or for any member of the Group.

Any condition applying to the SAIP may be altered if any event, or series of events, occur as a result of which the Remuneration Committee considers it to be fair and reasonable to make such change. Any such alteration may not make the conditions of SAIP as a whole materially easier or harder to satisfy than was originally intended.

Termination and Release

The SAIP may, at any time, by a resolution of the Remuneration Committee or by a resolution of the Company in a general meeting and shall in any event terminate on the tenth anniversary of the date on which the SAIP was adopted by the Company but any termination shall not affect the outstanding rights of SAIP Award holders.

A SAIP Award holder may renounce, release or surrender all rights and entitlements under the SAIP by notice in writing to the Company. The renunciation shall be effective from the date of receipt of such notice by the Company upon which date the SAIP shall be deemed to have lapsed.

No benefits under the SAIP are pensionable.

11.3 SAYE Plans

The Group operates three Save As You Earn schemes, introduced on 1 September 2015 (the 2015 Scheme), 1 February 2019 (the February 2019 Scheme) and 1 September 2019 (the September 2019 Scheme), respectively (the ***SAYE Plans***). The Group is also considering introduction of an additional SAYE Plan in 2020, which, if introduced, is expected to have substantially similar terms to the other SAYE Plans. The SAYE Plans are available to all qualifying employees and Directors. Participants enter into a contract to save a fixed amount per month up to a maximum of £500 for three years and are granted an option over shares (the ***SAYE Options***) at a fixed option price, set at a 20 per cent. discount to average market price for the three days prior to the invitation to participate. The number of shares comprising the option is determined by the monthly amount saved on maturity of the savings contract.

Options granted under the SAYE Plans are not subject to any performance conditions.

Eligibility

Each time that the Board decides to operate the SAYE Plans, all UK resident tax paying employees (including Executive Directors) must be offered the opportunity to participate. Other employees may be permitted to participate at the discretion of the Board. The Board may require employees to have completed a qualifying period of employment of up to five years before granting SAYE Options.

Limits

Eligible employees cannot be granted a SAYE Option if the amount of monthly contribution under the related SAYE savings arrangement, determined in accordance with the rules of the SAYE Plan, would be less than £10 (or such other minimum amount as may from time to time be prescribed by Schedule 3 to the Income Tax (Earnings and Pensions) Act 2003). The Calculated amount of the repayment from the relevant SAYE savings arrangement on the "bonus date" (defined as the earliest date at the end of the applicable period under a SAYE savings arrangement on which repayments are due) will determine the maximum number of Shares over which a SAYE Option is granted.

The Company will not grant a SAYE Option if the number of Shares under that SAYE Option, when added to the number of Shares that have been issued or committed to be issued in the previous 10 years to satisfy SAYE Options or options or awards under any other employee share plan adopted

by the Company exceeds 10 per cent. of the ordinary share capital of the Company in issue immediately before that day.

The aggregate of the monthly contributions being made at any time by any participant under a scheme will not exceed £500 (or such other maximum amount as may for the time being be permitted under Schedule 3 to the Income Tax (Earnings and Pensions) Act 2003) or a lower maximum figure decided by the Board for any date on which an invitation to apply for a SAYE Option is issued, provided that no monthly contribution relating to any SAYE Option granted prior to that date will be reduced due to the imposition of such a lower maximum figure.

If the aggregate of the applications for the grant of SAYE Options in response to any invitation to apply for a SAYE Option would cause the limits set forth above to be exceeded, incremental steps will be taken to those applications so far as is necessary to ensure that those limits are not exceeded.

Grant of SAYE Options

The Board may, in its absolute discretion, issue invitations to eligible employees to apply for the grant of SAYE Options. Invitations may be issued during the period of six weeks beginning with the "dealing day" (meaning a day on which the London Stock Exchange is open for the transaction of business) (i) immediately following the date on which the Company announces its final or interim results in any year and (ii) immediately following the date on which any legislation, regulation or other rule or directive preventing the grant of an SAYE Option is removed or ceases to have effect.

Invitations may also be issued following a determination by the Board that exceptional circumstances have arisen which justify the issue of invitations outside the usual invitation periods. However, no invitation may be issued at any time if it would be unlawful or in breach of Regulation (EU) No.596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse as it is in force at the relevant time or any other regulation or guidance with which the Company complies.

If the Board receives applications for the grant of SAYE Options over Shares which in aggregate exceed the number of Shares which has been made available for the purpose of that issue of invitations, the applications will be scaled down accordingly.

No SAYE Options may be granted more than 10 years after the date when the SAYE Plans were adopted. SAYE Options are not transferable other than to the participant's personal representatives in the event of his death. The benefits received under the SAYE Plans are not pensionable.

It is a condition of participation in the SAYE Plans that an eligible employee enters into a savings contract under a "certified contractual savings scheme" (as defined in the relevant legislation) maturing after three or five years.

Shares subject to an SAYE Option granted under the SAYE Plans may be acquired only out of the proceeds (including any interest or bonus) due under the related savings contract. The number of Shares subject to an SAYE Option is that number which, at the exercise price per Share under the SAYE Option, may be acquired out of the expected proceeds of the related savings contract (including any interest or bonus).

Exercise price

An SAYE Option will entitle the holder to acquire Shares at a fixed option price, set at a 20 per cent. discount to average market price for the three days prior to the invitation to participate.

Exercise of SAYE Options

Options may normally only be exercised during the six-month period following the bonus date (being the third or fifth anniversary of the commencement of the related savings contract).

Cessation of employment

As a general rule, an SAYE Option will lapse immediately upon a participant ceasing to be employed by the Group. However, if a participant so ceases because of his or her injury, disability, redundancy, retirement, or his employing company or the business for which he works being transferred out of the Group, his or her SAYE Option will be exercisable for six months from the date of cessation to the extent of any savings made up to the point of exercise provided that the SAYE Option may not be

exercised later than six months after the earliest date at the end of the applicable period under an individual's SAYE plan on which repayments are due (the Bonus Date).

Where a participant is not a "good leaver" and ceases to be employed by the Group, but more than three years have elapsed from the date his or her SAYE Option was granted, such participant may exercise his or her SAYE Option held at the date of cessation within six months of such date provided that the SAYE Option may not be exercised later than six months after the Bonus Date.

If a participant dies while employed by the Group:

- if he or she dies before the Bonus Date, his or her SAYE Option may (and if at all must) be exercised by his or her personal representatives at any time within 12 months after the date of his death and will lapse to the extent the SAYE Option remains unexercised at the expiry of that period; or
- if he or she dies within the six months following the Bonus Date, the SAYE Option may (and if at all must) be exercised at any time within 12 months after the Bonus Date and will lapse to the extent the SAYE Option remains unexercised at the expiry of that period.

If SAYE Options are not so exercised, they will lapse at the end of the relevant period.

Corporate events

If any company (the "acquiring company") obtains control of the Company as a result of (i) making a general offer, (ii) a compromise or arrangement sanctioned by the Court under certain provisions of the Companies Act or (iii) a non-UK company reorganisation arrangement that has become binding on the shareholders covered by it, employees may by agreement with the "acquiring company," release any SAYE Option which has not lapsed in exchange for an equivalent new option over shares within the "acquiring company."

In the event of a change of control (by way of general offer), employees will be able to exercise their SAYE Options for six months from the date of the relevant event occurring, provided that the SAYE Options may not be exercised later than six months after the relevant Bonus Date and if and to the extent that such SAYE Options are not exercised within that period the SAYE Options will lapse.

In the event of a "squeeze out," employees will be able to exercise their SAYE Options within the period during which they are so entitled in accordance with the general rules of the SAYE Plan and to the extent that such SAYE Options are not exercised within that period the SAYE Options will lapse provided that the SAYE Options may not be exercised later than six months after the relevant Bonus Date. In the event a non-UK company reorganisation arrangement becomes binding on the shareholders covered by it, employees may in accordance with the general rules of the SAYE Plan exercise their SAYE Options within six months of the date on which the shareholders become bound provided that the SAYE Options may not be exercised later than six months after the relevant Bonus Date. If and to the extent SAYE Options are not exercised within that period, the SAYE Options will lapse.

If a resolution for voluntary winding up of the Company is passed, options may be exercised for 60 days following such resolution. The SAYE Options may not be exercised later than 60 days from the date of any resolution, and may not be exercised later than six months after the relevant Bonus Date; if and to the extent they are not exercised within that period the SAYE Options will lapse. If there is a compulsory acquisition to acquire the Shares, options remain exercisable at any time when a person is bound to acquire such Shares. In the case of each of the foregoing, SAYE Options may be exercised within the period of 20 days ending with the date of the relevant event. If an SAYE Option is exercised in reliance on the 20 day allowance and in anticipation of the relevant event, and such event does not occur within the 20 day period, the exercise is to be treated as of no effect and the Option will continue in full force and effect.

Variation of capital

If there is a variation of share capital of the Company, or in the event of any capitalisation, rights issue, consolidation, subdivision or reduction, then the Board may make such adjustments as it considers appropriate to the number of Shares under SAYE Option and the exercise price may be varied in such manner as the Board considers appropriate, provided that following any adjustment the Shares shall continue to satisfy the conditions set out in the applicable sharesave legislation.

Rights attaching to Shares

SAYE Options will not confer any rights on any employee holding such SAYE Options until the relevant SAYE Option has been exercised and the employee in question has received the underlying Shares. Any Shares allotted when an SAYE Option is exercised will rank equally with Shares then in issue (except for rights arising by reference to a record date before their allotment).

Amendments

The Board may at any time amend the rules of the SAYE Plans, subject to the rules continuing to comply with the requirements of Schedule 3 to the Income Tax (Earnings and Pensions) Act 2003, and in respect of any amendment to a key feature, a declaration to HMRC that such amendment does not cause the SAYE Plan to cease to satisfy the requirements of Schedule 3 to the Income Tax (Earnings and Pensions) Act 2003 in the next annual return relating to the SAYE Plan.

The prior approval of Shareholders at a general meeting of the Company must be obtained in the case of any amendment to the advantage of participants which is made to the provisions relating to eligibility, individual or overall limits, the basis for determining an employee's entitlement to, and the terms of, Shares provided under the SAYE Plans, the adjustments that may be made in the event of any variation to the share capital of the Company and/or the rule relating to such prior approval, save that there are exceptions for any minor amendment to benefit the administration of the SAYE Plans, to take account of any change in legislation, to ensure that the SAYE Plans can qualify or continue to qualify under applicable sharesave legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for employees, the Company and/or its subsidiaries.

Options are not pensionable.

11.4 2020 Long-Term Incentive Plan

The Company is proposing to replace the 2014 LTIP with the 2020 LTIP, subject to Shareholder approval at the Company's next annual general meeting.

The 2020 LTIP is a discretionary share plan which will be administered by the Board or a committee appointed by the Board, and references in this paragraph 11.4 should be read accordingly. Decisions in relation to participation in the 2020 LTIP by Executive Directors of the Company will be taken by the Remuneration Committee. Subject to approval of the 2020 LTIP at the Company's next annual general meeting, it is proposed that with effect from the annual general meeting share awards will be granted under the 2020 LTIP.

Eligibility

Any employee (including an Executive Director) of the Company or any of its subsidiaries will be eligible to participate in the 2020 LTIP at the discretion of the Board.

Form of award

An award under the 2020 LTIP may be in the form of:

- a conditional right to acquire Shares at no cost;
- an option to acquire Shares at no cost or for an exercise price per Share equal to the nominal value of a Share (***2020 LTIP Options***); or
- a right to a cash amount related to the value of a number of Shares (a Cash Award);

together, the ***2020 LTIP Awards***. In this paragraph 11.4, references to Shares include notional Shares to which a Cash Award relates.

Grant of Awards

Awards may be granted within the six week period following the Company's next annual general meeting. Thereafter, ordinarily 2020 LTIP Awards may only be granted within the six week period following announcement of the Company's results for any period or the approval by shareholders of a new Directors' remuneration policy. However, the Board may grant 2020 LTIP Awards at other times in exceptional circumstances. If 2020 LTIP Awards cannot be granted in any of these periods due to

regulatory restrictions, they may be granted within the six week period following the lifting of the restriction.

Individual Limit

A participant in the 2020 LTIP shall not be granted a 2020 LTIP Award (other than a 2020 LTIP Award granted to facilitate the recruitment of a participant) in respect of any financial year of the Company over Shares with a market value (as determined by the Board) in excess of 200 per cent. of their annual base salary.

Overall Limits

Awards may be granted over newly issued Shares, treasury Shares or Shares purchased in the market.

In any 10 year period, the number of Shares which may be issued under the 2020 LTIP and under any other Share Plan may not exceed five per cent. of the issued ordinary share capital of the Company from time to time.

Treasury Shares will be treated as newly issued for the purpose of this limit until such time as guidelines published by institutional investor representative bodies determine otherwise.

Performance Conditions

2020 LTIP Awards will ordinarily be subject to the satisfaction of a performance condition which will determine the proportion (if any) of the 2020 LTIP Award which will vest at the end of a performance period. The Board will have discretion to grant 2020 LTIP Awards which are not subject to performance conditions, although 2020 LTIP Awards granted to Executive Directors (other than awards granted to facilitate the recruitment of an Executive Director) must be subject to performance conditions. A performance period will usually be three years long.

A performance condition may be amended or substituted if an event occurs which causes the Board to consider such action to be appropriate. Any amended or substituted performance condition would not be materially less difficult to satisfy.

Vesting, release and exercise

2020 LTIP Awards subject to a performance condition will normally vest as soon as practicable following the end of the performance period to the extent that the performance condition has been satisfied. 2020 LTIP Awards not subject to a performance condition will usually vest on the third anniversary of the grant date (or on such other date or dates as the Board determines).

The Board has discretion to vary any formulaic outturn applying to a 2020 LTIP Award where it believes that the outturn does not reflect the Board's assessment of overall performance or is not appropriate in the context of circumstances that were unexpected or unforeseen at the date of grant or if there exists any other reason why such a variation is appropriate.

2020 LTIP Awards may be subject to a holding period of up to two years following vesting. Any 2020 LTIP Award, other than a 2020 LTIP Award granted to facilitate the recruitment of an Executive Director, granted to an Executive Director, will be subject to a holding period of two years. A 2020 LTIP Award which is subject to a holding period will be ordinarily released (so that the participant is entitled to acquire the Shares) following the end of the holding period. Alternatively, 2020 LTIP Awards that are subject to a holding period may be granted on the basis that the participant is entitled to acquire Shares following vesting but that, other than sales tax to cover liabilities, they are not entitled to dispose of Shares until the end of the holding period.

2020 LTIP Awards which are not subject to a holding period will ordinarily be released at vesting.

2020 LTIP Awards granted in the form of 2020 LTIP Options will normally be exercisable from the date of release until the tenth anniversary of the grant date, or such earlier date as the Board determines.

Settlement of Awards

Before Shares have been delivered, the Board may decide to pay a cash amount equal to the value of some or all of the Shares the participant would otherwise have received.

Dividends

On the release of a 2020 LTIP Award (or the exercise of a 2020 LTIP Award granted in the form a 2020 LTIP Option), the Company may provide additional Shares to the participant based on the value of dividends paid on vested Shares over such period as the Board determines (ending no later than the date on which the 2020 LTIP Award is released). The Board shall determine the basis on which this amount is calculated which may assume the reinvestment of the dividends into Shares.

Malus and clawback

At any time prior to the fifth anniversary of the grant of a 2020 LTIP Award, the Board may cancel the 2020 LTIP Award or impose further conditions on it (if Shares have not been delivered in respect of it, including if it is subject to a holding period) or may require the participant to make a payment to the Company in respect of some or all of the Shares acquired.

These malus and clawback provisions may be applied in the event of a misstatement of the Company's results, an error in assessing a performance condition, a material failure of risk management, serious reputational damage to the Company, material misconduct on the part of the participant, a material health and safety failure, a corporate failure or any other circumstances that the Board in its discretion considers to be similar in nature or effect.

Cessation of employment—unvested 2020 LTIP Awards

Ordinarily, unvested 2020 LTIP Awards will lapse on termination. However, if a participant ceases to hold office or employment by reason of death, ill-health, injury, disability or for any other reason at the Board's discretion (a 2020 LTIP Good Leaver), any unvested 2020 LTIP Award they hold will usually continue and be released at the originally anticipated release date. The Board will retain the discretion to vest the 2020 LTIP Award as soon as reasonably practicable after the cessation of employment or at some other time (such as following the end of the performance period in the case of an award which would otherwise be subject to a holding period).

Unless the Board determines otherwise, the extent to which a 2020 LTIP Award held by a 2020 LTIP Good Leaver is released will be determined by reference to the extent to which any performance condition has been satisfied (as determined by the Board in the event of release before the end of the performance period).

The extent to which a 2020 LTIP Award is released will be reduced to take account of the proportion of the performance period that has elapsed at the date of cessation (in the case of a 2020 LTIP Award subject to a performance condition) or the proportion of the period from grant to the originally anticipated vesting date that has elapsed at the date of cessation (in the case of a 2020 LTIP Award not subject to a performance condition).

Cessation of employment—vested but unreleased 2020 LTIP Awards

If a 2020 LTIP Award is granted subject to a holding period and the participant ceases employment during the holding period, the 2020 LTIP Award will be released, to the extent vested, at the normal release date (unless the participant is summarily dismissed, in which case the 2020 LTIP Award will lapse). The Board will have discretion to release the 2020 LTIP Award at the date of cessation.

Corporate events

In the event of a takeover of the Company, unvested 2020 LTIP Awards will vest and be released (and vested but unreleased awards will be released) as soon as reasonably practicable.

Unvested 2020 LTIP Awards will vest taking into account the extent to which any performance condition has been satisfied at the date of change of control (as determined by the Board) and, unless the Board determines otherwise, taking into account the proportion of the performance period (or vesting period in the case of an Award that is not subject to a performance condition) that has elapsed. Alternatively, the Board may permit 2020 LITP Awards to be exchanged for awards over shares in the acquiring company (and, ordinarily, will require this if the change of control is an internal reorganisation).

If other events occur such as a winding-up of the Company, demerger, delisting, special dividend or other event which, in the opinion of the Board, may affect the current or future value of Shares, the

Board may determine that 2020 LTIP Awards will vest and be released on the same basis as in the event of a change of control. To the extent that a 2020 LTIP Option vests and is released, the Board will determine the length of time during which that 2020 LTIP Option may be exercised.

Adjustment of Awards

In the event of a variation of the Company's share capital, the number of Shares subject to a 2020 LTIP Award, any exercise price attaching to 2020 LTIP Option and/or any performance condition attaching to a 2020 LTIP Award, may be adjusted.

The number of Shares subject to a 2020 LTIP Award, any applicable exercise price and any performance condition may also be adjusted in the event of a demerger, delisting, special dividend, rights issue or other event, which may, in the Board's opinion, affect the current or future value of Shares.

Amendment, termination and further terms of the 2020 LTIP

The Board may amend the 2020 LTIP at any time, provided that the approval of the Company's shareholders in a general meeting will be required for any amendments to the advantage of participants relating to eligibility, limits, the basis for determining a participant's entitlement to, and the terms of, the Shares or cash comprised in a 2020 LTIP Award and the impact of any variation of capital to become effective.

However, any minor amendment to benefit administration, to take into account legislative changes, or to obtain or maintain favourable tax treatment, exchange control or regulatory treatment may be made by the Board without shareholder approval.

The 2020 LTIP will usually terminate on the tenth anniversary of its approval by shareholders but the rights of existing participants will not be affected by any termination.

2020 LTIP Awards are not transferable (other than on death). No payment will be required for the grant of a 2020 LTIP Award. Awards will not form part of pensionable earnings.

11.5 2020 Deferred Bonus Plan

The Company is proposing to introduce the 2020 DBP, subject to Shareholder approval at the Company's next annual general meeting.

The 2020 DBP is a discretionary share plan under which the deferred part of any annual bonus may be delivered. The 2020 DBP will be administered by the Board or a committee appointed by the Board, and references in this paragraph 11.5 should be read accordingly. Decisions in relation to the participation in the 2020 DBP by Executive Directors of the Company will be taken by the Remuneration Committee.

Eligibility

Any current or former employee (including a current or former Executive Director) of the Company or any of its subsidiaries will be eligible to participate in the 2020 DBP at the discretion of the Board.

Form of award

An award under the 2020 DBP may be granted in the form of:

- a conditional right to Shares at no cost (a 2020 DBP Conditional Award); or
- an option to acquire Shares at no cost or for an exercise price per Share equal to the nominal value of a Share (a 2020 DBP Option).

In this summary, 2020 DBP Options and 2020 DBP Conditional Awards are together referred to as 2020 DBP Awards.

Grant of Awards

The Board may determine that a proportion of an employee's annual bonus will be deferred into a 2020 DBP Award. Deferral of Executive Directors' bonuses into 2020 DBP Awards will be in line with the Company's Directors' Remuneration Policy. The number of Shares subject to a 2020 DBP Award

will be such number of Shares as have a value (as determined by the Board) equal to the deferred bonus. Ordinarily, 2020 DBP Awards may be granted within the six week period following announcement of the Company's results for any period or the determination of the amount of any relevant bonus. However, the Board may grant 2020 DBP Awards at other times in exceptional circumstances. If 2020 DBP Awards cannot be granted in any of these periods due to regulatory restrictions, they may be granted within the six week period following the lifting of the restriction.

Overall limits

2020 DBP Awards may be granted over newly issued Shares, treasury Shares or Shares purchased in the market.

In any 10 year period, the number of Shares which may be issued under the 2020 DBP and under any other employees' share plan adopted by the Company may not exceed 10 per cent. of the issued ordinary share capital of the Company from time to time.

In any 10 year period, the number of Shares which may be issued under the 2020 DBP and under any other discretionary employees' share plan adopted by the Company may not exceed five per cent. of the issued ordinary share capital of the Company from time to time.

Treasury Shares will be treated as newly issued for the purpose of this limit until such time as guidelines published by institutional investor representative bodies determine otherwise.

Vesting and exercise

Awards will usually vest on the second anniversary of the determination of the relevant bonus (or on such other date as the Board determines). 2020 DBP Options will then normally be exercisable until the tenth anniversary of the grant date.

Settlement of Awards

Before Shares have been delivered, the Board may decide to pay a cash amount equal to the value of some or all of the Shares the participant would otherwise have received.

Dividends

On the vesting of a 2020 DBP Award (or on the exercise of a 2020 DBP Award granted in the form of a 2020 DBP Option), the Company may provide additional Shares to the participant based on the value of dividends paid (including special dividends) on vested Shares over the vesting period. The Board shall determine the basis on which this amount is calculated which may assume the reinvestment of the dividends into Shares.

Malus and clawback

At any time prior to the later of: (i) the second anniversary of the date on which the relevant bonus is determined; and (ii) the vesting date, the Board may reduce the number of Shares to which the 2020 DBP Award relates or impose further conditions on it (if Shares have not been delivered in respect of it) or may require the participant to make a payment to the Company in respect of some or all of the Shares acquired.

These malus and clawback provisions may be applied in the event of a misstatement of the Company's results, an error in assessing a performance condition, a material failure of risk management, serious reputational damage to the Company, material misconduct on the part of the participant, a material health and safety failure, a corporate failure or any other circumstances that the Board in its discretion considers to be similar in nature or effect.

Cessation of employment—Unvested Awards

If a participant ceases to hold office or employment as a result of their dismissal for gross misconduct or in circumstances where the Board reasonably considers they are leaving to join a major direct competitor, any unvested 2020 DBP Award they hold will lapse. If a participant leaves employment for any other reason, any unvested 2020 DBP Award they hold will usually continue and vest on the originally anticipated vesting date. The Board will retain the discretion to vest the 2020 DBP Award as soon as reasonably practicable after the cessation of employment.

Corporate events

In the event of a takeover of the Company, unvested 2020 DBP Awards will vest in full. Alternatively, the Board may permit participants to exchange 2020 DBP Awards for equivalent awards which relate to shares in a different company (and, ordinarily, will require this if the change of control is an internal reorganisation).

If other events occur such as a winding-up of the Company, demerger, delisting, special dividend, or other event which, in the opinion of the Board, may affect the current or future value of Shares, the Board may determine that 2020 DBP Awards will vest.

Adjustment of Awards

In the event of a variation of the Company's share capital, the number of Shares subject to a 2020 DBP Award and any exercise price attaching to a 2020 DBP Option may be adjusted.

The number of Shares subject to a 2020 DBP Award may also be adjusted in the event of a demerger, delisting, special dividend, rights issue or other event, which may, in the Board's opinion, affect the current or future value of Shares.

Amendment, termination and further terms of the 2020 DBP

The Board may amend the 2020 DBP at any time, provided that the approval of the Company's shareholders in a general meeting will be required for any amendments to the advantage of participants relating to eligibility, limits, the basis for determining a participant's entitlement to, and the terms of, the Shares or cash comprised in a 2020 DBP Award and the impact of any variation of capital to become effective.

However, any minor amendment to benefit administration, to take into account legislative changes, or to obtain or maintain favourable tax treatment, exchange control or regulatory treatment may be made by the Board without shareholder approval.

The 2020 DBP will usually terminate on the tenth anniversary of its approval by shareholders but the rights of existing participants will not be affected by any termination.

2020 DBP Awards are not transferable (other than on death). No payment will be required for the grant of a 2020 DBP Award. 2020 DBP Awards will not form part of pensionable earnings.

12 Subsidiaries, investments and principal establishments

12.1 *Subsidiaries and subsidiary undertakings*

The Company is the holding company of the Group. The principal subsidiaries and subsidiary undertakings of the Company (excluding any companies in liquidation) are as follows:

Name	Country of incorporation and registered office	Class and percentage of ownership interest and voting power	Primary field of activity
London Southend Airport Company Limited	United Kingdom	100%	Operating and managing a commercial airport
SPD1 Limited	United Kingdom	100%	Property development
Stobart Aviation Services Limited	United Kingdom	100%	Ground handling services at commercial airports
Stobart Biomass Products Limited	United Kingdom	100%	Sourcing sustainable renewable fuel
Stobart Finance plc	United Kingdom	100%	Investment and financing company

Name	Country of incorporation and registered office	Class and percentage of ownership interest and voting power	Primary field of activity
Stobart Green Energy Limited	United Kingdom	100%	Investment in renewable energy infrastructure
Stobart Group Brands LLP	United Kingdom	100%	Ownership, management and exploitation of certain IP assets
Stobart Rail Limited	United Kingdom	100%	Civil engineering and construction
Westlink Holdings Limited	United Kingdom	100%	Property development

12.2 ***Principal investments and joint ventures***

The following are the principal investments and joint ventures of the Group:

Name	Residence	Percentage of nominal value of issued shares or members' capital held	Field of activity
Convoy Limited[1]	Isle of Man	50%	Property investment
Mersey Bioenergy Holdings Limited	United Kingdom	39.6%	Operation of energy plant
Connect Airways Limited[1]	United Kingdom	30%	Commercial airlines
PortR Limited	United Kingdom	19.5%	Aviation services company

Note:

(1) These entities are joint ventures; all others are associates.

12.3 ***Principal establishments***

The following are the principal establishments of the Group:

Name and location	Type of facility	Tenure
London Southend Airport, Southend-on-Sea, Essex, SS2 6YF	Airport	Leasehold until 26 February 2043
London Southend Airport Hotel, 77 Eastwoodbury Cres, Southend-on-Sea, SS2 6XG	Hotel	Leasehold until 26 February 2043
London Southend Airport Additional Car Parking, Manners Way & Warner Gardens, Southend-on-Sea, Essex	Car parking	Leasehold until 5 July 2022
London Southend Airport Solar Land, Aviation Way, Southend Airport, Southend-on-Sea, Essex	Solar farm	Leasehold until 24 December 2040
Carlisle Lake District Airport, Cumbria, CA6 4NY	Airport	Leasehold until 2151
Carlisle Lake District Airport Terminal Building, Carlisle Airport, Cumbria, CA6 4NY	Airport terminal, officers and car parking	Leasehold until 5 December 2038
Carlisle Lake District Airport Distribution Centre, Building 310, Carlisle Airport, Cumbria, CA6 4NY	Warehouse	Leasehold until 18 February 2038

Name and location	Type of facility	Tenure
Rotherham, Greasbrough Road Depot, North Drive, Rotherham	Fuel production and storage facility	Leasehold until 31 January 2038
Tilbury, Fort Road, Tilbury, Thurrock, Essex	Fuel production and storage facility	Leasehold until 31 December 2032
Port Clarence, Port Clarence Road, Port Clarence, YS2 1RZ	Fuel production and storage facility	Leasehold until 31 December 2032
Widnes processing site, Mathieson Road, Widnes, WA8 0NX	Fuel production and storage facility	Leasehold until 30 December 2040
Widnes mound, Mathieson Road, Widnes, WA8 0NX	Development site	Leasehold until 21 December 2040
Widnes wood drying facility, Mathieson Road, Widnes, WA8 0NX	Fuel production and storage facility	Leasehold until 30 January 2050
Viking House, Mathieson Road, Widnes, WA8 0NX	Offices	Leasehold until 21 December 2040
Widnes, Mathieson Road, Widnes, WA8 0NX	Development land	Freehold
Chelford, Knutsford Road, Chelford, Cheshire, SK11 9AS	Development land	Freehold
Port of Weston, Weston Point, Runcorn, Cheshire, WA7 4HP	Port and development land	Freehold
Pollington, Pollington Airfield, Heck & Pollington Lane, Pollington, DN14 0DA	Fuel production and storage facility; development land	Freehold

13 Auditors

The FY18/19 Financial Statements and the FY19/20 Financial Statements have been audited by KPMG LLP, independent auditor, with its address at 1 St Peter's Square, Manchester M2 3AE, United Kingdom, as stated in its report appearing herein. KPMG LLP is a member of the Institute of Chartered Accountants in England and Wales.

14 Capital Raise Arrangements

14.1 Placing Agreement

On 4 June 2020, the Company and the Underwriters entered into the Placing Agreement pursuant to which the Company has appointed Canaccord and UBS as Joint Sponsors, Joint Global Co-ordinators, Joint Bookrunners and Underwriters in connection with the Capital Raise and Admission.

Subject to and pursuant to the terms and conditions of the Placing Agreement, the Underwriters have agreed to fully underwrite the Capital Raise (other than the New Shares for which the Directors have committed to subscribe under the Firm Placing). The Underwriters (as agents of the Company) will use reasonable endeavours to procure conditional subscribers for the Open Offer Shares at the Offer Price, subject to clawback to satisfy valid applications by Qualifying Shareholders under the Open Offer. The Underwriters have also agreed to procure conditional subscribers for the Firm Placed Shares at the Offer Price (other than the New Shares for which the Directors have committed to subscribe under the Firm Placing), such Firm Placees to comprise existing Shareholders and new investors. The Underwriters have agreed to acquire (a) any Open Offer Shares which are not taken up under the Open Offer by Qualifying Shareholders and are not subscribed for under the Placing and (b) any Firm Placed Shares that are not subscribed for by Firm Placees under the Firm Placing (other than the New Shares for which the Directors have committed to subscribe under the Firm Placing).

The underwriting commission payable to the Underwriters is equal to 3.0 per cent. of the Offer Price multiplied by the aggregate number of New Shares to be issued under the Capital Raise (plus any applicable VAT).

Irrespective of whether Admission occurs, the Company shall bear all expenses of or incidental to the Capital Raise, Admission and the arrangements contemplated by the Placing Agreement, including the fees and expenses of its professional advisers, the properly incurred and documented expenses of the Underwriters and the properly incurred and documented fees and expenses of their professional advisers, the cost of preparation, advertising, printing and distribution of this document and all other documents connected with the Capital Raise, all roadshow expenses, including travel and accommodation, all bookbuilding expenses, the Registrar's fees, all filing fees and related and other expenses in connection with the qualification of the New Shares for offering and sale in any jurisdiction pursuant to the Capital Raise and, where applicable, VAT.

The Company has given certain customary representations, warranties and undertakings to the Underwriters, and customary indemnities to the Underwriters and to certain persons connected with them, in relation to the Capital Raise. The obligations of the Underwriters under the Placing Agreement are subject to Admission occurring at or before 8.00 a.m. on 29 June 2020 (or such later time and/or date as the Joint Global Co-ordinators and the Company may agree, not being later than 8.00 a.m. on 6 July 2020) and certain other customary conditions to be satisfied prior to Admission including, amongst others:

(a) the passing of the Resolutions at the General Meeting on 25 June 2020 (or such later date as the Joint Global Co-ordinators and the Company may agree) and such Resolutions remaining in force;

(b) none of the warranties being untrue, inaccurate or misleading as at the date of the Placing Agreement, the date of this document and Admission (by reference to the facts and circumstances from time to time subsisting);

(c) no matter referred to in Article 23 of Prospectus Regulation arising in the period between the time of publication of this document and the time of Admission and no supplementary prospectus being required to be published by or on behalf of the Company before Admission which, in either case, the Joint Global Co-ordinators consider (acting in good faith) to be material in the context the Capital Raise or Admission; and

(d) the Company having complied with and not being in breach, at any time prior to Admission of any of its obligations under the Placing Agreement or under the terms of the Capital Raise which, in each case, fall to be performed or satisfied prior to Admission and the Company having complied with those of its obligations under the Listing Rules and the Prospectus Regulation Rules which fall to be performed or satisfied prior to Admission.

If any of the conditions in the Placing Agreement are not satisfied (or waived by the Joint Global Co-ordinators), or becomes incapable of being satisfied, by the required time and date (or by such later time and/or date as the Joint Global Co-ordinators may agree) then, save for certain exceptions, the obligations of the parties under the Placing Agreement shall cease and terminate without prejudice to any liability for any prior breach of the Placing Agreement.

In addition, the Joint Global Co-ordinators are entitled to terminate the Placing Agreement in certain circumstances, including for material adverse change and force majeure, but only prior to Admission. If the Placing Agreement is terminated in accordance with its terms, the Company will not seek Admission.

Either Joint Sponsor also has the right to terminate its obligations as sponsor if any matter arises which such Joint Sponsor considers may adversely affect its ability to perform its functions under Chapter 8 of the Listing Rules or fulfil its obligations as a sponsor. The termination by a Joint Sponsor of its role as sponsor will not terminate any other provision of the Placing Agreement, which would remain in full force and effect.

The Company agrees that, between the date hereof and the date which falls 90 days after Admission it will not, without the prior written consent of the Joint Global Co-ordinators acting in good faith, directly or indirectly:

(a) issue, offer, lend, mortgage, assign, charge, pledge, sell, contract to sell or issue, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of any Shares or any interest in Shares or any securities convertible into or exercisable or exchangeable for, or substantially similar to, Shares or any interest in Shares;

(b) enter into any swap or other agreement or transaction that transfers in whole or in part, directly or indirectly, the economic consequences of the ownership of Shares; or

(c) make any announcement or other publication of the intention to do any of the foregoing or make any filing with respect thereto,

provided that the restrictions above shall not apply in relation to (i) the issuance of the New Shares to be issued in the context of the Capital Raise, and (ii) the issue of any Shares or options or the grant of any right to acquire Shares pursuant to any incentive plan or employee share schemes existing on the date hereof or the potential 2020 SAYE Scheme.

15 Material Contracts

15.1 The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Company or another member of the Group within the two years immediately preceding and including the date of this document, and are, or may be, material or have been entered into at any time by the Company or any member of the Group and contain provisions under which the Company or any member of the Group has an obligation or entitlement which is, or may be, material to the Company or any member of the Group as at the date of this document:

15.1.1 Capital Raise Arrangements

For a description of the principal terms of the Placing Agreement, see paragraph 14.1 of this Part IX.

15.1.2 Financing Arrangements

(i) Revolving Credit Facilities

On 26 January 2015, the Company and certain of its subsidiaries as original borrowers and original guarantors (collectively, the ***Obligors***) entered into a multicurrency revolving facility agreement with Lloyds Bank plc as arranger and Lloyds Bank plc as agent and security trustee. The facility agreement was amended and restated pursuant to an amendment and restatement agreement dated 28 February 2017, and further amended on 27 June 2017, 30 January 2018, and 27 February 2018, and further amended by amendment and restatement agreements dated 30 July 2018, 23 May 2020 and 4 June 2020 (the ***Facility Agreement***). In the amendment and restatement agreement dated 30 July 2018, AIB Group (UK) plc joined the Facility Agreement as an arranger and a lender.

The Facility Agreement provides for borrowings up to an aggregate principal amount of £120,000,000 on a committed basis, comprising the original £80,000,000 revolving credit facility (***Facility A***) and a new £40,000,000 revolving credit facility (***Facility B***) pursuant to the amendment and restatement agreement in respect of the Facility Agreement dated 4 June 2020. The funds under Facility A may be applied towards the general corporate purposes of the Group provided that the facility shall not be used to pay any scheduled or other payments due under the aircraft sale and leaseback arrangements entered into with any company managed by GOAL German Operating Aircraft Leasing GmbH & Co. KG and KGAL Group without the prior consent of a majority of the lenders. The funds under Facility B are to be utilised for the general corporate purposes of the Group and in accordance with the Group's short-term cash flow forecasts.

Conditions to Utilisation

The Group is entitled to utilise the Facility A provided that (i) no default, or, in the case of a rollover loan, no event of default is continuing and (ii) certain representations are true in all material respects as at the date of the proposed utilisation.

In respect of Facility B, for the period commencing on 5 June 2020 up to and including the date of Admission (the ***Initial Drawdown Period***), the Group is entitled to utilise Facility B up a maximum of £10,000,000. During the Initial Drawdown Period, the conditions to utilisation include, in addition to the conditions specified above for Facility A, a requirement that (i) Facility A has been drawn in full; (ii) the Placing Agreement has not been terminated or materially amended and the proposed size of Capital Raise is realising net proceeds at least £70 million; (iii) no notice of termination of the Placing Agreement has been served; (iv) no right has arisen for termination of the Placing Agreement (unless and until that right to terminate has been waived); (v) the Company submits a daily cashflow forecast for the Initial Drawdown Period; and (vi) the maximum amount requested to be drawn in any utilisation request does not exceed the Permitted Initial Utilisation Amount, this being the minimum amount of funding required by the Group to ensure that at all times during the Initial Drawdown Period, there is

minimum headroom liquidity of £10,000,000 on each day during such period. Any amounts utilised under Facility B during the Initial Drawdown Period must be repaid in full within three Business Days of the date of Admission.

At any time after the Initial Drawdown Period, the Group shall be entitled to utilise Facility B, subject to the following conditions in addition to the conditions specified above for Facility A: (i) Facility A has been drawn in full; (ii) the Capital Raise has completed with net proceeds of at least £70 million; (iii) the most recently provided cashflow forecast prepared in accordance with the requirements of the Facility Agreement (a ***Cashflow Forecast***) indicates that all drawing under Facility B will be capable of being repaid within the earlier of 12 months and the final maturity date; and (iv) the maximum amount requested to be drawn in any utilisation request does not exceed the ***Permitted Utilisation Amount***, this being the minimum amount of funding required by the Group within the two month period following the date of the utilisation request, to ensure that there is minimum headroom liquidity of £10,000,000 during such period.

Maturity and repayment

The Facility Agreement terminates on 31 January 2022 (the ***Facility Termination Date***). Subject to the rollover provisions in the Facility Agreement (detailed below), each loan under the Facility must be repaid on the last day of the interest period relating thereto. The interest period in respect of a loan under the Facility A is one, two, three or six months at the election of the borrower upon utilisation. The interest period in respect of a loan under Facility B is two weeks or one month at the election of the borrower upon utilisation.

Subject to certain conditions and exceptions, loans under the Facility may be borrowed, repaid and re-borrowed at any time during the availability period under the Facility Agreement. Any amounts prepaid will be applied in prepayment of Facility B in priority to Facility A. All outstanding amounts under the Facility Agreement must be repaid in full on or prior to the Facility Termination Date.

With respect to Facility B, a cash sweep mechanic shall apply following the Initial Drawdown Period. As evidenced by the most recent Cashflow Forecast, to the extent that cash in the Group is forecast to exceed £10,000,000 on each day of the next two months, the amount by which the cash amount exceeds £10,000,000 (but capped at an amount equal to the aggregate amount then outstanding under Facility B) shall be applied in prepayment of Facility B.

Interest rates and fees

The loans under the Facility Agreement accrue interest at the percentage rate per annum equal to the aggregate of 5.25 per cent. in respect of Facility A and 5.25 per cent. (with ratchet increases to the margin by 0.5 per cent. per financial quarter after February 2021) in respect of Facility B and LIBOR or, in relation to any loan in euro, EURIBOR (subject to a zero floor).

A commitment fee applies to the Facility A and Facility B at the rate of 35 per cent. of the then applicable margin, being 5.25 per cent. per annum (subject, with respect to Facility B, to ratchet increases by 0.5 per cent. per financial quarter after February 2021) payable on the on the unused and uncancelled amount available from each lender in respect of each facility. The commitment fees are payable in arrears on the last day of each successive period of three months during the term of the Facility Agreement. Customary fees will also be payable to the agent and the security agent during the term of the Facility Agreement.

Guarantees

Each Obligor has provided a continuing guarantee of punctual performance and payment of each Obligor's obligations under the Facility Agreement and related finance documents.

Security

The obligations of the Obligors under the Facility Agreement and related finance documents are secured by the following security documents.

An English-law governed debenture originally dated 26 January 2015 (as supplemented and amended by deeds of accession or release from time to time, including a supplemental debenture dated 23 May 2020 and a second supplemental debenture dated 4 June 2020) creating fixed and floating security as applicable over all of the assets of the following chargors:

- Stobart Group Limited
- Stobart Rail Limited
- Westlink Group Limited
- Westlink Holdings Limited
- Stobart Air (UK) Limited
- London Southend Airport Company Limited
- Stobart Properties Limited
- Eddie Stobart Promotions Limited
- Stobart Holdings Limited
- Stobart Energy Limited
- Stobart Biomass Transport Limited
- Stobart Estates Holdings Limited
- Stobart Green Energy Limited
- Stobart Group Brands LLP
- SPD1Limited
- WADI Properties Limited
- Moneypenny Limited
- Stobart Aviation Limited
- Stobart Aviation Services Limited

Pursuant to an Irish-law governed security assignment agreement dated 23 May 2020, and an Irish-law governed second security assignment dated 4 June 2020 entered into between Stobart Aviation Limited and Lloyds Bank plc as security trustee, Stobart Aviation Limited assigned by way of security, its rights under a deed of assignment in respect of a share mortgage (under which Everdeal 2019 Limited had granted, in favour of Connect Airways Limited, a mortgage over its shares in Everdeal Holdings Limited; Connect Airways Limited had assigned its rights under such mortgage to Stobart Aviation Limited pursuant to the deed of assignment); and its rights under the share mortgage itself.

Pursuant to an English-law governed charge dated 23 May 2020, and an English-law governed second charge dated 4 June 2020, the following chargors granted security by way of first fixed charge over all membership interests in Stobart Group Brands LLP and all rights and interest in the Limited Liability Partnership Agreement dated 21 March 2012 entered into, *inter alia*, by Westlink Holdings Limited and Stobart Group Brands LLP:

- Stobart Holdings Limited
- Stobart Rail Limited
- London Southend Airport Company Limited
- Stobart Energy Limited
- Westlink Holdings Limited.

Pursuant to an Irish-law governed share charge dated 23 May 2020, and an Irish-law governed second charge dated 4 June 2020, Stobart Aviation Limited granted a first fixed charge over its shares in Everdeal Employees 2019 Limited.

Pursuant to a Guernsey-law governed security interest agreement dated 4 June 2020, WADI Properties Limited and Estera Nominees (Guernsey) Limited granted a security interest over their respective rights, title and interest in and to the shares in Moneypenny Limited.

On 23 May 2020, the chargors, Lloyds Bank plc as security trustee, Lloyds Bank plc and AIB Group (UK) plc as lenders, Lloyds Bank plc as facilities lenders, Lloyds Bank Corporate Markets plc as hedge counterparty and the other parties listed therein, entered into an intercreditor agreement (the

Intercreditor Agreement) which, amongst other things, governs the ranking and priority of debt liabilities between each of the creditors, and governs the application of proceeds of enforcement of the security.

Rollover periods

If one or more loans are to be made available to a borrower:

(1) on the same day that a maturing loan is due to be repaid by that borrower;

(2) in the same currency as the maturing loan; and

(3) in whole or in part for the purpose of refinancing the maturing Loan,

the aggregate amount of the new loan(s) will be treated as if applied in or towards repayment of the maturing loan.

Covenants

The Facility Agreement requires the Obligors to comply, and to ensure the compliance by each other member of the Group, with a number of customary undertakings and covenants, which are subject to customary materiality qualifications, exceptions and baskets. These covenants include, among others, the following financial covenants:

- Group Liquidity (as that term is defined in the Facility Agreement) shall not be forecast to be less than £10,000,000:
  - o as at the end of each month for the duration of the relevant forecast period; and
  - o as at close of business on each business day during the two months immediately following each utilisation of Facility B

  (***Minimum Liquidity***)
- Consolidated EBITDA (as that term is defined in the Facility Agreement), in respect of the periods set forth in the following table, must not be less than the amounts specified in the following table (***Minimum EBITDA***).

Period	Consolidated EBITDA *(£m)*
Six months ending 31 August 2020	(8.0)
Nine months ending 30 November 2020	(7.5)
12 months ending 28 February 2021	(6.75)
12 months ending 31 May 2021	0

- Cashflow (as that term is defined in the Facility Agreement), in respect of the periods set forth in the following table, must not be less than the amounts specified in the following table (***Minimum Cashflow***).

Period	Cashflow *(£m)*
Six months ending 31 August 2020	(12.75)
Nine months ending 30 November 2020	(32.25)
12 months ending 28 February 2021	(44.5)
12 months ending 31 May 2021	(49.0)
12 months ending 31 August 2021	(32.5)
12 months ending 30 November 2021	(13.0)

- The ratio of Net Debt to Consolidated EBITDA (as those terms are defined in the Facility Agreement), in respect of the 12 month-period period ending 31 August 2021, must not exceed 9.70:1.00; and in respect of the 12 month-period ending 30 November 2021, must not exceed 7.00:1.00 (***Net Leverage***).
- The ratio of Consolidated EBITDA to Net Interest Payable (as those terms are defined in the Facility Agreement), in respect of the 12 month-period period ending 31 August 2021, must not be less than 1.50:1.00; and in respect of the 12 month-period ending 30 November 2021, must not be less than 2.25:1.00 (***Net Interest Cover***).

- The ratio of Fixed Assets to Net Debt (as those terms are defined in the Facility Agreement), in respect of the periods specified in the following table shall not be less than the ratios specified in the following table (***Minimum Asset Cover***).

Period	Ratio
12 months ending 31 August 2020	2.00:1.00
12 months ending 30 November 2020	2.00:1.00
12 months ending 28 February 2021	1.60:1.00
12 months ending 31 May 2021	1.40:1.00
12 months ending 31 August 2021	1.40:1.00
12 months ending 30 November 2021	1.30:1.00

The Company must also project to comply with each of the financial covenants outlined above (other than with respect to Minimum Liquidity) with which it is obliged to comply as at each of the next four ***Quarter Dates*** (these being 28 February, 31 May, 31 August and 30 November) or, where there are fewer than four Quarter Dates remaining prior to the Facility Termination Date, as at each of the Quarter Dates falling prior to the Facility Termination Date (***Look-Forward Compliance***).

Under the terms of the Facility Agreement, if the Capital Raise completes successfully, the Company will be unable to pay or declare any dividends until 30 November 2021, and between 1 December 2021 and the Facility Termination Date, the Company's ability to pay or declare dividends will be subject to (i) no default having occurred which is continuing or which would occur as a result of such payment and (ii) maintaining a Net Leverage ratio of less than 2:1, pro forma for such payment.

Repeating representations

A number of standard representations and warranties have been given in the Facility Agreement, most of which are repeated on the date of each utilisation request and the first day of each interest period. Customary materiality tests, carve-outs and grace periods apply in respect of these representations.

Events of defaults

The Facility Agreement contains certain customary events of default (subject in certain cases to agreed grace periods, thresholds and other qualifications), including, for example, non-payment, breach of financial covenants and a cross-default to other financial indebtedness of any member of the Group. It will also be an event of default if: (i) the Capital Raise has not completed with net proceeds of £70 million by 29 June 2020 or it is determined that it will not by such date; (ii) the Placing Agreement is terminated; or (iii) the Company determines that the resolutions described in the Notice of General Meeting contained in this document will not be passed by the Company's shareholders. The occurrence of an event of default which is continuing would allow the lenders under the Facility Agreement to, amongst other things, upon written notice to the Company, accelerate all or part of the outstanding loans, cancel the commitments and declare all or part of the loans payable on demand.

In addition, London Southend Airport Company Limited, a wholly-owned subsidiary of the Company, has provided an indemnity to the Directors, to the extent specifically permitted by the Acts, in respect of any liabilities that may arise in respect of the Capital Raise. It will be an event of default under the Facility Agreement if any demand is made by any Director under this indemnity, which would allow the lenders under the Facility Agreement to, upon written notice to the Company, accelerate all or part of the outstanding loans, cancel the commitments and declare all or part of the loans payable on demand.

(ii) Secured Guaranteed Exchangeable Bonds

On 8 May 2019, Stobart Finance PLC (the ***Exchangeable Bond Issuer***) issued £53,075,000 2.75 per cent. secured guaranteed exchangeable bonds due 2024 (the ***Exchangeable Bonds***) constituted and secured by a trust deed dated 8 May 2019 between the Exchangeable Bond Issuer, the Company as guarantor and U.S. Bank Trustees Limited as trustee (the ***Trust Deed***).

The Exchangeable Bonds are exchangeable into a pro rata share of the exchange property which comprises 44,694,812 fully paid ordinary shares of nominal value of £0.01 each in the capital of Eddie Stobart Logistics PLC (the ***Exchange Property***).

The Exchangeable Bonds will mature on the 8 May 2024.

Interest rates

The Exchangeable Bonds accrue interest at a rate of 2.75 per cent. per annum calculated by reference to each £1,000 in principal amount of Exchangeable Bonds and payable semi-annually in arrear in equal instalments on 8 May and 8 November in each year.

Exchange Rights

Subject to the right of the Exchangeable Bond Issuer to make a cash election, each bondholder has the right to have all or any of its Exchangeable Bonds redeemed at any time during the exchange period by exchange of each £1,000 in principal amount of such Exchangeable Bonds for a pro rata share of the Exchange Property as at the date of exchange (such right being an ***Exchange Right***). The exercise of Exchange Rights is subject to various mechanisms and processes as set out in the conditions of the Exchangeable Bonds.

The exchange price of the Exchangeable Bonds is subject to adjustment mechanisms and conditions set out in the conditions of the Exchangeable Bonds.

Prepayments and redemption

The Exchangeable Bond Issuer may redeem the Exchangeable Bonds in whole, but not in part, at any time on or after 29 May 2022 provided that certain conditions relating to the value of the Exchange Property are met; or at any time if Exchange Rights have been exercised and/or redemptions have been effected in respect of 85 per cent. or more in principal amount outstanding of the Exchangeable Bonds originally issued.

The Exchangeable Bond Issuer may elect to satisfy its obligations to redeem the Exchangeable Bonds on their final maturity date by exercising its option to deliver all or part of the relevant pro rata share of the Exchange Property in place of cash with respect to all (and not only some) of the Exchangeable Bonds to be redeemed on their final maturity date, subject to the satisfaction of certain conditions.

The Exchangeable Bonds may also be redeemed at a price equal to their principal amount plus accrued and unpaid interest upon the occurrence of certain changes in applicable tax law. Upon the occurrence of certain events constituting a change of control, the Exchangeable Bond Issuer may be required to redeem the Exchangeable Bonds at a price equal to their principal amount plus accrued and unpaid interest to the date of the redemption.

Guarantee

The Company has granted an unsecured guarantee under the Trust Deed of due and punctual payment by the Exchangeable Bond Issuer of all sums payable by the Exchangeable Bond Issuer under the Trust Deed, the Exchangeable Bonds and the other documents relating to the Exchangeable Bonds.

Security

The obligations of the Exchangeable Bond Issuer under the Trust Deed, the Exchangeable Bonds and the other documents relating to the Exchangeable Bonds are secured by an English-law governed deed of charge under which the Exchangeable Bond Issuer has granted the following security in favour of the trustee, for the benefit of itself and the other secured parties:

- a first fixed charge in respect of the Exchangeable Bond Issuer's rights, title and interest from time to time in the custody and cash accounts in which the Exchange Property and any cash resulting from the Exchange Property is deposited; and
- an assignment by way of security of the Exchangeable Bond Issuer's rights, title and interest from time to time in and to (i) a stock lending agreement entered into in connection with the Exchange Property, (ii) the custody agreement entered into in relation to the custody accounts and (iii) any sums held by the principal paying, transfer and exchange agent under or pursuant to the agency agreement entered into in relation to the Exchangeable Bonds, including in respect of all moneys held to meet payments due in respect of the Exchangeable Bonds.

15.1.3 Propius Lease Guarantees

Propius is party to eight lease agreements in respect of eight aircraft with German special purpose companies managed by GOAL German Operating Aircraft Leasing GmbH & Co, KG and KGAL Group (the ***GOAL Lessors***). On 5 April 2017, the Company granted, in favour of each GOAL Lessor, a guarantee of punctual performance and payment in respect of Propius' obligations and liabilities under each lease agreement (the ***GOAL Guarantees***).

Propius' annual commitments (guaranteed by the Company) under the leases total $15.4 million per annum until the expiry of the leases in April 2027, with a break clause in April 2023, upon payment of a break fee of approx. $21.2 million plus associated break fee finance costs, if the Aer Lingus franchise is not extended beyond December 2022.

On 27 April 2020, the Group announced it had reached agreement with the administrators of Connect Airways to acquire Stobart Air and Propius, and the Group now holds a 40 per cent. voting and 75 per cent. economic interest in Everdeal, the ultimate holding company of both businesses, and a 15 per cent. shareholding in the company that holds the remaining 60 per cent. voting interest and 25 per cent. economic interest in Everdeal, Everdeal Employees 2019 Limited. This provides the Group with an effective indirect economic interest of 78.75 per cent. in those businesses, providing the Group with considerable influence over the pre-existing obligations.

15.1.4 Connect Airways Joint Venture

The Company entered into a joint venture in February 2019 (through its wholly-owned subsidiary Stobart Aviation Limited (***SAL***)) with DLP Holdings S.à.r.L. (DLP Holdings) (a company wholly-owned by funds managed by Cyrus Capital Partners LP (***Cyrus Capital***)) and Virgin Travel Group Limited (***Virgin Travel Group***) (each a ***Consortium Member*** and together, the ***Consortium Members***). SAL, DLP Holdings and Virgin Travel Group hold 30 per cent., 40 per cent. and 30 per cent., respectively, of the share capital in the joint venture company, Connect Airways Limited (***Connect Airways***). Connect Airways acquired Flybe Group plc (Flybe) in January 2019. In addition, the Group sold Everdeal 2019 Limited, the holding company of the Stobart Air business (***Everdeal***), and Propius to Connect Airways in February 2019.

The following material contracts were entered into in connection with the Connect Airways joint venture:

(a) a joint bid agreement dated 11 January 2019 among the Consortium Members relating to the recommended offer to acquire Flybe (the ***Flybe Joint Bid Agreement***);

(b) a sale and purchase agreement dated 15 January 2019 between Connect Airways and Flybe for the sale of the share capital of certain subsidiaries of Flybe (the ***Flybe SPA***);

(c) a shareholders' agreement dated 21 February 2019 (and amended and restated on 15 January 2020) between the Consortium Members and Connect Airways relating to the governance of Connect Airways (the ***Connect SHA***);

(d) a sale and purchase agreement dated 21 February 2019 between the Company, SAL and Connect Airways for the sale of the share capital of Propius (the ***Propius 2019 SPA***);

(e) a share purchase agreement dated 21 February 2019 between SAL and Everdeal for the sale and purchase of the share capital of Everdeal Holdings Limited (***Everdeal Holdings***) in connection with a pre-sale reorganisation (***the Stobart Air 2019 Reorganisation SPA***); and

(f) a sale and purchase agreement dated 21 February 2019 between the Company, SAL and Connect Airways for the sale of the share capital of Everdeal and Everdeal Employees 2019 Limited (Everdeal Employees) (the ***Stobart Air*** 2019 Sale SPA, together with the Stobart Air 2019 Reorganisation SPA the ***Stobart Air 2019 SPAs***).

(i) Flybe Joint Bid Agreement

Pursuant to the Flybe Joint Bid Agreement, the Consortium Members undertook to pursue the implementation of the offer by Connect Airways for the entire issued ordinary share capital of Flybe (the ***Flybe Offer***). Under the Flybe Joint Bid Agreement, the parties also agreed to enter into a shareholders' agreement relating to the governance of Connect Airways, the terms of which are described in paragraph 15.1.4(iii) below.

Connect Airways was incorporated on 18 December 2018, with SAL and DLP Holdings as its original shareholders. SAL and DLP Holdings therefore gave certain warranties in respect of Connect Airways' business in favour of Virgin Travel Group when it became involved in the joint venture.

SAL has no ongoing liabilities or obligations in connection with the Flybe Joint Bid Agreement, which was automatically terminated 14 days after the date on which the scheme of arrangement implementing the Flybe Offer became effective.

(ii) Flybe SPA

Pursuant to the Flybe SPA, Connect Airways agreed to purchase and Flybe agreed to sell (a) the entire issued share capital of Flybe Limited and Flybe.com Limited (the ***Flybe Target Shares***); (b) certain intercompany payables (the ***Flybe Intercompany Payables***); and (c) all assets relating to the business of the Flybe group but excluding documents, records and data which relate predominantly to Flybe Group plc (the ***Flybe Business Assets***). The total consideration under the Flybe SPA was £2.8 million payable in cash at completion.

At the time of the announcement of the Flybe Offer the Flybe group was experiencing a significant liquidity contraction due in part to the sequestering of cash by its bank lending group at the time. In particular its credit card providers had taken a position requiring Flybe to offer cash collateral in support of certain credit card facilities offered by that lending group. In order to address this liquidity and collateral crisis and with a view to prevent further degradation of the Flybe group's overall financial position, the Consortium Members made available a secured bridging facility in the amount of £20,000,000 on 19 January 2019 (***the Flybe Bridge Facility***). The Flybe Bridge Facility was subject to a number of market standard conditions precedent. Flybe was unable to satisfy the conditions precedent to draw down under the Flybe Bridge Facility, putting its liquidity position under further stress. As a result, Flybe agreed to sell and transfer the Flybe Target Shares, the Flybe Intercompany Payables and the Flybe Business Assets to Connect Airways pursuant to the Flybe SPA.

The warranties given by Flybe to Connect Airways were customary for a distressed situation and Connect Airways did not incur any contingent liabilities under the Flybe SPA. Connect Airways undertook to use all reasonable endeavours after completion to obtain the release of Flybe from any guarantee disclosed and given for the benefit of the Flybe group where such release had not already been procured at completion.

(iii) Connect SHA

Pursuant to the Connect SHA, SAL, DLP Holdings and Virgin shall each hold 30 per cent., 40 per cent. and 30 per cent. respectively of the share capital in Connect Airways.

Under the Connect SHA, the Consortium Members are restricted from transferring their shareholdings in Connect Airways to third parties for three years beginning on 21 February 2019 (the ***Initial Lock-In Period***). Additionally, each Consortium Member is restricted for a period of five years beginning on 21 February 2019 from transferring any of their shareholding in Connect Airways to certain "restricted transferees" (being, as long as Virgin Travel Group remains a shareholder in Connect Airways, International Consolidated Airlines Group S.A., Deutsche Lufthansa AG and Norwegian Air Shuttle ASA, in each case including their affiliates) without prior written consent from the other Consortium Members. After the expiry of the Initial Lock-In Period, any sale by a Consortium Member of its shares in Connect Airways must be conducted in compliance with the pre-emption provisions in the Connect SHA, which grant the non-selling Consortium Members with a right of first offer, drag-along rights and tag-along rights. DLP Holdings is also entitled, at any time after the expiry of the Initial Lock-In Period, to request that the board of Connect Airways consider the listing of the shares in Connect Airways on a stock exchange to be determined by the board.

For the entire period of their shareholding and for a year after they cease to be a shareholder in Connect Airways, no Consortium Member can, without prior consent from the other Consortium Members, (i) operate or establish another regional airline, or (ii) solicit any of the Connect Airways group's suppliers, customers or key personnel. The Consortium Members confirmed under the Connect SHA that these restrictions were reasonable and necessary to protect the legitimate business interests of the Connect Airways group.

(iv) Propius 2019 SPA

Pursuant to the Propius 2019 SPA, the Company and SAL agreed to sell, and Connect Airways agreed to purchase, the entire issued share capital of Propius.

In consideration for the sale of its shares in Propius, an amount of £7.5 million was payable from Connect Airways to SAL. That amount was deemed to have been advanced by SAL to Connect Airways and drawn down by Connect Airways under a £50 million second-ranking facility (the ***Second-Ranking Facility***) entered into on or around the date of the Propius 2019 SPA in lieu of any cash payment. The receivable that arose as a result was then subsequently netted off.

Connect Airways also issued unsecured loan notes having a total principal amount of £22.5 million to SAL in consideration for the sale of its shares in Propius.

Under the Propius 2019 SPA, it was acknowledged that a sum of around £17 million was outstanding from the Company to the Propius group (consisting of Propius and its wholly-owned subsidiary Propius Limited) (the ***Propius Deferred Balance***). Pursuant to the Propius 2019 SPA, the Propius Deferred Balance was deferred on an unsecured basis and to be repaid in eight equal six-monthly instalments. Connect Airways was also granted the right to set off any unpaid instalments against any sums due by a member of its group to the Company or any member of the Group.

SAL gave customary warranties including in respect of the aircraft and engines owned by Propius Limited, environmental matters and taxation. SAL's liability as the seller under the Propius 2019 SPA shall terminate on the seventh anniversary of completion (being approximately February 2026) in respect of the title and tax warranties, and 18 months after completion (being approximately August 2020) in respect of all other warranties. SAL's aggregate liability in respect of all warranty claims (excluding fundamental warranties relating to SAL's title to the shares, solvency and capacity) is capped at a maximum of £30 million.

Pursuant to the Propius 2019 SPA, SAL and Connect Airways agreed to each use their reasonable endeavours to obtain the release of the GOAL Guarantees as well as an indemnity entered into between HCC International Insurance Company plc, the Company and others.

(v) Stobart Air 2019 SPAs

Pursuant to the Stobart Air 2019 Reorganisation SPA, SAL agreed to sell, and Everdeal agreed to purchase, the entire issued share capital of Everdeal Holdings Limited (***Everdeal Holdings***), being 2,000 ordinary shares of €1 each. The total consideration payable by Everdeal to SAL under the Stobart Air 2019 Reorganisation SPA was €20 million in cash and a further 39,999 ordinary shares of £1 each in the issued share capital of Everdeal.

In consideration for the sale of its shares in Everdeal, an amount of €20 million was payable from Everdeal to SAL (the ***Stobart Air Reorganisation Consideration Amount***). The Stobart Air Reorganisation Consideration Amount was deemed to have been advanced by SAL to Everdeal in the form of an intercompany loan (the ***Stobart Air Loan Agreement***) entered into on or around the date of the Stobart Air 2019 Reorganisation SPA. The Stobart Air Reorganisation Consideration Amount was satisfied by a deemed drawdown under the Stobart Air Loan Agreement in lieu of any cash payment, creating a receivable on SAL's balance sheet. The Stobart Air Loan Agreement was subsequently novated under the Stobart Air 2019 Sale SPA (as discussed below).

The Stobart Air 2019 Reorganisation SPA was entered into as part of a pre-sale reorganisation (the ***Stobart Air Reorganisation***) carried out in order to implement the existing holding structure for the Stobart Air business, which was put in place to ensure that it met the requirements of its Air Operator Certificate to operate out of Ireland. Prior to the Stobart Air Reorganisation, Everdeal Holdings was wholly owned by SAL. The Stobart Air Reorganisation steps involved, inter alia, the incorporation of Everdeal and Everdeal Employees, and the transfer of the share capital in Everdeal Holdings to Everdeal pursuant to the Stobart Air 2019 Reorganisation SPA, resulting in the holding structure that was in place at the time of the Stobart Air and Propius acquisitions in 2020 (as set out in paragraph 15.1.5 below).

Shortly after the Stobart Air 2019 Reorganisation SPA was executed, the Company, SAL and Connect Airways entered into the Stobart Air 2019 Sale SPA, pursuant to which SAL agreed to sell, and Connect Airways agreed to purchase:

- 40,000 A ordinary shares (representing 40 per cent. of the voting rights and 75 per cent. of the rights to distributable profits and returns on capital) in the capital of Everdeal; and
- 1,500 ordinary shares (representing 15 per cent. of the voting rights) in the capital of Everdeal Employees.

Pursuant to the Stobart Air 2019 Sale SPA, the Stobart Air Loan Agreement was also novated from SAL to Connect Airways (the ***Stobart Air Loan Novation***).

In consideration for the sale of its shares in Everdeal and Everdeal Employees and the Stobart Air Loan Novation, an amount of £7.5 million was payable from Connect Airways to SAL (the ***Stobart Air Sale Consideration Amount***). The Stobart Air Sale Consideration Amount was deemed to have been advanced by SAL to Connect Airways and drawn down by Connect Airways under the Second-Ranking Facility in lieu of any cash payment. The receivable that arose as a result was then subsequently netted off.

Connect Airways also issued unsecured loan notes having a total principal amount of £2.5 million to SAL in consideration for the sale of its shares in Everdeal and Everdeal Employees.

Pursuant to the Stobart Air 2019 Sale SPA, the Company agreed to indemnify (on an after tax basis) Connect Airways, its affiliates (excluding any members of the Group) and each of Everdeal, Everdeal Employees and the companies in the Stobart Air group on demand by Connect Airways against any losses incurred in connection with certain potential claims against the Stobart Air group up to an aggregate cap of £10 million.

SAL gave customary warranties under the Stobart Air 2019 Sale SPA including in respect of the aircraft lease agreements entered into by the Stobart Air group, environmental matters, material plant and machinery, real property and pension schemes. SAL's liability as the seller under the Stobart Air 2019 Sale SPA shall terminate on the seventh anniversary of completion (being approximately February 2026) in respect of the title and tax warranties, and 18 months after completion (being approximately August 2020) in respect of all other warranties. SAL's aggregate liability in respect of all warranty claims (excluding fundamental warranties relating to SAL's title to the shares, solvency and capacity) is capped at a maximum of £10 million.

SAL and Connect Airways also agreed to each use their reasonable endeavours to obtain the release of a guarantee and indemnity in favour of Aer Lingus in relation to certain obligations of the Stobart Air group, as well as a guarantee and indemnity granted by the Company in favour of Investec Bank plc in relation to the Stobart Air group's liabilities under a foreign exchange facility agreement.

Pursuant to the Stobart Air 2019 Sale SPA, for a period of two years after completion (being until approximately February 2021), SAL and the Group are subject to customary non-compete and non-solicit covenants in respect of the Stobart Air group's business, its directors, senior employees, customers and suppliers. The non-solicit covenants do not preclude SAL or the Group from publishing bona fide recruitment advertisements or from negotiating with any person who initiates contact with them without any encouragement or solicitation. The non-compete covenants also do not prevent SAL or the Group from carrying out or entering into (i) any operations in connection with the Connect Airways joint venture, (ii) any operations in the ordinary course out of Carlisle Lake District Airport, Teesside International Airport and London Southend Airport, (iii) joint ventures or commercial arrangements with third party airlines operating from and to Carlisle Lake District Airport, Teesside International Airport and London Southend Airport, (iv) in relation to Propius or Propius Limited, aircraft lease arrangements with third parties and the exercise of the rights of Propius or Propius Limited under leases to the Stobart Air group; and (v) any joint venture or arrangement with Tees Valley Combined Authority in relation to the operation of Teesside International Airport.

(vi) Put Option

In connection with the Connect Airways joint venture, on 11 January 2019 the Company granted Cyrus Capital and DLP Holdings a put option to acquire up to 9,200,000 Shares from the Company (the ***Put Option***). Pursuant to the Put Option, Cyrus Capital and/or DLP Holdings may elect to transfer up to £23 million of their aggregate commitment under the Second-Ranking Facility to the Company in exchange for the Company issuing Shares to Cyrus Capital and/or DLP Holdings (as applicable) at a price of 250 pence per Share, as adjusted for all dividends declared or paid by the Company between 11 March 2019 and completion of the Put Option. The Put Option may be exercised after 11 March 2021 if: (a) at any point during the period beginning on 11 March 2019 and ending on 11 March 2021,

there have been 400,000 or more passengers at London Southend Airport which are attributable to the Connect Airways group's operations, calculated on a trailing 12-month basis; or (b) at any point on or after 11 March 2019, there have been 100,000 or fewer passengers at London Southend Airport which are attributable to Connect Airways group's operations, calculated on a trailing 12-month basis. Shareholders approved, and disapplied pre-emption rights in respect of, the Put Option at the Company's annual general meeting on 23 July 2019.

15.1.5 Stobart Air 2020 SPA and Propius 2020 SPA

Certain individuals from Ernst & Young LLP were appointed joint administrators (the ***Joint Administrators***) of Connect Airways in March 2020. On 27 April 2020, SAL, the Joint Administrators and Connect Airways entered into a sale and purchase agreement (the ***Stobart Air 2020 SPA***) pursuant to which SAL agreed to purchase, and the Joint Administrators and Connect Airways agreed to sell:

- 40,000 A ordinary shares (representing 40 per cent. of the voting rights and 75 per cent. of the rights to distributable profits and returns on capital) in the capital of Everdeal; and
- 1,500 ordinary shares (representing 15 per cent. of the voting rights) in the capital of Everdeal Employees.

Immediately after the completion of the Stobart Air acquisition, Everdeal, the Joint Administrators and Connect Airways entered into a sale and purchase agreement pursuant to which Everdeal agreed to purchase, and the Joint Administrators and Connect Airways agreed to sell, the entire issued share capital of Propius (the ***Propius 2020 SPA***).

The acquisitions provided the Group with an effective indirect economic interest of 78.75 per cent. in Stobart Air and Propius. This structure was in place prior to the Group's disposal of Stobart Air and Propius in 2019 and is required to ensure that Stobart Air meets the requirements of its Air Operator Certificate to operate out of Ireland.

The consideration for the Stobart Air and Propius acquisition is a payment of up to £8.55 million on the following basis:

- an initial consideration of £300,000 paid in cash at completion;
- a deferred consideration of £2 million to be paid no later than 15 December 2020; and
- a contingent deferred consideration up to a maximum of £6.25 million based on the value achieved (after disposal costs) on a realisation of value in respect of one or both of the businesses by the Group prior to 31 December 2023, by reference to:
    - 75 per cent. of the first £5 million of value being a payment of up to £3.75 million;
    - 50 per cent. of the next £5 million of value being a payment of up to £2.5 million; and
    - any value above £10 million is retained by the Group.

The Group expects to fund the operations of Stobart Air and Propius over the period through to achieving positive cash flow. The businesses have actively sought to reduce their cash requirements during the COVID-19 period and the Group expects to fund approximately €25 million over the 12 months following the acquisition, including the lease payments discussed below.

As part of the acquisition, a €20 million loan by the Group to the holding company of Stobart Air and Propius, and subsequently novated from the Group to Connect Airways in connection with the sale of Stobart Air and Propius to Connect Airways, will be novated back to the Group. This is included within the overall consideration referred to above and the loan became an intra-Group matter following the acquisition.

The value of the combined gross assets of Stobart Air and Propius as at 31 August 2019 was £91.2 million. While valuation work in respect of the Group's acquisition of Stobart Air and Propius in April 2020 is currently in progress, the value of assets acquired is likely to be significantly lower than that as at 31 August 2019. Propius has annual commitments (guaranteed by the Group) under aircraft leases totalling $15.4 million per annum until April 2027 with a break clause in April 2023 if the Aer Lingus franchise is not extended beyond December 2022, on payment of a break fee of $21.2 million plus associated break fee finance costs. The lease payments falling due within the 12 months following the acquisition are reflected in the funding requirement for Stobart Air and Propius of

€25 million referred to above. The combined profits before tax for Stobart Air and Propius for the year ended 28 February 2019 were £5.5 million.

15.1.6 Sale of Stobart and Eddie Stobart brands

The Company, Stobart Group Brands LLP, Eddie Stobart Promotions Limited and Eddie Stobart Limited entered into a business purchase agreement which completed and became unconditional on 20 May 2020. Pursuant to the agreement, Eddie Stobart Promotions Limited and Stobart Group Brands LLP (each a Group entity) agreed to sell its promotions business, including the Stobart and Eddie Stobart trademarks and designs (and other ancillary IP) to Eddie Stobart Limited (a company owned by Eddie Stobart).

The Company will put forward a resolution at a general meeting of Shareholders to change its corporate name prior to 28 February 2021.

Until completion of the sale, the Group owned the Eddie Stobart and Stobart trademarks and designs and all associated intellectual rights. In February 2014, the Group entered into an agreement to licence the Eddie Stobart trademarks and designs to Eddie Stobart in consideration of a £13.7 million premium fee as part of the initial partial sale of the Eddie Stobart business. That 15-year licence agreement provided the first six years to 29 February 2020 royalty free.

From 1 March 2020, a licence fee of £3 million per annum became payable until February 2029. However, that agreement was terminable by Eddie Stobart on six months' written notice. The annual licence fee was also conditional on Eddie Stobart achieving certain performance targets. If Eddie Stobart did not achieve these performance targets in any given year, the £3 million licence fee was to accrue and only become payable at subsequent dates once these performance targets had been achieved.

The sale of the Eddie Stobart and Stobart trademarks and designs resulted in an immediate cash receipt. It will also have the effect of helping investors and stakeholders to more easily differentiate between Eddie Stobart's business and Stobart Group's aviation and energy businesses through Stobart Group transitioning to a different name.

The consideration for the sale is £10.0 million, of which £6.0 million was received on completion, £2.5 million is payable on or before 1 December 2020 and £1.5 million is payable 36 months following completion of the sale. The cash consideration will be used for general working capital purposes.

The Company will change its name prior to February 2021. However, there are a number of Stobart divisions that will continue to use the brand for up to 36 months after completion and this will be licenced on a royalty free basis from Eddie Stobart.

Stobart Air may continue to use its name so long as it is owned by the Group. If the Group sells the Stobart Air business, it must use reasonable endeavours to procure a change of name as part of that sale.

16 Related party transactions

Save as disclosed in note 34 to the FY18/19 Financial Statements and note 36 to the FY19/20 Financial Statements, no member of the Group entered into any related party transactions (which for these purposes are those set out in the standards adopted according to the Regulation (EC) No 1606/2002) between 1 March 2018 and the date of this document.

17 Litigation

Other than as described below, there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware), during the period covering the twelve months preceding the date of this document which may have, or have had in the recent past, significant effects on the Company's and/or the Group's financial position or profitability.

Under Part 1 of the Land Compensation Act 1973, compensation can be claimed by people who own and also occupy property that has been reduced in value by more than £50 by physical factors caused by the use of a new or altered runway. Such Part 1 claims against the Group have been brought by approximately 190 landowners in proximity to London Southend Airport in relation to the extension of the London Southend Airport runway in 2012. Test cases are listed for hearing in the Upper Tribunal

(Lands Chamber) in October 2020. The aggregate amount claimed by the claimants is approximately £9 million. However, the Group's surveyors have advised that, in their opinion, none of the claimants' properties have been reduced in value by physical factors caused by the use of the extended runway.

In addition, the Group has been involved in several court actions with Andrew Tinkler, the Group's former Chief Executive, following his removal from the Board on 14 June 2018. These actions have either run their course in the courts or been the subject of an agreed confidential settlement over the last six months. The impact of these claims, including legal costs, is reflected in the FY19/20 Financial Statements.

As at the date of this document, there remains a commercial dispute between the Group and Stobart Capital Limited (a company in which Andrew Tinkler is the majority shareholder) in relation to the termination of a management agreement on 12 March 2019 regarding management fees and other costs which may or may not be chargeable. In addition, Andrew Tinkler may continue to attempt to bring further claims against the Group or that may affect the Group, but the Company considers that any such attempts would be vexatious and without merit. In addition, as at 29 February 2020 there are sums due to various Group companies by Andrew Tinkler and his various related entities for historic charges which remain unpaid, which the Company will seek to set off against any liability in relation to this dispute. These matters may give rise to litigation either by or against Group companies. The Company considers that the net liability to Andrew Tinkler or Stobart Capital Limited in respect of these claims, if any, is unlikely to exceed £1 million.

18 Working capital

The Company is of the opinion that, taking into account the net proceeds of the Capital Raise, the Group has sufficient working capital for its present requirements, that is for at least 12 months from the date of this document.

Assumptions in respect of the impact of COVID-19

The COVID-19 pandemic and the attendant public health interventions to combat the virus have caused considerable disruption to business globally. There is significant uncertainty as to the size and duration of this disruption. In preparing its working capital statement, the Company has prepared a 'reasonable worst case scenario' to reflect the impact of the COVID-19 pandemic. The uncertainties created by the COVID-19 pandemic make the construction of a 'reasonable worst case scenario' uniquely challenging.

The Company has made its working capital statement based on a model that has sufficient headroom to cover the 'reasonable worst case scenario', which includes the following principal COVID-19 pandemic-related assumptions:

- Until the end of March 2021, there will be no passenger airline activity at London Southend Airport, compared to an average of 178,526 passengers per month in the corresponding period in FY19/20. Between April 2021 and the end of June 2021, there will be a phased recovery in passenger airline activity at the airport with an average of 153,433 passengers per month during that period, compared to an average of 202,856 passengers per month in the corresponding period in FY19/20.
- Until the end of December 2020, Stobart Aviation Services will not generate revenue at Manchester or Stansted airports as a result of those airports being closed. By the end of January 2021 flights at those airports will return to pre-COVID-19 levels.
- As a result of the Aviation-related assumptions discussed above, for the period April 2020 to March 2021, Stobart Aviation revenues will be 41 per cent. of the corresponding period in the previous year.
- Between April 2020 and the end of June 2020, Stobart Energy will supply on average 56,000 tonnes of waste wood fuel per month to its biomass energy plant customers, compared to an average of 116,000 tonnes per month in the corresponding period in FY19/20, due to an inability to access sufficient waste wood. Between July 2020 and the end of August 2020, there will be a phased recovery in waste wood supply and gate fees. During this two month period of recovering activity levels, Stobart Energy will supply on average 135,000 tonnes of waste wood fuel per month to its biomass energy plant customers, compared to an average of 125,000 tonnes per

month in the corresponding period in FY19/20 (such corresponding period having been negatively impacted by plant capacity).

- As a result of the waste wood fuel supply assumptions discussed above, from November 2020 until February 2021 Stobart Energy revenues will be 91.3 per cent. of the corresponding period in FY19/20.
- Stobart Air operates minimal flights until the end of September 2020, after which operations recommence and increase such that passenger numbers return to pre-COVID-19 levels by March 2021.
- Employees being furloughed under the UK Government's Job Retention Scheme during the period of reduced activity remain in place until September 2020.

The working capital statement in this document has been prepared in accordance with the ESMA Recommendations (ESMA/2013/319), and the technical supplement to the FCA Statement of Policy published on 8 April 2020 relating to the COVID-19 crisis.

19 No significant change

Other than as described in "***Recent Developments***" in Part IV—Business Overview of the Group on pages 94 to 97, there has been no significant change in the financial position or performance of the Group since 29 February 2020, the date to which the latest financial information in relation to the Group was published.

20 Consents

20.1 The Company has received the following written consents, which are available for inspection at the times and locations set out in paragraph 23 of this Part IX in connection with the publication of this document:

(A) KPMG has given and not withdrawn its written consent to the inclusion in this document of the report set out in Part VII—Unaudited Pro Forma Financial Information in the form and in the context in which it appears and has authorised the contents of its report for the purposes of item 5.3.2R(2)(f) of the Prospectus Regulation Rules. As the Shares have not been and will not be registered under the Securities Act, KPMG has not filed and will not file a consent under the Securities Act.

(B) In addition, each of the Underwriters has given and not withdrawn their consent to the inclusion in this document of their name in the form and in the context in which they appear.

21 Non-statutory accounts

The financial information contained in this document, which relates to the Company and/or the Group, does not constitute statutory accounts as referred to in section 245 of the Companies Law. The auditors have reported on the statutory accounts for FY18/19 and FY19/20. Their report was unqualified, did not include references to any matters by way of emphasis without qualifying their report and did not contain a statement under Section 263(2) or 263(3) of the Companies Law.

22 Miscellaneous

22.1 The total costs and expenses payable by the Company in connection with the Capital Raise (including the listing fees of the FCA and the London Stock Exchange, professional fees and expenses and the costs of printing and distribution of documents) are estimated to amount to £6.5 million (including VAT).

22.2 Each New Share is expected to be issued at a premium of £0.30 to its nominal value of £0.10.

23 Documents available for inspection

Copies of the following documents may be inspected on the Group's website at www.stobartgroup.co.uk/investors for a period of 12 months following Admission.

(a) the articles of incorporation of the Company;

(b) the FY18/19 Financial Statements, incorporated herein by reference to the 2019 Annual Report;

(c) the FY19/20 Financial Statements, included in this document;

(d) the consent letters referred to in paragraph 20 of this Part IX above;
(e) the report from KPMG which is set out in Part VII—Unaudited Pro Forma Financial Information;
(f) the Application Form; and
(g) this document.

Dated: 5 June 2020

Part X—DOCUMENTATION INCORPORATED BY REFERENCE

The following documentation, which has been approved, filed with or notified to the FCA, and which was sent to Shareholders at the relevant time and/or is available as described below, contains information that is relevant to the Capital Raise. This documentation is available on the Company's website at www.stobartgroup.co.uk/investors.

The Stobart Group Limited Annual Reports and Accounts 2019

This document contains the audited consolidated financial statements of the Company as of and for the year ended 28 February 2019, prepared in accordance with IFRS as adopted by the EU, together with an audit report in respect of the year ended 28 February 2019.

The table below sets out the various sections of the document referred to above which are incorporated by reference into this document, so as to provide information required pursuant to Annex 1 and Annex 11 to the Prospectus Regulation and to ensure that Shareholders and others are aware of all information which, according to the particular nature of the Company and of the New Shares, is necessary to enable Shareholders and others to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Company and of the rights attaching to the New Shares.

Parts of this document incorporated by reference which are not set out below are either not relevant or are covered elsewhere in this document. To the extent that any part of any information referred to below itself contains information which is incorporated by reference, such information shall not form part of this document.

Information incorporated by reference	Page number in document
Independent Auditors' Report	79-85
Consolidated income statement	86
Consolidated statement of comprehensive income	87
Consolidated statement of financial position	88
Consolidated statement of changes in equity	89
Consolidated statement of cash flows	90
Notes to the consolidated financial statements	91-124

"2014 LTIP"	the Stobart Group 2014 Long-Term Incentive Plan
"2015 Scheme"	the Group's Save As You Earn scheme introduced on 1 September 2015
"2019 Annual Report"	the annual report prepared by the Company for FY18/19
"2020 Annual Report"	the annual report prepared by the Company for FY19/20
"2020 DBP"	the Stobart Group 2020 Deferred Bonus Plan
"2020 DBP Awards"	2020 DBP Options and 2020 DBP Conditional Awards
"2020 DBP Conditional Award"	a conditional right to acquire Shares at no cost under the 2020 DBP
"2020 DBP Option"	an option to acquire Shares at no cost or for an exercise price per Share equal to the nominal value of a Share under the 2020 DBP
"2020 LTIP"	the Stobart Group 2020 Long-Term Incentive Plan
"2020 LTIP Award"	a conditional right to acquire Shares at no cost under the 2020 LTIP, a 2020 LTIP Option or a Cash Award
"2020 LTIP Option"	an option to acquire Shares at no cost or for an exercise price per Share equal to the nominal value of a Share under the 2020 LTIP
"Acts"	has the meaning given in section 2 of the United Kingdom Companies Act 2006
"Adjusted EBITDA"	(loss)/profit for the year from continuing operations before the impact of the loss on swaps, depreciation, amortisation, impairments, impairment of loan notes, finance costs, finance income and tax. These items are set out on the face of the consolidated income statement of the FY18/19 Financial Statements and FY19/20 Financial Statements where Adjusted EBITDA is referred to as EBITDA
"Administration"	administration is a formal UK insolvency procedure. A company obtains protection from adverse creditor action with the aim of facilitating a restructuring of its debt obligations and/or a sale of business and assets. It is led by a UK insolvency practitioner who is appointed as administrator taking on all executive powers from the board. While it is not a debtor-in-possession procedure, it is also not a liquidation as the administrator is able to trade the business for the benefit of creditors
"Admission"	admission of the New Shares to (a) the premium listing segment of the Official List and (b) trading on the London Stock Exchange's main market for listed securities
"APM"	alternative performance measure
"Application Form"	the personalised application form on which Qualifying Non-CREST Shareholders may apply for the New Shares under the Open Offer
"Articles"	the articles of incorporation of the Company which are described in paragraph 4 of Part IX—Additional Information
"Audit Committee"	the committee described in paragraph 6.5 of Part IX—Additional Information
"Australia"	the Commonwealth of Australia, its territories and possessions
"Award"	a right granted under the 2014 LTIP to acquire Shares for nil-cost
"Board"	the board of directors of the Company
"Brexit"	the United Kingdom's exit from the European Union

"Business Days"	a day (other than a Saturday or Sunday) on which banks are open for general business in London
"CAA"	the Civil Aviation Authority
"Canaccord"	Canaccord Genuity Limited
"Capital Expenditure"	additions to property, plant and equipment
"Capital Raise"	the Placing, the Open Offer and the Firm Placing
"Cash Award"	a right to a cash amount related to the value of a number of Shares under the 2020 LTIP
"Cashflow Forecast"	has the meaning given to it in paragraph 15.1.2(i) of Part IX—Additional Information
"CCSS"	the CREST Courier and Sorting Service established by Euroclear to facilitate, amongst other things, the deposit and withdrawal of securities
"certificated" or "in certificated form"	a share or other security which is not in uncertificated form (that is, not in CREST)
"CGT"	UK taxation of chargeable gains
"Chair"	the chairperson of the Company
"City Code"	The City Code on Takeovers and Mergers
"Code"	US Internal Revenue Code of 1986 (as amended)
"Companies Law"	Companies (Guernsey) Law 2008
"Company"	Stobart Group Limited, a non-cellular company limited by shares incorporated under the Companies (Guernsey) Law, 1994 to 1996 (as amended)
"Connect Airways"	Connect Airways Limited
"Connect Sale"	the sale of Stobart Air and Propius by the Group to Connect Airways in February 2019
"Connect SHA"	the shareholders' agreement dated 21 February 2019 (and amended and restated on 15 January 2020) between the Consortium Members and Connect Airways relating to the governance of Connect Airways
"Consortium Members"	SAL, DLP Holdings and Virgin Travel Group
"CREST"	the CREST system (as defined in the CREST Regulations)
"CREST Manual"	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, CREST Glossary of Terms and CREST Terms and Conditions (all as defined in the CREST Glossary of Terms promulgated by Euroclear on 15 July 1996 and as amended since)
"CREST member"	a person who has been admitted by Euroclear as a system-member (as defined in the CREST Regulations)
"CREST Proxy Instruction"	instruction to appoint a proxy or proxies through the CREST electronic proxy appointment service, as described in the Notice of General Meeting at the end of this document
"CREST Regulations"	the Uncertificated Securities (Guernsey) Regulations, 2009 (GSI 2009/48)
"CREST sponsor"	a sponsor (as defined in the CREST Regulations) in relation to CREST

"CREST sponsored member"	a CREST member admitted to CREST as a sponsored member
"Cumulative EPS"	cumulative group adjusted basic earnings per share
"Cyrus Capital"	Cyrus Capital Partners LP
"Deferred Shares"	non-voting deferred shares of 0.1 pence each in the capital of the Company having the rights set out in the Articles as described in paragraph 4 of Part IX—Additional Information
"Directors"	the Executive Directors and Non-Executive Directors of the Company
"Disclosure Guidance and Transparency Rules"	the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority
"dividend income"	UK and non-UK source dividends and certain other distributions in respect of shares
"DLP Holdings"	DLP Holdings S.à.r.L. (a company wholly-owned by funds managed by Cyrus Capital Partners LP)
"EASA"	European Aviation Safety Agency
"Eddie Stobart"	Eddie Stobart Logistics plc
"EEA"	the European Economic Area
"EEA State"	a member state of the EEA
"Enlarged Issued Share Capital"	the ordinary issued share capital of the Company immediately following completion of the Capital Raise
"EU"	European Union
"Euroclear"	Euroclear & Ireland Limited
"Everdeal"	Everdeal 2019 Limited
"Everdeal Employees"	Everdeal Employees 2019 Limited
"Everdeal Holdings"	Everdeal Holdings Limited
"Excess Application Facility"	the facility for Qualifying Shareholders to apply for Excess Shares in excess of their Open Offer Entitlements
"Excess Open Offer Entitlements"	in respect of each Qualifying Shareholder who has taken up his or her Open Offer Entitlement in full, the entitlement (in addition to the Open Offer Entitlement) to apply for Excess Shares, up to a maximum number equal to four times the number of that Qualifying Shareholder's Open Offer Entitlements, pursuant to the Excess Application Facility, which may be subject to scaling down at the absolute discretion of the Board in consultation with the Underwriters
"Excess Shares"	New Shares which may be applied for by Qualifying Shareholders in addition to their Open Offer Entitlements pursuant to the Excess Application Facility
"Exchange Act"	United States Exchange Act (1934), as amended
"Exchange Property"	has the meaning given to it in 15.1.2(ii) of Part IX—Additional Information
"Exchange Right"	has the meaning given to it in 15.1.2(ii) of Part IX—Additional Information
"Exchangeable Bond Issuer"	Stobart Finance PLC
"Exchangeable Bonds"	£53,075,000 2.75 per cent. secured guaranteed exchangeable bonds due 2024 issued by Stobart Finance PLC

"Excluded Territories"	Australia, Canada, Hong Kong, Japan, the People's Republic of China and the Republic of South Africa
"Executive Directors"	the executive directors of the Company
"Existing Shares"	the existing Shares in issue immediately preceding the issue of the New Shares
"Ex-Entitlement Date"	the date on which the Existing Shares are marked ex-entitlement, being 5 June 2020
"Facility A"	the original £80.0 million revolving credit facility under the Facility Agreement, as described in more detail in paragraph 15.1.2(i) of Part IX—Additional Information
"Facility Agreement"	has the meaning given to it in paragraph 15.1.2(i) of Part IX—Additional Information
"Facility B"	a new £40.0 million revolving credit facility under the Facility Agreement, which is described in more detail in paragraph 15.1.2(i) of Part IX—Additional Information
"Facility Termination Date"	31 January 2022
"February 2019 Scheme"	the Group's Save As You Earn scheme introduced on 1 February 2019
"Financial Conduct Authority" or "FCA"	the Financial Conduct Authority acting in its capacity as the competent authority for the purposes of Part VI of the FSMA
"Firm Placed Shares"	in aggregate, 200,046,312 New Shares which the Company is proposing to issue pursuant to the Firm Placing
"Firm Placee"	any persons who have agreed or shall agree to subscribe for Firm Placed Shares pursuant to the Firm Placing
"Firm Placing"	the subscription by the Firm Placees for the Firm Placed Shares
"Flybe"	Flybe Group plc
"Flybe Bridge Facility"	has the meaning given to it in paragraph 15.1.4(ii) of Part IX—Additional Information
"Flybe Business Assets"	has the meaning given to it in paragraph 15.1.4(ii) of Part IX—Additional Information
"Flybe Intercompany Payables"	has the meaning given to it in paragraph 15.1.4(ii) of Part IX—Additional Information
"Flybe Joint Bid Agreement"	the joint bid agreement dated 11 January 2019 among the Consortium Members relating to the recommended offer to acquire Flybe
"Flybe Offer"	the offer by Connect Airways for the entire issued ordinary share capital of Flybe
"Flybe SPA"	the sale and purchase agreement dated 15 January 2019 between Connect Airways and Flybe for the sale of the share capital of certain subsidiaries of Flybe
"Flybe Target Shares"	the entire issued share capital of Flybe Limited and Flybe.com Limited
"Forward-Looking Statements"	forward-looking statements, forecasts, estimates, projections and opinions
"FSMA"	the Financial Services and Markets Act 2000, as amended
"FY17/18"	the year ended 28 February 2018
"FY18/19"	the year ended 28 February 2019
"FY19/20"	the year ended 29 February 2020
"FY20/21"	the year ended 28 February 2021

"FY21/22"	the year ended 28 February 2022
"FY22/23"	the year ended 28 February 2023
"FY18/19 Financial Statements"	the audited consolidated financial statements of the Company, which comprise the consolidated statement of financial position and the related consolidated statements of income, comprehensive income, changes in equity and cash flows and the related notes to the consolidated financial statements, as of and for the year ended 28 February 2019 and the comparative financial information for the year ended 28 February 2018
"FY19/20 Financial Statements"	the audited consolidated financial statements of the Company, which comprise the consolidated statement of financial position and the related consolidated statements of income, comprehensive income, changes in equity and cash flows and the related notes to the consolidated financial statements, as of and for the year ended 29 February 2020 and the comparative financial information for the year ended 28 February 2019
"GDP"	gross domestic product
"GDPR"	General Data Protection Regulation (Regulation (EU) 2016/679)
"General Meeting"	the general meeting of the Company to be held at 10.00 a.m. on 25 June 2020, notice of which is set out at the back of this document
"GOAL Guarantees"	has the meaning given to it in paragraph 15.1.3 of Part IX—Additional Information
"GOAL Lessors"	has the meaning given to it in paragraph 15.1.3 of Part IX—Additional Information
"Governance Code"	the UK Corporate Governance Code issued by the Financial Reporting Council, as amended from time to time
"Group"	the Company and its subsidiary undertakings and, where the context requires, its associated undertakings
"HMRC"	HM Revenue & Customs
"Hong Kong"	Hong Kong Special Administrative Region of the People's Republic of China
"IFRS"	International Financial Reporting Standards, as adopted by the EU
"Initial Drawdown Period"	has the meaning given to it in paragraph 15.1.2(i) of Part IX—Additional Information
"Intercreditor Agreement"	has the meaning given to it in paragraph 15.1.2(i) of Part IX—Additional Information
"Invesco"	Invesco Asset Management Limited
"IRS"	US Internal Revenue Service
"ISIN"	International Securities Identification Number
"Joint Administrators"	certain individuals from Ernst & Young LLP who were appointed joint administrators of Connect Airways in March 2020
"Joint Bookrunners"	Canaccord and UBS
"Joint Global Co-ordinators"	Canaccord and UBS
"Joint Sponsors"	Canaccord and UBS
"LCCs"	low-cost carriers
"Link Asset Services"	Link Market Services (Guernsey) Limited, as Registrar, or Link Asset Services, as the context requires
"Listing Rules"	the listing rules of the FCA

"London Stock Exchange"	London Stock Exchange plc
"Look-Forward Compliance"	has the meaning given to it in paragraph 15.1.2(i) of Part IX—Additional Information
"Management Board"	the Company's senior leadership team comprising those individuals identified in paragraph 6.2 of Part IX—Additional Information
"Memorandum"	the memorandum of incorporation of the Company
"Mexico"	United Mexican States
"Minimum Asset Cover"	has the meaning given to it in paragraph 15.1.2(i) of Part IX—Additional Information
"Minimum Cashflow"	has the meaning given to it in paragraph 15.1.2(i) of Part IX—Additional Information
"Minimum EBITDA"	has the meaning given to it in paragraph 15.1.2(i) of Part IX—Additional Information
"Minimum Liquidity"	has the meaning given to it in paragraph 15.1.2(i) of Part IX—Additional Information
"Money Laundering Regulations"	Money Laundering Regulations 2007 (SI 2007/2157)
"Net Debt"	the Group's total current and non-current loans and borrowings less cash and cash equivalents
"Net Interest Cover"	has the meaning given to it in paragraph 15.1.2(i) of Part IX—Additional Information
"Net Leverage"	has the meaning given to it in paragraph 15.1.2(i) of Part IX—Additional Information
"New Shares"	the 49,953,688 new Shares which the Company will issue pursuant to the Placing and Open Offer and the 200,046,312 new Shares which the Company will issue pursuant to the Firm Placing
"nil rate band"	a nil rate of tax for the first £2,000 of dividend income in any tax year
"Nomination Committee"	the committee described in paragraph 6.5 of Part IX—Additional Information
"Non-Executive Directors"	the non-executive directors of the Company
"Notice of General Meeting"	the notice of General Meeting set out at the back of this document
"Obligors"	has the meaning given to it in paragraph 15.1.2(i) of Part IX—Additional Information
"Offer Price"	40 pence per share
"Open Offer"	the conditional invitation to Qualifying Shareholders to subscribe for the Open Offer Shares at the Offer Price on the terms and subject to the conditions set out in this document and, in the case of Qualifying Non-CREST Shareholders only, the Application Form
"Open Offer Entitlements"	entitlements to subscribe for the Open Offer Shares, allocated to a Qualifying Shareholder pursuant to the Open Offer
"Open Offer Shares"	the 49,953,688 New Shares for which Qualifying Shareholders are being invited to apply to be issued pursuant to the terms of the Open Offer
"Official List"	the Official List of the FCA
"Overseas Shareholders"	Shareholders with registered addresses in, or who are citizens, residents or nationals of jurisdictions outside the United Kingdom
"Panel"	The Panel on Takeovers and Mergers

"Permitted Utilisation Amount"	has the meaning given to it in paragraph 15.1.2(i) of Part IX—Additional Information
"PFIC"	passive foreign investment company
"Placees"	any persons who have agreed or shall agree to subscribe for shares pursuant to the Placing
"Placing"	the conditional placing, by the Underwriters, as agent of and on behalf of the Company, of the Open Offer Shares subject to clawback pursuant to the Open Offer, on the terms and subject to the conditions contained in the Placing Agreement
"Placing Agreement"	the placing agreement entered into between the Company and the Underwriters on 4 June 2020
"PPE"	property, plant and equipment
"PRA"	Prudential Regulation Authority
"Pro Forma financial information"	unaudited pro forma statement of net assets and accompanying notes set out in Section A of Part VII prepared to show the effect of the Capital Raise on the Group's net assets as at 29 February 2020 as if the Capital Raise had been undertaken at that date
"Propius"	Propius Holdings Limited
"Propius 2019 SPA"	the sale and purchase agreement dated 21 February 2019 between the Company, SAL and Connect Airways for the sale of the share capital of Propius
"Propius 2020 SPA"	has the meaning given to it in paragraph 15.1.5 in Part IX—Additional Information
"Propius Deferred Balance"	has the meaning given to it in paragraph 15.1.4(iv) of Part IX—Additional Information
"Prospectus Delegated Regulation"	the Delegated Regulation (EU) 2019/980 of 14 March 2019 supplementing the Prospectus Regulation
"Prospectus Regulation"	the Prospectus Regulation (EU) 2017/1129 and amendments thereto
"Prospectus Regulation Rules"	the prospectus rules published by the FCA under section 73A of FSMA
"Put Option"	the put option to acquire up to 9,200,000 Shares from the Company, granted by the Company to Cyrus Capital and DLP Holdings in connection with the Connect Airways joint venture, as described in more detail in paragraph 15.1.4(vi) of Part IX—Additional Information
"QIB"	"qualified institutional buyer" within the meaning of Rule 144A under the Securities Act
"Qualifying CREST Shareholders"	Qualifying Shareholders holding Shares in uncertificated form
"Qualifying Non-CREST Shareholders"	Qualifying Shareholders holding Shares in certificated form
"Qualifying Shareholders"	Shareholders on the register of members of the Company on the Record Date with the exclusion of persons with a registered address or located or resident in an Excluded Territory or the United States
"Quarter Dates"	28 February, 31 May, 31 August and 30 November
"Receiving Agent"	Link Asset Services
"Record Date"	close of business on 3 June 2020
"RDF"	refuse derived fuel

"Registrar"	Link Market Services (Guernsey) Limited
"Regulation S"	Regulation S under the Securities Act
"Relevant Member State"	each member state of the European Economic Area (except the United Kingdom)
"Remuneration Committee"	the committee described in paragraph 6.5 of Part IX—Additional Information
"Resolutions"	the resolutions to be proposed at the General Meeting, notice of which is set out at the back of this document
"Restricted Business"	has the meaning given to it in paragraph 9.1.3 of Part IX—Additional Information
"Restricted Customer"	has the meaning given to it in paragraph 9.1.3 of Part IX—Additional Information
"Restricted Person"	has the meaning given to it in paragraph 9.1.3 of Part IX—Additional Information
"Revolving Credit Facility" or "Facility"	the facility under the Facility Agreement providing for borrowings up to an aggregate principal amount of £80,000,000 on a committed basis
"ROC"	renewables obligation certificate
"Rule 144A"	Rule 144A under the Securities Act
"SAIP"	Stobart Aviation Incentive Plan
"SAIP Award"	a grant to eligible employees the opportunity to benefit from a potential increase in the value of the Aviation division
"SAL"	Stobart Aviation Limited
"SAYE Plans"	the Group's three Save As You Earn schemes
"SAYE Option"	an option granted over shares pursuant to the Group's SAYE Plans
"SDRT"	Stamp Duty Reserve Tax
"SEC"	United States Securities and Exchange Commission
"Second-Ranking Facility"	has the meaning given to it in paragraph 15.1.4(iv) of Part IX—Additional Information
"Securities Act"	United States Securities Act of 1933, as amended
"Security Trust Deed"	has the meaning given to it in paragraph 15.1.2(i) of Part IX—Additional Information
"SEDOL"	Stock Exchange Daily Official List
"September 2019 Scheme"	the Group's Save As You Earn scheme introduced on 1 September 2019
"Share Schemes"	the LTIP, SAIP and SAYE Plans
"Shareholders"	holders of Shares
"Shares"	ordinary shares of £0.10 each in the capital of the Company having the rights set out in the Articles as described in paragraph 4 of Part IX—Additional Information
"SIX"	SIX Swiss Exchange
"SRF"	solid recovered fuel
"Stobart Air 2019 Reorganisation SPA"	the share purchase agreement dated 21 February 2019 between SAL and Everdeal for the sale and purchase of the share capital of Everdeal in connection with a pre-sale reorganisation

"Stobart Air 2019 Sale SPA"	the sale and purchase agreement dated 21 February 2019 between the Company, SAL and Connect Airways for the sale of the share capital of Everdeal and Everdeal Employees 2019 Limited
"Stobart Air 2019 SPAs"	the Stobart Air 2019 Reorganisation SPA and Stobart Air 2019 Sale SPA
"Stobart Air 2020 SPA"	has the meaning given to it in paragraph 15.1.5 in Part IX—Additional Information
"Stobart Air Loan Agreement"	has the meaning given to it in paragraph 15.1.4(v) in Part IX—Additional Information
"Stobart Air Loan Novation"	has the meaning given to it in paragraph 15.1.4(v) in Part IX—Additional Information
"Stobart Air Reorganisation"	has the meaning given to it in paragraph 15.1.4(v) in Part IX—Additional Information
"Stobart Air Reorganisation Consideration Amount"	has the meaning given to it in paragraph 15.1.4(v) in Part IX—Additional Information
"Stobart Air Sale Consideration Amount"	has the meaning given to it in paragraph 15.1.4(v) in Part IX—Additional Information
"Toscafund"	Toscafund Asset Management LLP, a limited liability partnership registered in England and Wales with number OC320318
"Toscafund Resolution"	the Resolution approving the Toscafund Transaction, required because Toscafund is a related party transaction for the purposes of Chapter 11 of the Listing Rules
"Toscafund Transaction"	the acquisition by Toscafund of up to 82,500,000 New Shares in the Firm Placing and Placing
"Trust Deed"	the trust deed dated 8 May 2019 between the Exchangeable Bond Issuer, the Company as guarantor and U.S. Bank Trustees Limited as trustee
"TSR"	total shareholder return
"TVCA"	Tees Valley Combined Authority
"UBS"	UBS AG London Branch
"United Kingdom" or "UK"	the United Kingdom of Great Britain and Northern Ireland
"uncertificated" "in uncertificated form"	recorded on the register of members as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST
"Underlying Adjusted EBITDA"	(loss)/profit for the year from continuing operations before the impact of the loss on swaps, depreciation, amortisation, impairments, impairment of loan notes, finance costs, finance income, tax, non-underlying items included in share of post-tax profits of associates and joint ventures, litigation and claims, bad debt recovery, restructuring costs, transaction costs and new business and new contract set-up costs. Underlying Adjusted EBITDA is presented within the FY18/19 Financial Statements and FY19/20 Financial Statements where Underlying Adjusted EBITDA is referred to as Underlying EBITDA
"Underwriters"	Canaccord and UBS
"United States" or "US"	the United States of America, its territories and possessions, any state of the United States and the District of Columbia
"US Holder"	a beneficial owner of New Shares that is for US federal income tax purposes (i) a citizen or individual resident of the United States, (ii) a corporation created or organised under the laws of the United States,

	any state thereof, or the District of Columbia, (iii) a trust subject to the control of one or more US persons and the primary supervision of a US court and (iv) an estate the income of which is subject to US federal income tax without regard to its source
"US-UK Treaty"	the income tax treaty between the United States and the United Kingdom
"VAT"	(i) within the EU, any tax imposed by any member state in conformity with the directive of the council of the European Union on the common system of value added tax (2006/112/EC), and (ii) outside the EU, any tax corresponding to, or substantially similar to, the common system of value added tax referred to in paragraph (i) of this definition.
"Virgin Travel Group"	Virgin Travel Group Limited

NOTICE OF GENERAL MEETING

Stobart Group Limited

(registered in Guernsey with registered number 39117)

NOTICE IS HEREBY GIVEN that a General Meeting of the Company will be held at 10.00 a.m. on 25 June 2020. Details of where and how the General Meeting will be held can be found under the heading "Special Notes Relating to the COVID-19 Pandemic" in this Notice of General Meeting.

Resolutions 1, 2, 4 and 5 will be proposed as ordinary resolutions and Resolution 3 will be proposed as a special resolution.

Capitalised terms have the meanings ascribed to them in Part XI—Definitions and Glossary.

ORDINARY RESOLUTION 1

To consider and, if thought fit, pass the following resolution which will be proposed as an ordinary resolution:

"THAT, subject to and conditional upon the passing of Resolutions 2, 3, 4 and 5, in accordance with the Companies Law and article 37 of the Articles, the share capital of the Company be increased to £63,000,001 divided into 630,000,000 Shares and 1,000 Deferred Shares having the rights described in the Articles."

ORDINARY RESOLUTION 2

To consider and, if thought fit, pass the following resolution which will be proposed as an ordinary resolution:

"THAT, subject to and conditional upon the passing of Resolutions 1, 3, 4 and 5:

(a) the terms of the Capital Raise be and are hereby approved and the Directors of the Company be and are hereby directed to implement the Capital Raise on the basis described in the combined circular and prospectus published by the Company on the date hereof and are generally and unconditionally authorised to exercise all or any of the powers of the Company to the extent necessary to implement the Capital Raise; and

(b) for the purposes of article 7(1) of the Articles and in addition to all existing authorities, the Directors of the Company be and are hereby generally and unconditionally authorised to exercise all or any of the powers of the Company to issue Shares in the Company or to grant rights to subscribe for, or to convert any security into, Shares in the Company up to an aggregate nominal amount of £25,000,000 pursuant to or in connection with the Capital Raise, provided that this authority shall, unless renewed, varied or revoked by the Company in general meeting, expire at the close of the next annual general meeting of the Company after the date on which this resolution is passed, save that the Directors of the Company may, before the expiry of such period, make an offer or agreement in connection with the Capital Raise which would or might require Shares to be issued, or rights to subscribe for or to convert any security into Shares to be granted, after the expiry of such period and the Directors of the Company may issue Shares and grant rights in pursuance of such offer or agreement as if the authority conferred by this resolution had not expired."

SPECIAL RESOLUTION 3

To consider and, if thought fit, pass the following resolution which will be proposed as a special resolution:

"THAT, subject to and conditional upon the passing of Resolutions 1, 2, 4 and 5, and in addition to all existing authorities, the Directors of the Company be and are hereby generally and unconditionally authorised to issue equity securities (as defined in the Articles) for cash, under the authority given by Resolution 2, as if article 7(2)(b) of the Articles did not apply to any such issue, provided that this power shall be limited to the issue of equity securities under the authority given by Resolution 2 up to an aggregate nominal amount of £25,000,000, and such power shall, unless renewed, varied or revoked by the Company in general meeting, expire at the close of the next annual general meeting of the Company after the date on which this resolution is passed, save that the Directors of the Company may, before the expiry of such period, make an offer or agreement in connection with the Capital

Raise which would or might require equity securities to be issued after the expiry of such period and the Directors of the Company may issue equity securities in pursuance of such offer or agreement as if the authority conferred by this resolution had not expired."

ORDINARY RESOLUTION 4

To consider and, if thought fit, pass the following resolution which will be proposed as an ordinary resolution:

"THAT, subject to and conditional upon the passing of Resolutions 1, 2, 3 and 5, the issue of up to 250,000,000 Shares for cash at a price of 40 pence per share (which represents a discount of greater than 10 per cent. to the middle market price of the Shares as at 4 June 2020, being the last closing price prior to announcement of the Capital Raise) and otherwise on the terms set out in the combined circular and prospectus published by the Company be and is hereby approved."

ORDINARY RESOLUTION 5

To consider and, if thought fit, pass the following resolution which will be proposed as an ordinary resolution:

"THAT, subject to and conditional upon the passing of Resolutions 1, 2, 3 and 4, the issue to Toscafund Asset Management of up to 82,500,000 Shares pursuant to the Firm Placing and Placing, which constitutes a related party transaction pursuant to the Listing Rules by reason of Toscafund Asset Management being a related party because it is a substantial shareholder in the Company (being a party which is entitled to exercise control of 10 per cent. or more of the votes able to be cast on all or substantially all of the matters at general meetings of the Company), be and is hereby approved."

By Order of the Board

Louise Brace
Company Secretary
Stobart Group Limited

5 June 2020

Registered office:
PO Box 286
Floor 2
Trafalgar Court
Les Banques
St Peter Port
Guernsey GY1 4LY

Registered in Guernsey with registered number 39117

Special Notes Relating to the COVID-19 Pandemic

On 26 March 2020, the UK Government's Stay at Home Measures were passed into law in England and Wales with immediate effect to deal with the COVID-19 pandemic. Similar Stay at Home Measures have been implemented in Guernsey. The measures prohibit public gatherings of more than two people, except where the gathering is 'essential for work purposes' and also restrict forms of travel (including air travel). Whilst it is not certain whether the Stay at Home Measures (or Guernsey equivalent) will be in place in full or in part at the date of the General Meeting, the Board is taking the precaution of planning for the General Meeting on the basis that they will be. Therefore, the Board is assuming that it will not be possible for Shareholders to attend the General Meeting in person, and so it is necessary to make some adjustments to how the General Meeting would have otherwise been conducted.

The Board is keen to ensure that Shareholders are able to exercise their right to vote and, accordingly, strongly recommends that Shareholders vote by way of proxy. As no persons other than those required to form a legal quorum will be permitted entry to the General Meeting in breach of the "Stay At Home" rules, the Board strongly encourages Shareholders to appoint the Chairman of the meeting, rather than any other person, as their proxy to exercise their right to vote at the General Meeting in accordance with their instructions.

For the avoidance of doubt, it will not be possible to vote in person at the General Meeting.

The health and wellbeing of the Company's employees, Shareholders and the wider communities in which it operates is of paramount importance to the Board and the steps set out in this section are necessary and appropriate ones to take given the current pandemic.

The Board continues to closely monitor the evolving situation in relation to COVID-19 and related guidance issued by the UK and Guernsey Governments. The Board will continue to keep its plans for the General Meeting under review and recommend that Shareholders continue to monitor the Company's website and announcements for any further updates. The Board also urges Shareholders to continue to monitor UK and Guernsey Government guidance and directions in relation to COVID-19 and to act accordingly.

Electronic meeting

Shareholders may attend the meeting electronically by either downloading the dedicated "Lumi AGM" app or by accessing the Lumi AGM website at https://web.lumiagm.com.

Downloading the Lumi app

To access the General Meeting through the "Lumi AGM" app, you will need to download the latest version of the "Lumi AGM" app, onto your smartphone from the Google Play Store™ or the Apple® App Store. It is recommended that you do this in advance of the date of the General Meeting. Please note that the app is not compatible with older devices operating Android 4.4 (and below) or iOS 9 (and below).

Accessing the Lumi website

Lumi can also be accessed online using most well-known internet browsers such as Internet Explorer (not compatible with versions 10 and below), Chrome, Firefox and Safari on a PC, laptop or internet-enabled device such as a tablet or smartphone. If you wish to access the General Meeting using this method, please go to https://web.lumiagm.com on the day.

Logging in

On accessing either the app or AGM website, you will be asked to enter a Meeting ID, which is 134-961-401. You will then be prompted to enter your unique Login ID and PIN. These will be sent to you via letter or email. Access to the meeting via the app or website will be available from 9.30 a.m. on 25 June 2020.

Audio broadcast

The electronic meeting will be broadcast in audio format only. Once logged in, and at the commencement of the meeting, you will be able to listen to the proceeding of the meeting on your device.

Requirements

An active internet connection is required at all times to listen to the audiocast. It is the user's responsibility to ensure you remain connected for the duration of the meeting.

Explanatory Notes Relating to the Notice of the Meeting

1. A member of the Company entitled to attend, speak and vote at the meeting convened by this Notice is entitled to appoint one or more proxies to exercise any of his rights to attend, speak and vote at that meeting on his behalf. If a member appoints more than one proxy, each proxy, must be entitled to exercise the rights attached to different shares. A proxy need not be a member of the Company. As no persons other than those required to form a legal quorum will be permitted entry to the General Meeting in breach of the "Stay At Home" rules, the Board strongly encourages Shareholders to appoint the Chairman of the meeting, rather than any other person, as their proxy to exercise their right to vote at the General Meeting in accordance with their instructions. For the avoidance of doubt, it will not be possible to vote in person at the General Meeting.

2. A proxy may only be appointed using the procedures set out in these notes. To appoint a proxy, a member may log in to his, her or its Signal Shares account or register for Signal Shares at www.signalshares.com. An investor code will be required for this. Once registered, the member will be able to vote immediately. To be valid, the electronic submission must be registered by not later than 10.00 a.m. on 23 June 2020 (or, in the case of an adjournment, not later than 48 hours before the time fixed for the holding of the adjourned meeting).

3. Alternatively, a member may request a hard copy form of proxy directly from the Registrar, Link Asset Services, by calling 0371 664 0321 (or +44 (0) 371 664 0321 if calling from outside the United Kingdom). 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.–5.30 p.m., Monday to Friday excluding public holidays in England and Wales. If a member requests a hard copy form of proxy, he, she or it must complete and return it in accordance with the instructions printed on it as soon as possible and, in any event, so as to be received by the Registrar, Link Asset Services, PXS, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, United Kingdom, by not later than 10.00 a.m. on 23 June 2020 (or, in the case of an adjournment, not later than 48 hours before the time fixed for the holding of the adjourned meeting). Any power of attorney or any other authority under which the form of proxy is signed (or a duly certified copy of such power or authority) must be enclosed with the form of proxy.

4. In order to revoke a proxy appointment, a member must sign and date a notice clearly stating his intention to revoke his proxy appointment and deposit it at the office of the Company's Registrar, Link Asset Services, PXS, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU by 10.00 a.m. on 23 June 2020. Alternatively, a member may revoke a proxy appointment by notifying the Company in writing at its registered office before the commencement of the General Meeting, or any adjournment thereof, or the taking of any poll at which the proxy is to be used. A member may also revoke a proxy appointment by logging on to www.signalshares.com and following the instructions.

5. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so in relation to the meeting, and any adjournment(s) thereof, by utilising the procedures described in the CREST Manual. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message must be transmitted so as to be received by the Company's Registrar, Link Asset Services (whose CREST ID is RA10) by the latest time for receipt of proxy appointments specified in Note 2 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 Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 34(1) of the Uncertificated Securities Regulations (Guernsey) 2009.

6. CREST members and, where applicable, their CREST sponsors, or voting service providers, should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider(s), to procure that his 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 provider(s) are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

7. As at 29 May 2020 (being the latest practicable date prior to the publication of this Notice), the Company's issued share capital consists of 374,652,662 Shares, carrying one vote each and 1,000 Deferred Shares. The Company has no Shares held as treasury shares. Therefore, the total voting rights in the Company as at 29 May 2020 are 374,652,662.

8. Neither Toscafund nor any of its associates will be entitled to vote on Resolution 5.

9. Any corporation which is a member of the Company may authorise one or more persons (who need not be a member of the Company) to attend, speak and vote at the meeting as the representative of that corporation. A certified copy of the board resolution of the corporation appointing the relevant person as the representative of that corporation in connection with the meeting must be deposited at the office of the Company's Registrar, Link Asset Services, prior to the commencement of the meeting. However, Shareholders should note that no persons other than those required to form a legal quorum will be permitted entry to the General Meeting in breach of the "Stay At Home" rules. The Board therefore strongly encourages Shareholders to appoint the Chairman of the meeting, rather than any other person, as their proxy to exercise their right to vote at the General Meeting in accordance with their instructions. For the avoidance of doubt, it will not be possible to vote in person at the General Meeting.

10. The right to vote at the meeting shall be determined by reference to the register of members of the Company. Only those persons whose names are entered on the register of members of the Company at close of business on 23 June 2020 shall be entitled to attend and vote in respect of the number of shares registered in their names at that time. Changes to entries on the register of members after that time shall be disregarded in determining the rights of any person to attend and/or vote at the meeting.

11. Members who wish to communicate with the Company by electronic means in connection with the matters set out in this Notice may do so by contacting the Company at louise.brace@stobartgroup.com on or before the close of business on 23 June 2020.

12. As soon as practicable following the General Meeting, the results of the voting at the meeting and the number of votes cast for and against and the number of votes withheld in respect of each resolution will be announced via a Regulatory Information Service and also placed on the Company's website www.stobartgroup.com.

13. A copy of this Notice will also be placed on the website.

Toppan Merrill, London
20-20062-1